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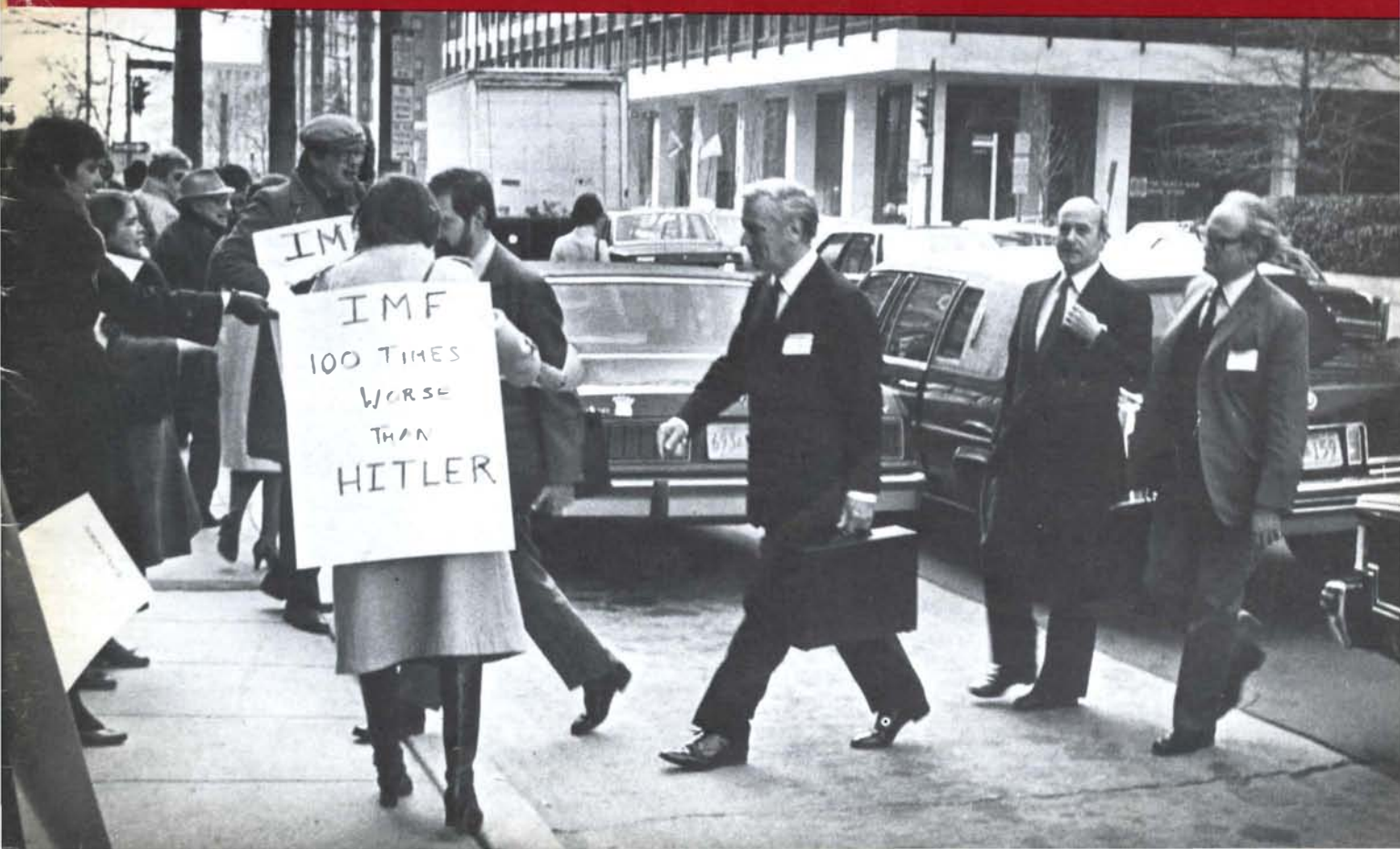
Executive Intelligence Review

March 1, 1983

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EIR

From the Managing Editor

We have made no secret of *EIR*'s commitment to the outlook of the Club of Life, the new institution voicing the common interests of the nations of the "North" and "South." On Feb. 18, at the opening sessions of Club of Life conferences in North and South America, Western Europe, Asia, and Africa, eleven hundred people met to deliberate on a resolution addressed to the Non-Aligned movement heads of state who will hold their summit in New Delhi on March 7. The draft states bluntly: "We want to encourage you to use the only means to overcome the depression, namely, the effective formation of a debtors' cartel. The disadvantage of huge indebtedness of the developing sector, for which, in our view, it is not to blame, can be turned into an advantage. You can impose an orderly renegotiation of the entire debt of the developing sector, and be instrumental in bringing about a new world monetary system in which credit will be created for production and not for refinancing paper."

EIR founder Lyndon H. LaRouche, Jr. gave a press conference during his trip to Paris for the Club of Life meeting. "The question of timing is crucial," he said. Under present economic policies, "there will be a collapse of the world economy in the first six months of 1983, and most probably in the months of March and April," once the present IMF rollover agreements with such countries as Brazil and Mexico expire.

"Thus the March Non-Aligned summit is the last moment before the debt bomb goes off. People who think they don't have to support a new world economic order now, are like the people who were celebrating peace at the end of 1939."

This week our Economics section provides intelligence on how the Club of Rome—the "counterpole" to the Club of Life—acts as the IMF's preceptor. Our Special Report presents the newest installment of our exposé of the Nazi International and the "men above suspicion" who controlled Gestapo criminal Klaus Barbie. There is a great deal more material moving into the publication stage from our investigators in Europe, the United States, and Latin America.

Susan Johnson

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The Club of Rome guides the BIS

by Laurent Murawiec in Wiesbaden

Nothing terrifies vampires as much as daylight. The mere publication of the facts in the *EIR*, and other journals internationally, is going to send quite a few of these spooky creatures, the self-proclaimed “elite” of international finance, scurrying for cover. What normally is supposed to be said only behind the iron curtain of the world’s leading financial institutions deserves to come to light, and these spooky creatures—central bankers, leading financiers, and their advisers—exposed for the dirty, cynical criminals they are.

Unless this publication of their agenda forces them to cancel their own meeting, a group of that ilk plans to convene on April 29 in Geneva, under the auspices of the Calvinist bankers’ own academic research establishment, the Graduate Institute of International Studies (GIIS). Their object is to *decide the fate of the nation of Mexico*, and thus set a “horrible example” for the rest of the developing sector.

The group that plans to converge on Geneva has been pulled together by the Bank for International Settlements’ chairman, Fritz Leutwiler, the fanatical proponent of the Mont Pelerin Society’s doctrines of genocide by monetary means, and by Club of Rome founding member Prof. Jacques Freymond, who headed the GIIS from 1955 through 1980.

Group member Claudio Segré, a former partner at Lazard Frères in Paris and a Trilateral Commission member, explained it candidly:

The debt crisis is an emergency. It broke out as an emergency. It was nobody’s responsibility; nobody

was intellectually clear on it. The individual crises were dealt with on an emergency basis. Now *we need to exert intellectual and operational leadership over the whole debt-handling process*. It is getting down to fundamental sociological concepts: Societies are driven by elites. When something fundamental is at stake, all the elements of the elites have to be pulled together in order to act. There must be no unilateral response. The situation is so serious that it just cannot to be left to the fire brigade [emphasis added].

Segré explained that a “unilateral debt moratorium is the great danger” from the developing nations, especially those of Latin America:

“The question is whether we can manage the crisis in an orderly way. How close is debt repudiation to becoming a dominant opinion? There is very little we can do to influence the thinking of these Latin Americans—even though these countries are being *threatened or convinced* not to do it. . . . At some point, one leader down there might appear at some balcony and tell the crowd, ‘We’re telling the gringos to go home!’ That is the danger [emphasis added].”

Conference organizer Freymond, who is associated with the evil Nestlé corporation, shares that view:

Bankers are far too optimistic in their view of the Third World situation. *A debt crash is unavoidable*. In countries like Mexico, or the rest of Latin America, there is a very thin layer of technocrats that respond

to the imperatives of the international community, and then an ocean of seething, radicalized populism underneath. That's what I fear most. That's all our nightmares come true! [emphasis added.]

Freymond explains, "we want to have a small group that discusses beyond the stopgap stuff that's being done by the bankers at present. We're looking into the long-term problems in order to govern the short term."

Drafted into the Club of Rome-BIS group are, in particular:

- **Fritz Leutwiler**, who is BIS chairman and Swiss National Bank governor but also a member of the pre-Christian Argovian "clan." A relative of Leutwiler is the Grand Chancellor of the Grande Loge Suisse Alpina—the Swiss freemasonry—a lodge that offers the unique characteristic of simultaneously including the Scottish and York rites *and* the Grand Orient.

- **Henry Wallich**, deputy head of the Federal Reserve Board, the son of a family of financiers that operated out of the pre-war Berliner Bank, the pivot of the slave-owning East-Prussian aristocracy's flight-capital operations;

- **Victor Urquidi**, the sole Mexican member of the Club of Rome and dean of the prestigious Colegio de Mexico think tank;

- **Nicholas Krul**, Dutch financier, a financial adviser to the Assad brothers of Syria and the Emir of Dubai, who used his earlier location at the Lombard, Odier private bank of Geneva (a bank crucial to the operations of the Nazi International and Allen Dulles's SS contracts) to create his own Gulf & Occidental outfit. Krul is a board member of the Iranian ayatollahs' support and logistics organization, Islam and the West, located on the premises of the GIIS;

- **Claudio Segré**;

- **Alexandre Swoboda**, who heads the Geneva-based International Center for Monetary and Banking Studies, a clearing house for that international network of "Delphic oracles of the art of money." A pathetic circuit of would-be magicians think that they are the only people in the world who understand anything about money, the Center is closely associated with the Jesuit and Dominican-shaped monetary doctrines of Robert Triffin;

- **Hans Genberg**, a professor at the GIIS;

- **de Kalbermaton**, Swiss industrialist;

- **Franz Lutolf** of the Swiss Bank Corporation, a bank formed in 1872 out of a series of smaller, private Basel banks historically smuggling and laundering centers for European aristocratic *fondi* monies;

- **Philippe de Weck**, former chairman of the Union Bank of Switzerland, a long-time associate of mob-financier Michele Sindona; now retired, de Weck was called in to inspect the books of the Vatican's Sindona-contaminated IOR financial house. The IOR scandal was widely considered a major financial warfare operation against the Papacy by the Scottish Rite of the Freemasonry;

- **Nestlé chairman Maucher**, who at the recent Davos European Management Forum conference called for "sanctions against developing countries that break the international rules."

Interestingly, Christopher McMahon of the Bank of England becomes apoplectic when asked why he refused to participate.

The agenda

The agenda of the meeting calls for Leutwiler to give an introductory report, followed by Victor Urquidi who will present "the internal causes of the Mexican crisis," followed by Segré on "the external causes," and by N. Krul on "possible solutions."

As Leutwiler himself recently explained on Swiss television, the solution starts from the fact that "There is no way to spare developing countries the pain of adjustment. *Countries where a majority of the population live at or below the minimum existence level will have to accept a lowering of their standards of living* [emphasis added]."

Said Segré: "The Latin Americans would pay dearly if they formed a debtors' cartel. Delfim Neto [Brazil's planning minister] would be ousted by enraged businessmen. . . . We in the West must act together, we must not move in disorderly fashion, but all together, banks, governments, central banks, industry, labor. . . ."

Now, *who* are these people who arrogate to themselves the right of settling the fate of nations, of continents? A look at the organization under whose roof the meeting is slated to take place will be an important key.

The GIIS

The Graduate Institute of International Studies was created in 1927 *as the think-tank for the League of Nations*, the first major "one-world" institution in this century. Funded then and later by the Rockefeller Foundation and the Ford Foundation, the institute became the center for training the international civil servants of the oligarchy's planned one-world empire, the procurators and the proconsuls, and more precisely, the international functionaries of empire who were going to be entrusted by national governments with the crucial job of mediating conflicts between nations.

It is important to explain why the venue for the League of Nations, and for the GIIS, should have been the Calvinist bankers' paradise at Geneva, a town built up by the Byzantine colony of Genoa as their channel into the northern reaches of Europe, and later the nesting ground for Venetian finance's radiation into the rest of the world. Geneva is the swarming place of the Protestant banker families such as the Mallets, the de Neufizes, the Mirabauds, the Necker-de Staëls, the Odiers, the Courvoisiers, etc.

The Geneva banks are the main conveyor belts of the Venetian *fondi*, family funds which amount to dozens of billions of dollars. The Latin motto *non olet* [it does not

smell], was invented for them. Drug money, arms smuggling money, the proceeds of rackets, kidnapping, prostitution, Meyer Lansky's cash-flow and those of powerful secret services—everything is welcome. Lombard, Odier; Ferriers Lullins; Pictet; Hentsch; Mirabaud; Darier; Bordier; these are the ancient *banques privées* of the city, with their families of patricians. From there, the private portfolios are re-dispatched worldwide and invested in real estate and land holdings, raw materials, high-technology industry, precious metals, Treasury securities, and high-quality stocks and bonds. The Geneva banks are the straw through which the physical world economy is sucked dry by the parasitical oligarchy.

The financiers control the University of Geneva-related GIIIS. GIIIS in turn sends its alumni out to populate the international organizations, the United Nations (League of Nations), the government bureaucracies, and the *Venetian diplomatic machine superimposed upon international relations*: the International Labor Office, GATT, UNESCO, UNITAR, the U.N. Environment Program, the Food and Agricultural Organization (FAO), the High Commissioner for Refugees, UNCTAD, UNIDO, World Health Organization (WHO), and the endless alphabet soup of other such supranational organizations.

The Faculty of GIIIS has included, either for longer tenures or conference cycles, the leading lights of the 20th century's anti-humanist doctrines: Ludwig von Mises, Wilhelm Roepke, Friedrich von Hayek—among founders of the Mont-Pelerin Society—Luigi Einaudi and Maurice Ansiaux among the early directors of the Bank for International Settlements, Arnold Toynbee, and a slew of high-level controllers of fascist ideologies—Celestin Bouglé of France, Harold Laski of the British Fabian Society, for example—as well as some fascist practitioners.

The postwar faculty has been no less remarkable from that standpoint, including the density of members of the Club of Rome. The "Pugwash" movement, the instrument of Bertrand Lord Russell's Malthusian coordination and subversion of science in both East and West, is headquartered there. GIIIS is the umbrella for a series of specialized institutes which all serve the same global Malthusian purpose, and provide the Club of Rome and its ideology with material, institutional apparatuses: the Center for Empirical Research in International Relations; the Center for Research on International Institutions, the International Center for Monetary and Banking Studies, the Asian Center, the Institut Universitaire d'Etudes du Developpement, the Institut Universitaire d'Etudes Européennes. . . .

In short, from the faculty of GIIIS emerge a significant part of the intellectual underpinnings of the world's supranational bureaucracies, and all the national layers they influence and shape. As Freymond himself recently bragged, "The important thing with Third World nations is to control their finance ministers. We control them because we've trained them. So when there is a negotiation, we're always there. We control the process."

Interview: BIS chief

Leutwiler: 'No credit, and no U.S. recovery'

This interview with Bank of International Settlements President Fritz Leutwiler was conducted in Europe on Feb. 15, provided by economist Christian Dahlberg.

Leutwiler: Whether the group pulled together by [Prof. Jacques] Freymond, whom I helped and advised, will continue in the future depends much on the quality of the discussion. As it will be strictly off the record, no one will feel that he is committed to speak on behalf of any institution. I suggested that Lamfalussy be brought in, but he cannot make it. . . . We should also have a Briton in. . . .

Dahlberg: What about the Interim Committee? Was it not a disappointment?

Leutwiler: Why should it be? Don Regan was unable to go any farther, for political reasons. He was limited; he had strict instructions, very strict. I sat right next to him at the Group of 10 meeting in Paris, when we discussed the General Agreement to Borrow [GAB], and he had strict instructions; it was totally clear that he had instructions on the numbers, on the share of the U.S. It's not bad, though. If we assume that the next quota revision will come sooner than the prescribed five-year period, it's not too bad. I would be reluctant anyway to give the Fund too much leeway now because it would give illusions to the developing countries. . . . We should give the Fund limited liquidities. We, the central bankers, can help funding in the meantime, until the quotas and the GAB come on-line. Then we can think of the next quota increase.

Dahlberg: What about the situation with the U.S. budget? Isn't that a major impediment to stabilization?

Leutwiler: Oh, don't assume it's only the United States. There is a tendency in Europe towards nationalism . . . not just the French. Even in Germany: people ask why should we spend money on Brazil, on Mexico, why don't we spend it on AEG, on helping the Swiss clock-makers? On the U.S. budget, I have become a fatalist. We have to accept it as it is. If the U.S. administration cannot reduce the deficit, who

could? I am more concerned with U.S. monetary policy. In which direction is it going? I would be pleased to think that any of my U.S. colleagues know what they are doing. I am very serious on this, very serious. But they do not know where they stand. How will the Fed react to a recovery, to increased credit demand, to the impact on international interest rates? The market knows of the deficits. This could set off false reactions, false anticipations of the market concerning monetary policies. The deficit is a fact of political life—not monetary policy.

Dahlberg: To shift to Third World debt affairs, do you think that [IMF] conditionality is tenable?

Leutwiler: Oh, would that help? If the IMF tightened, countries would sign up and not respect the conditions anyway. That's already what is happening. Mexico signed up; the Yugoslavs signed, and they won't apply the conditions. They told us; they tell us "Do you want Yugoslavia to join the Comecon? Do you want a revolution in Mexico?"

Dahlberg: In Latin America, they're only talking of one thing, a debtors' club. . . .

Leutwiler: Retired generals fighting past battles—

Dahlberg: What?

Leutwiler: I was only joking. It is a very serious situation. This is not a very optimistic view of things, but I share your feelings. I cannot express them in public, but I expect something like this to happen; I have a very uneasy feeling. I saw the Brazilians in Washington over the weekend. . . . I felt I was the one asking for money. *They told me* what to do! They gave me instructions.

Dahlberg: Were they threatening?

Leutwiler: No, no, they politely said, we need this and this and this. We need \$2 billion, 10 days from now, now you go and do your homework. . . . The Mexicans are different, but there is still a problem. The Brazilian problem right now is the most serious. . . .

Dahlberg: And then what happens when the bridging-loans expire?

Leutwiler: —You're telling me! I know the dates; I know the amounts. . . . There is not much that we can do. I tell you, it was a unique operation what we [the central banks] did. We won't do it again. We central banks, we've been working, on our side. We've done our work. We're more prepared than others, than the politicians. I would not say that we are really prepared, but we are better prepared than all the others. In September, in Toronto, we showed that it's better to take action even if we lose money. . . . We've bought time. We've studied the worst-case scenarios. We've been working on that, the central banks, my own bank. You cannot discuss it easily with commercial bankers. But it would be necessary to get them prepared. I welcome the creation of

the Institute for International Finance [Ditchley Group], although much will depend on its staff, its managing director.

Dahlberg: Who'll run the operation?

Leutwiler: Manfred Lahnstein, the German, the former finance minister. . . .

Dahlberg: What if his party [the Social Democratic Party] wins the elections?

Leutwiler: There is a very, very small chance, close to zero, of that happening.

Dahlberg: Back to conditionality—

Leutwiler: These countries don't say it now, but the feeling is growing among these countries . . . the IMF credibility could be affected. The IMF is in a very delicate position. We had this meeting with de Larosière over the week-end. He told the central bankers what they should do and to instruct the commercial banks in case of a problem with Brazil, with Mexico. It's new—de Larosière has taken a lot of responsibilities. Especially since he cannot give any guarantee that the programs will be respected, or be sufficient. If the programs were very tight . . . he could say, well I've done what I could, I can't tighten any further. Will they be implemented? I don't know. But he can say, then I've done my bit. Of course, from the debtors' standpoint, the programs may already be a bit tight, too tight. In some cases, it's considered as too tight. Take the case of Yugoslavia. The program there includes a real decline in incomes of 13 percent.

Dahlberg: Until now, debtors have been held in check by the line put out that there was going to be a recovery in the United States and then the world economy. But as this fails to materialize, and turns much worse, much worse. . . .

Leutwiler: I cannot object to that. I fully agree with you. The hope of a U.S. recovery is ill-founded, wishful thinking. Look, I see a way out, with so many *ifs* and *whens* that I don't believe in my own ways out. Theoretically we could find a way out, but it does not only depend on the behavior of the LDCs, it also depends on our own behavior, the Western countries, and the Western countries will probably do the wrong things. I don't want to scapegoat the U.S.A. but—

Dahlberg: Are you of the view that the United States should be placed under IMF conditionality? You know it is being discussed.

Leutwiler: I really don't know. I discussed with the top representatives of the administration. It's not feasible. The administration might perhaps to be induced to do it, but not the Congress. They're looking at numbers. . . .

Dahlberg: So what man's hand does not do, will nature take care of?

Leutwiler: You mean, total readjustment under pressure: That might happen, that might happen.

Central banks bicker over global policy

by David Goldman

Swiss, British, and American central banking sources report a three-way difference of opinion between those countries' central bankers at the regular monthly meeting of central bankers at the Bank for International Settlements in Basel.

The Bank of England's outgoing Governor, Gordon Richardson, and Swiss National Bank chairman Fritz Leutwiler were unanimous that the Fed's excruciatingly middle-of-the-road monetary posture would lead to the "worst of both worlds," a sharp upward spike in interest rates, and no U.S. recovery during 1983. However, they disagreed bitterly as to how the Fed should proceed. Fritz Leutwiler, the Al-berich of the world financial community, wants the central banks to trample the "illusions" of the Third World and the "wishful thinking" of the industrial nations under heel, and use monetary policy to reduce demand—essentially what Volcker did during 1981 and 1982 (see interview this issue). The British want the Federal Reserve to lower the discount rate fast and throw out concessions to so-called inflationary expectations.

According to a source close to the Bank of England's Richardson, "The Europeans' view [by which is meant Bank of England and the Bundesbank] is that they are annoyed at the Fed for listening to what they consider to be the wilder views on the European markets (that is, the Swiss), who are worried about inflation. In particular, they think that Volcker is paying too much attention to the price of gold. They think that the Fed should put more emphasis on the success achieved so far in combatting inflation. The Bank of England and the Bundesbank both think that the Fed should give the markets a clear view of what it is doing. Now the Fed is just doing what it thinks the market wants, and that leads to the worst of all possible worlds. That's why the market is so jumpy. I have never seen a market so jumpy, so susceptible to wild swings; there could be a very sharp run-up in interest rates.

"We are now moving back into the sort of psychology we had last June and July, with major differences between the Europeans and Americans. The Europeans worry that American monetary policy is much too tight, that it will abort the recovery and leave them much worse off than before."

Compare this to Leutwiler's formulation:

"On the U.S. budget, I have become a fatalist. We have to accept it as it is. If the U.S. administration cannot reduce the deficit, who could? I am more concerned with U.S. mon-

etary policy. In which direction is it going? I would be pleased to think that any of my U.S. colleagues know what they are doing. I am very serious on this, very serious. But they do not know where they stand. How will the Fed react to a recovery, to increased credit demand, to the impact on international interest rates? The market knows of the deficits. This could set off false reactions, false anticipations of the market concerning monetary policies."

The evaluation is identical, and is not unfair relative to the actual problems entailed in meeting the Treasury's possibly over \$300 billion financing requirements for this year, as shown in the accompanying table (updated and corrected slightly from a chart first published in *EIR* Feb. 15).

The International Monetary Fund's Financial Studies division guesses that the resultant gap will be met by massive foreign inflows at the expense of Europe and Japan; little wonder that the Europeans would want the Fed to reflate instead, and that European-American relations would be tense, as the Bank of England notes. Private analysts like Alan Lerner at Bankers Trust believe that the money will ultimately come from private savings drawn by higher interest rates with the result of a renewed economic downturn; Lerner thinks rates will rise sharply in the second or third quarter. The disastrous impact of a rise in American interest rates upon the bankruptcy proceedings now taking place, in fits and starts, on the international markets, was a major subject of IMF Managing Director Jacques de Larosière's talk to the Interim Committee of the IMF in early February.

Volcker's testimony before the Senate Banking Committee Feb. 16, in which he revealed his credit and monetary targets for the coming year, confirmed the profile feared by both the Bank of England and the Swiss. The chosen targets are essentially the average growth for each category during the past three years, with a 1½ percent band of fluctuation on either side.

Long-expected was the official burial of "M-1" as a policy instrument, and the adoption of credit in addition to "monetary aggregate" targets, since bank deregulation has made chopmeat of the monetary targets, poor as they were in the past. Volcker's target of 6 to 9 percent growth for bank credit corresponds roughly to the 7.2 percent growth rate during March-September of 1982, i.e., when the economy was contracting (in terms of industrial output) at a 7 percent annual rate. His total credit target of 8½ to 11½ percent also assumes a continued reduction in economic activity, given the extraordinary increase in the Federal deficit.

For the economy to receive net new credit, total credit expansion must be in excess of interest payments on old debt; otherwise, the expansion of credit will reflect net repayment of debt after interest costs are taken into account. With a nominal interest rate of 11 percent or higher on both bank debt and bonds, Volcker's targets do not make recovery possible: his Feb. 16 testimony to the Senate Banking Committee, with its dire warnings about the effects of high government deficits, implies that, although Volcker did not say

so directly. The only official agency to state the obvious in writing has been the International Monetary Fund, whose North American Secretariat warned in its current (confidential) report on the American economy that Federal financing demands would squeeze out the private economy.

The Federal Reserve staff has no good answer to this problem; one senior staffer commented, "The private market agrees with you [*EIR*]; it can't see how the deficit is going to be financed. That's why it's so jumpy."

Restrictions and solutions

Within the present boundaries of monetary policy, i.e., without some form of directed credit, there is no means to close the "borrowing gap" without accelerating the slow-motion collapse of the monetary system. That is one good reason for central bankers to bicker over the subject; as the Bundesbank must be thinking, different Federal Reserve policies imply different victims, at least in the short run. A tight Fed policy implies more capital outflows from Europe, which is precisely what Europe does not need; Denmark, Sweden, Belgium, Portugal, Spain, Austria, and perhaps even France already will have to borrow from the international agencies this year.

There is also a matter of audience. The Bank of England cannot stray too far from the blandishments of the British government respecting the British Commonwealth and British relations with the Third World; where Fritz Leutwiler projects a policy environment in which the Third World can get no money under any circumstances, the Bank of England has difficulty doing this. On the contrary, the Bank is more disposed to promise world reflation and perhaps even the "new Bretton Woods" that former British Prime Minister Edward Heath, in his capacity as a Brandt Commission member, has promised to Britain's former colonies. Leutwiler is not only more "realistic"; he also has no former colonies with whom to maintain appearances.

The conclusion is identical from the standpoint of both the United States and the developing countries—who now, ironically, appear to be pitted against each other. The United States must take urgent measures to throw out Volcker's entire set of methods (not merely his particular set of targets), or suffer a gigantic internal and external crisis; and the Third World, as Leutwiler warned, will get no money under the Volcker regime in any event.

As *EIR* has demonstrated, the United States must spend its way out of this crisis, not by "creating demand," but by financing exports, infrastructure, high-technology research, and investment, and at precisely the time when American financial reserves appear exhausted. Nothing else will work. *EIR* founder Lyndon H. LaRouche's proposal to remonetize American gold at \$500 per ounce would provide an immediate backup of liquidity with which to reduce interest rates on U.S. government debt and put the required programs into motion. Ordinary monetary tinkering will lead to the consequences which both the British and Swiss indicate.

Sources and uses of Treasury funds

	3RD Quarter	
	1982*	1983 (est.)
Borrowing	\$288.7 bn.	\$319 bn.**
Funding Sources		
Private non-financial	\$146.3	\$120
Federal Reserve	35.4	20
State and local		
government	36.7	15
Commercial banks	10.9	40
Households	34.8	35
Foreign	8.0	-12***
Corporations	7.0	3
Borrowing gap	\$ 0.0	\$98.3

*Latest complete data from Federal Reserve Flow of Funds tables.

**\$319 billion includes \$69 billion of "indirect," i.e., sponsored or guaranteed agency borrowing as announced and \$8 billion for the International Monetary Fund, both not figured into the budget, with a lower growth assumption than the administration's. It applies the Congressional Budget Office formula that each point of GNP growth equals \$10 billion in federal revenues, and concludes that the administration's \$224 billion deficit projection is too low.

***Taking into account expected net OPEC liquidations of U.S. Treasury securities; this category could change drastically under conditions of market instability.

Under reasonable assumptions, the federal government of the United States will be unable to find the resources to finance \$98.3 billion of its total requirements during the present calendar year. As the above table shows, the majority of the \$288.7 billion per year deficit registered during the third quarter was financed through traditional savings sources, i.e., financial corporations and households; the projection for 1983 assumes that these remain stable. However, special factors were present to make funds available that cannot continue. First, the Federal Reserve bought government securities at a staggering \$35 billion annual rate, bringing on the now notorious "money supply explosion"; this cannot possibly continue, as Fed Chairman Volcker insisted in recent congressional testimony; even the \$20 billion figure for Fed purchases of government securities in the projection would represent an all-time record. The shift in the Saudi surplus to deficit implies a \$20 billion net swing away from foreign purchases of U.S. Treasury securities, as shown. The enormous purchases by state and local governments reflects short-term arbitrage factors which market analysts agree cannot possibly continue. The added deficit plus reduced special factors bring the "borrowing gap" up to \$98.3 billion, implying a fiscal catastrophe for the United States this year.

De Larosière is no friend of Third World

by Kathy Burdman

At the International Monetary Fund Interim Committee meeting in Washington D.C., finance ministers of the Group of 24 underdeveloped nations not only supported a 100 percent increase in the quotas of the IMF, as the Bank of England and the British Commonwealth Secretariat had prescribed; the G-24 demanded a vast expansion of the IMF's power despite the evidence that the IMF has deindustrialized and depopulated nation after nation in the Third World.

Minister after minister said to me wishfully that while they cannot control the Western commercial banks or the U.S. government, which have withdrawn loans and aid to them, "We control the IMF." The attitude was that the IMF, as a supranational body, might force the rich North to give them a few crumbs.

This state of fantasy is due in part to the fact that Third World countries have been so battered by the international private banks of the Ditchley creditors' cartel that the Group of 24 ministers do not know what hit them. In terms of hard cash, it happens to be the case that the private banks have shut down world lending markets, and the IMF is the only entity left dispensing any funds to speak of.

IMF Managing Director Jacques de Larosière has organized a public relations campaign for many months to convince the Third World that he alone is their friend, and that only he can wring money for them from the Western banks. De Larosière has also supervised a campaign to identify the United States—and not the Anglo-Swiss oligarchic "families" who created the IMF as the principal villain.

How many Group of 24 officials know that de Larosière is an explicit advocate of mass murder and that in a secret IMF speech in August 1982, he called for the "rapid reduction" of Third World populations? In fact, as *EIR* will document in future issues, Jacques de Larosière was deployed into the IMF from the beginning not as a financial specialist or bureaucrat talented at diplomacy, but as an agent bent on destroying every sovereign nation in the Third World.

'Let's you and him fight'

De Larosière has become a master at pitting the United States and the Third World against each other in the IMF gladiator arena, while he plays Nero. One of his most cynical ploys has been to publicly decry high U.S. interest rates—which he privately supports as one of the co-conspirators of

U.S. Federal Reserve Chairman Paul Volcker. De Larosière propagates Volcker's lying argument that high rates are caused by big U.S. fiscal deficits, and has succeeded in drawing the Third World into support for the central bankers and Wall Street spokesmen, who are demanding destructive cuts in the U.S. budget, and America's submission to the IMF.

In his speech to the Interim Committee, Indian reserve bank governor Manmohan Singh, the vice-chairman of the Group of 24, illustrated the new extent of de Larosière's power. Singh began by charging that "erratic behavior of monetary aggregates" which has led to "overshooting of exchange rates"—an accurate but ill-analyzed charge that high dollar parities have hurt the Third World.

Singh declared that the private banking system is not functioning, and only the IMF can pull the world from the brink. "It is also now clear that financing on the scale needed cannot be provided by the commercial banking system alone," he said. "Events of the past year have amply demonstrated the extreme limitations of private commercial banks in channeling expanded flows to countries which in the past have had such access.

"We must now recognize that there has to be a considerable expansion of official, and in particular, multilateral [IMF] financing. The International Monetary Fund has a large and central role to play in the years ahead. Under Mr. de Larosière's dynamic leadership, the Fund has evolved in an imaginative fashion. His recent initiatives in encouraging continued flows of commercial bank lending to LDCs facing severe difficulties has contributed greatly to the restoration of a measure of stability in the international financial system. We in our countries have always looked upon him as a friend of the Third World. . . ."

Another finance minister, a leader of the Group of 24 who is committed to the industrialization of his country, was no smarter. I told him that the Ditchley creditors' cartel was a conspiracy to bankrupt viable nations. "My God," he said, "I did not know of this plan."

"But," he continued, "*we control the IMF*, and Jacques de Larosière is the friend of the Third World!" After it was explained that de Larosière works with the Ditchley private banks to deliberately force countries into IMF austerity programs which destroy them, the minister had further thoughts. "Yes," he said, "the conditionalities..."

Ultimately, those Third World ministers who have a sense of patriotism recognize that they are being blackmailed by the IMF and de Larosière. After a long discussion of de Larosière's actual intentions, the same Brazilian official asked me "Aren't you afraid they're going to kill you?" I told him briefly that Third World officials who cooperate with the IMF have a better chance of being assassinated, history shows, than those who fight; and history is now a question of the murder of entire nations and subcontinents, under the benign administration of "the Man of the Year," as Britain's Chancellor of the Treasury dubbed him at the Interim Committee meeting, Jacques de Larosière.

LaRouche at center of fight over the IMF in Venezuela

by Christian Curtis

Plans to force Venezuela to sign away its sovereignty to the International Monetary Fund began running into trouble during the last week in January. Ever since, Caracas has been rocked by headlines and televised news coverage of American economist Lyndon LaRouche's proposal for the formation of a debtor's cartel and embarrassing exposés of the IMF scheme by LaRouche associates.

Three of the four largest Caracas newspapers and two television networks have featured stories on LaRouche's offensive against the IMF, yielding almost an article a day. The Feb. 7 front-page banner in *El Mundo*—circulation 200,000—covered a detailed account by *EIR* investigators on how the country's creditor are trying to "break" Venezuela and eventually take over its oil. The same dispatch was also published in *El Universal*, regarded as the conservative, private sector daily.

The following afternoon, *El Mundo* announced on its front page that its publisher, Miguel Angel Capriles, will be a speaker at the Club of Life conference in Caracas on Feb. 23. Also highlighted on the front page was an *EIR* article exposing the connections of William D. Rogers (see below), recently hired as a "consultant" to the Finance Ministry on matters of debt negotiations, to Kissinger Associates, the private British intelligence firm. In Venezuela, which was one of the strongest defenders of Argentina during the Malvinas war, the "British" label is tantamount to political herpes.

The same issue of *El Mundo* carried an interview with *EIR* Ibero-America editor Dennis Small on the campaign of the Club of Life to destroy the Club of Rome (see page 43). Small's exposé of the racist NATO-oligarchical links of the Club of Rome founders proved embarrassing for Club of Rome president Aurelio Peccei, who was in Caracas at the time—supposedly to contain the rising LaRouche influence.

The high profile of the "LaRouche factor" has created a ruckus within the government. The finance ministry on Feb. 7 was besieged by reporters wanting to know if the IMF was indeed putting the screws on Venezuela. Although the ministry denied that the IMF had anything to do with Venezuela's ongoing attempt to renegotiate the \$8.7 billion in short-term debt coming due this year, it did say that the banks are putting "pressure" on Caracas to pay off the whole amount, rather than refinance it—a pretty amazing revelation in itself. This

demand was alluded to the previous day by President Luis Herrera Campins (see below).

The same day the finance ministry was citing pressure to amortize all its short-term obligations, President Herrera stated that Venezuela is being subjected to "psychological warfare" of the exact same type "as what occurred in Mexico" last year. This is no casual observation. Since the Mexican crisis began, the official Venezuelan line has been that it was a result of mismanagement, nothing else. More importantly, the statement by Herrera Campins is the first government acknowledgement that Venezuela is indeed getting "the Mexico treatment"—exactly as *EIR* warned more than five months ago.

Herrera may also be having second thoughts about some of the advice he has been getting from people around his finance minister, Arturo Sosa. It is certainly no secret either in Caracas or in the financial capitals that Sosa wants to play the banks' game of sending Venezuela to the IMF first. Since no one goes to the IMF any more willingly than they would to the electric chair, the idea is to have Venezuela's refinancing effort collapse so badly that Sosa can then tell his president that the only cash to be had anywhere is at the Fund.

Sosa wrapped up the first leg of his current tour to bankers' doorsteps in mid-February in New York. Everything went according to plan: he didn't get a penny. As one financier confided, "They came up here without a comprehensive plan, they were arrogant—that sort of thing. The banks were turned off." Of course, the fact that while Sosa was in town Moody's and Standard and Poor both dropped the rating on Venezuelan financial paper a notch helped a lot. Now, with the banks threatening to call in almost \$9 billion this year, Venezuela's respectable \$10 billion in reserves—already being chiseled away by capital flight—could dry up even more quickly than most observers thought possible.

But a rebellion in Caracas corridors against Sosa could mean all IMF deals are off, and the "LaRouche" factor could trigger the whole affair. As Dennis Small reported from Caracas, the rapidly growing sentiment in favor of exchange controls is so strong—even among Sosa's own subordinates—that it is hardly containable. There is also growing support for a policy of joint Ibero-American debt renegotiation, a policy first suggested last year by LaRouche in his

“Operation Juárez” document, and a policy that has been expressly denounced by Sosa.

At this point, it is clear that by at least destabilizing the financial oligarchy’s plans for Venezuela, LaRouche has gummed up a vital part of the scheme to carve up the Third World and place it under complete IMF control.

With characteristic tact and style, the U.S. embassy in Caracas has shouldered its assignment from Washington of stopping LaRouche’s influence. Not counting various instances of reporters and political figures getting “leaned on” by embassy bullet-heads, the embassy has been handing out fliers citing Wharton’s econometric forecasting service and other operatives on how 1983 will finally be the year of the “recovery” of the U.S. economy. *EIR*’s Small fouled up this ploy when he appeared for a half hour on a nationally televised talk show describing the LaRouche-Riemann model and showing charts documenting how it has proven correct in its forecasts when every other computer model—including Wharton’s—has failed. And the LaRouche-Riemann model shows no recovery in 1983 or any other year, unless there is an immediate transition to a New World Economic Order.

‘Venezuela is getting the Mexico treatment’

At a press conference Feb. 7, President Luís Herrera Campins vehemently denied insistent rumors of imminent devaluation or exchange controls, and compared these rumors to what occurred in Mexico last year:

We have justly warned against a type of psychological warfare that is being carried out around these questions to weaken the banking system, above all with a series of rumors the same as what was done in Mexico, and which, combined with the situation there at the time from the economic point of view, brought on the financial problems that that country has today.

On Feb. 6, President Herrera spoke of the arm-twisting being done by the banks:

This country can be sure that the government is treating with seriousness and moderation the economic difficulties that have arisen as an effect of the deterioration of the economy of the world and of the American continent. That is why we want to renegotiate part of our foreign debt. . . . But the truth is that there is pressure being exerted on Venezuela to pay, and this is one of the things we must keep in mind. Venezuela has been and is a good payer.

‘Like putting Dracula in charge of a blood bank’

On Feb. 8, El Mundo published an NSIPS dispatch on revelations made by EIR investigators into the recent hiring of former Assistant Secretary of State and member of Kissinger Associates William D. Rogers by the Venezuelan finance ministry as a consultant on foreign debt negotiations. The article carried a boxed front-page headline that read: “Having William D. Rogers as financial adviser is like having Dracula as president of a blood bank, says Executive Intelligence Review magazine.” Below, we reprint the story.

William D. Rogers, former U.S. Under Secretary of State and recently named official “adviser” to the finance ministry of Venezuela on foreign debt matters, is the agent of a private branch of British intelligence that operates under the name of “Kissinger Associates.”

According to the weekly *Executive Intelligence Review*, the relevant facts on the Rogers case are as follows: The supposed consulting firm of Kissinger Associates, with offices in Washington and London, and of which Rogers is a founding member, is named after one of its principal partners, former Secretary of State Henry Kissinger, who has admitted publicly that he directed the State Department on behalf of British strategic interests. For the past decade, Kissinger has been Rogers’s superior inside as well as outside the U.S. government.

Kissinger Associates was founded during the Malvinas war, and one of its first contracts was with the British government. Its job was to dissuade Argentina from freezing British financial assets in that country.

Other members of Kissinger Associates include:

●Lord Carrington, the former British foreign minister who prepared the Malvinas war and, through Kissinger and Haig, engineered U.S. support for Great Britain.

●Robert O. Anderson, chairman of the Atlantic Richfield oil multinational and of the Aspen Institute, a promoter of the zero growth line of the Club of Rome, with which it maintains regular relations. Anderson travels frequently to Moscow to meet with D. Gvishiani, son-in-law of Alexei Kosygin, and with other prominent friends of KGB Gen. “Kim” Philby, the supposed defector from the British secret services.

●General Brent Scowcroft, Kissinger’s assistant on the U.S. National Security Council and later National Security adviser to President Nixon.

●Pehr Gyllenhammar, head of Volvo and a director of

the Skandia insurance empire, which is one of the principal investors in the private Washington-based intelligence firm called IRIS. The directors of IRIS are former U.S. Secretary of Defense Robert McNamara and former British Prime Minister Edward Heath. Gyllenhammar is a director of Aspen Institute as well as of Chase International Corporation.

It was in a speech at Chatham House in London last May 10 that Kissinger confessed his career as a British agent: "During my term in office I kept the British Foreign Office better informed and more closely briefed on many matters than the U.S. State Department," he said, adding that Great Britain "is not powerful enough to influence American policy by the traditional means of pressure." Rather, the British had to make use of "discreet advice."

During the past decade, Kissinger has been named as the intellectual author of the assassinations of three heads of state: Salvador Allende of Chile, Zulfikar Ali Bhutto of Pakistan, and Aldo Moro of Italy. Kissinger's role in the Moro case has been substantiated recently in the Italian courts, which tried the material authors of the crime.

A spokesman for *Executive Intelligence Review*, on reviewing this information, commented: "Having Rogers, of Kissinger Associates, as a financial adviser is like having Dracula as president of a blood bank."

'There will be no 1983 economic recovery'

Leonardo Montiel Ortega, a well-known economist and politician, was asked by the Caracas daily 2001 what he thought of prospects for a recovery in 1983. His reply, printed in the Feb. 7 issue, is excerpted below.

Dr. Leonardo Montiel Ortega states that there will be no world economic recovery unless the problem of the gigantic debt of the developing countries is resolved.

The economist, presently the director of the Economic Research Center of the Universidad Santa María, made the statement upon being asked about the recent Bank of America report which estimates there will be some improvement in the world economy in 1983.

"The condition of the world economy is truly worrisome, even more so now that it is clear that the predictions made by the most internationally authoritative institutions were mistaken when they projected a growth in the GNP of the Western world for 1982."

He said that this mistake was not small-scale, and that the predictions were in error by more than 10 points. "In the case of the United States," he emphasized, "all the econometric

predictions pointed to an increase in tangible production of 3 percent for 1982, but in fact the American productive apparatus reduced its real production by around 7 percent."

He affirmed that this situation would repeat itself this year, despite the positive predictions on world output and U.S. GNP made by Bank of America.

"I am not optimistic in this regard, because there are other econometric measurements made with instruments that are much more real, which are indicating a new contraction in American production that may be greater than 10 percent.

"I am inclined," he added, "to think that the contraction tendencies projected are more in line with reality because unless the problem of the gigantic debt of the underdeveloped countries is resolved, the aggregate demand of the poor nations will not be able to reach normal levels, and therefore international trade will decrease and continue decreasing significantly in the future."

'We save ourselves together, or perish'

The following excerpted essay appeared in the Feb. 3 issue of El Diario de Caracas. The essay was written by Juan José Monsant, the director of international affairs of the Copei [Christian Democratic] party. The op-ed was titled, "The Global Debt."

Given the increase in petroleum prices during the 1970s, Venezuela embarked on the task of using that fiscal surplus to deal with the country's development in a global manner, sometimes with unrealistic plans, or plans that were not well prepared regarding what to do with that amount of money that we still lacked, but which, well utilized, could permit takeoff. That was when we began the process of increasing indebtedness that has brought us to the present situation, in which we are pressured by the international banks backed by their respective governments in order to ensure payments once oil prices make a significant drop.

If to this we add that in general, raw materials prices have fallen on the international markets, and that trade among nations has been restricted in part because the peoples of the Third World—oil producers or not—no longer have enough money to buy manufactured goods from the industrialized countries, we observe that we are necessarily in the midst of a reordering of the international economy. It is true that the bankers are afraid of the possibility of not being able to collect over the short term.

Now the international banks fear for the investments they so zealously sought, and today they pressure, cut off, devalue currencies, impose conditions and development models through the "Chicago School" or Manchesterian free trade,

which has proven its failure in Chile and Brazil; because the structural and psychological conditions are different from those in the industrialized countries. At any rate, I don't think we Venezuelans are disposed to accept the social cost. . . .

The solution, the negotiation of the foreign debt, the development plans, and the equilibrium of different economies, must necessarily be the result of a search for common interests—because we either save ourselves together, or we perish together. One need only ask oneself what would happen if the debtor nations of Latin America declared themselves insolvent; not the British fleet nor all the Gurkhas in the world would be enough to invade from Venezuela to Tierra del Fuego. For this reason, it is perhaps worthwhile to consider a joint renegotiation of the foreign debt to create a new policy and a new international order, lack of which is being felt so much in the world.

'Why not just simply hire Henry Kissinger?'

The following are excerpts of the editorial comment by El Diario de Caracas of Feb. 4 on the appointment of William D. Rogers as adviser to the finance ministry. It was titled, "After Rogers . . ."

The decision taken by the finance minister, Arturo Sosa, makes sense, seems logical. Who better than a respectable and respected person, with financial experience and personal influence in the United States, to take over this unsettling matter. William D. Rogers meets all the requirements.

But now that the first step has been taken, defying all the criticism that some rabid nationalist layers will undoubtedly raise, the applicability of this model to other areas of public administration and affairs of state should be considered.

For example, we could contract Henry Kissinger as adviser on foreign affairs: No one could argue the merits of Kissinger, the great architect of war and peace, winner of the Nobel prize. He would be an excellent minister of foreign relations; he understands the Arabs, is a personal friend of Yamani, and is intimate with David Rockefeller.

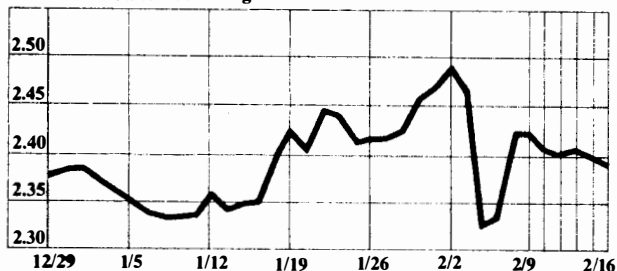
One or more former directors of the CIA must also be available to take charge of intelligence matters. There are Clark and Helms.

Within two months the current chairman of the Federal Reserve, Paul Volcker, the homologue of the president of the Central Bank, will also be available. . . .

Currency Rates

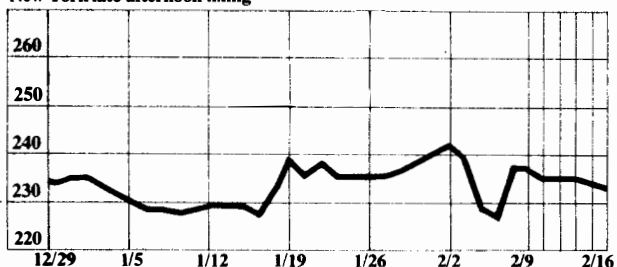
The dollar in deutschemarks

New York late afternoon fixing



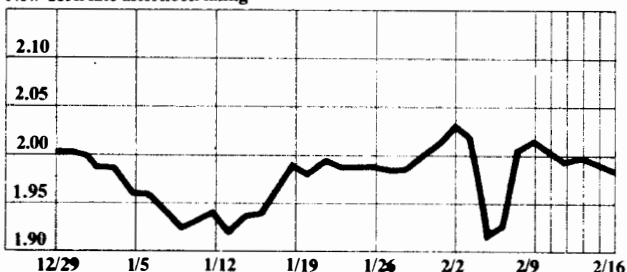
The dollar in yen

New York late afternoon fixing



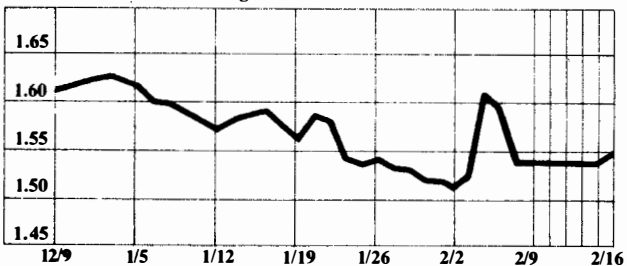
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Bush group boosts the Fed's power play

by Renée Sigerson

A big question on Capitol Hill these days is which of several suggested bills Congress will move to attach to the administration legislation calling for increased U.S. quota payments to the International Monetary Fund. It has just come to light that one of the policy bodies shaping congressional action on this front is the low-profile Working Group on Regulation of Financial Institutions, pulled together in January under the chairmanship of Vice-President Bush. The bill the Bush committee favors for passage alongside the IMF allocation would pave the way for the Federal Reserve to exert exclusive regulatory authority over the U.S. banking system.

The bill, S. 502, was drafted for the Senate Banking Committee in mid-February by Senators Proxmire and Heinz. According to various sources, Bush's working group helped them to design the bill to make it palatable to a President who otherwise is strongly opposed, on ideological grounds, to toughening the powers of governmental regulatory bodies.

The way the IMF quota legislation is being played in Washington is that Congress will balk on giving the banks which have made international loans a bailout, unless it can also "punish" them with increased government control. Of numerous bank regulatory bills proposed, the Heinz-Proxmire bill is the most likely to get through because of the "authority" of its supporters.

The Bush team was formed as a subgroup of the Task Force on Regulatory Relief, created in February 1981, with the assignment to make recommendations for "lessening the regulatory burden on the American public," according to a press release. Nominally, Bush's group is seeking to design its own bill, targeted for mid-October, which will provide recommendations for "simplifying" the regulatory process for the financial sector.

From current readings, the Bush committee is aiming to further integrate the banking and insurance industries under one regulatory system, partly by drawing the insurance companies into providing private guarantees for bank deposits. In combination with S. 502, this would give the Federal Reserve complete say over nearly all financial resources.

The working group, formed in January, is composed of the heads of all the regulatory agencies which oversee financial institutions: the Federal Deposit Insurance Corporation, the Federal Reserve, the Comptroller of the Currency, and the Securities and Exchange Commission.

Rumors persist in the private banking community and among the regulators themselves of fights and disagreements between the Federal Reserve and the Comptroller of the Cur-

rency's office over how to handle the increasing number of crisis cases. The root of these disagreements appears to be a concern at the U.S. Treasury, where the Comptroller's office is based, that if the authority of the Fed is expanded at the expense of the authority of the other regulatory agencies—which is what the Heinz-Proxmire bill provides for—the Treasury will be shut out of any control over U.S. banking.

The Heinz-Proxmire bill calls for the Federal Reserve Bank to have exclusive authority in:

- Imposing country lending limits: currently banks have limits on how much they can lend to any single entity abroad. The new limits would restrict the volume of lending to every entity in a foreign country, taken as one lump sum;

- Imposing penalty reserves: the Fed would have the exclusive right to tell a bank when it would have to put aside loss reserves for a loan declared sub-standard;

- Estimating rescheduling fees: banks are now receiving fees for rescheduling loans which foreign countries cannot immediately repay. The regulators would forbid the banks from counting those fees, in aggregate, as income toward earnings and profits.

While the Bush team claims that the work they are doing on their own bill is occurring independently of the debate in Congress on bank regulation, Peter Breeden, the Bush team's chief spokesman, said in an interview: "Watch Proxmire. He, in contrast to many other senators, has the authority to get a bank regulatory bill attached to the IMF legislation."

Proxmire's office, meanwhile, claims they wrote their bill with help from Bush's office.

Breeden views other bills that have been proposed in Congress as "too draconian" to ever have a chance of convincing Mr. Reagan to sign them into law. Chief among such proposals is the bill suggested by Senator Bradley and Congressman Schumer to force the banks, en masse, to reschedule a large portion of back loans on a 10 to 20 year basis, under the management of some international regulatory agency which would monitor the banks' activities. While Bradley's proposal—which is modeled on a blueprint circulated internationally by Felix Rohatyn of Lazard Frères—has received ample coverage in the *New York Times* and *Washington Post*, the White House-based Bush team gives the plan no chance of passage. "If Teddy Kennedy were President," the spokesman said, "what Mr. Rohatyn had to say might have more of a chance."

Rohatyn's bill is only "more draconian" in its immediate effects. Giving exclusive power to the Federal Reserve in monitoring the soundness of the entire U.S. banking system opens the gateway for top-down cartelization of all U.S. bank lending anyway. The Fed bears no responsibility to any elected government office. Further, the Fed's actions on these questions are heavily swayed by pressures from the Bank for International Settlements, the secretive central bankers' club which meets monthly in Switzerland to deliberate on world monetary affairs.

U.S. bankruptcy wave spreads

It's an odd recovery as regional banks receive a Fed crackdown and industrial producers throw all their cash into debt finance.

Dun & Bradstreet, the credit-rating firm, reports that this year's bankruptcy rate is already half again as high as last year's.

The bankruptcy numbers belie the euphoria associated with the 0.9 percent rise in the industrial production index. A poll of industrial and transportation associations indicates that no rebuilding of inventories is under way; an American Trucking Association's economist, for example, emphasizes that the continuation of less-than-truckload use of common carriers' space indicates that industries are still living hand-to-mouth. The association reported limited euphoria among some of their members in response to the recovery hype, and selective inventory purchases in a handful of sectors, but no basic change in members' willingness to expand operations.

The internal financial resources of the corporate sector, as the bankruptcy rate shows, are inadequate to conduct inventory rebuilding. Meanwhile, Federal Reserve Chairman Volcker's bank credit target of only 6 to 9 percent is an official statement of what most private analysts insist in any event: that any spark of private credit demand would immediately fall under an interest-rate steamroller.

Meanwhile, the bankruptcy of Tennessee's second largest bank, the \$760 million United American Bank of Knoxville, the weekend of Feb. 12, has sent shivers through the American banking community.

On Feb. 12, the governor of Oklahoma went on radio to announce that he fears that 25 banks in his state could

go bankrupt because of the falling price of oil. These Oklahoma banks have lent substantial sums to the oil industry, loans which will go into default as struggling oil companies are forced to close up shop because their revenues don't cover operating expenses.

According to Federal Reserve officials, the closure of the Knoxville Bank was a "warning" to regional bankers that a regulatory crackdown has begun. The Knoxville Bank itself, controlled by Bert Lance associate Jake Butcher, had enmeshed itself in bad real estate and other lending, notably in the case of the disastrous Knoxville World's Fair. When state and federal banking inspectors moved in, they found \$50 million in bad loans, as opposed to the \$3 million reported by United American Bank.

Although the Knoxville bank closure was justified by normal standards, the Fed timed it to warn regional bankers that a crackdown was in preparation. Not only oil-related lending will run into more trouble, one Federal Reserve analyst said, "The big one we are watching is agricultural banks."

A bankruptcy wave in the corporate sector is coming from the opposite direction, in a pincers movement against America's credit system. Tiger International, with a half-billion dollars in assets, announced Feb. 15 that it has suspended payments on both interest and principal on \$1.8 billion worth of debt. The ailing airline, now in technical default, lost \$136 million last year, and blamed its current difficulties on the "world-wide economic recession."

Officials for the Washington Public Power Supply System (WPPSS), the leading utility system for Washington State, told House Interior subcommittee hearings Feb. 15 that it could default on the bonds of two now-canceled nuclear power plant projects by April. WPPSS officials said that the supply system owes roughly \$194 million by July 1 for the plants, whose cancellation was forced by an alliance of environmentalists and Wall Street bankers, and that it only has \$90 million in the bank. If the WPPSS cannot make payment, the utility may be thrown into bankruptcy, and the unprecedented situation would be created in which a state might have no power supply.

According to Dun & Bradstreet, the bankruptcy of U.S. businesses is running at 600 per week for 1983 thus far, which is 30 percent higher than 1982, which itself had the highest level of bankruptcies since 1933.

Federal Reserve Chairman Paul Volcker, in testimony before the Senate Banking Committee on Feb. 16, confirmed indirectly that Fed policy is to continue the bankruptcy wave, by announcing a "target" for banking credit expansion of only 6 to 9 percent per annum. With a prime lending rate of 11 percent, which means annual interest charges on bank credit averaging above 14 percent, debtors will be unable to "roll over" their debts. Instead, they will have to continue to liquidate inventories, lay off workers, and postpone capital investment to pay off the principal sums on their outstanding loans. Those companies which have already cut to the bone will go bankrupt.

EIR sticks to its projection that the Federal Reserve's current policy stance implies a reduction of physical output in the U.S. economy at a 3 to 4 percent annual rate during 1983.

Gold reappears in the monetary debate

Mundell's views on gold, IMF Special Drawing Rights, and the need for a \$1 trillion central bank.

Professor Robert Mundell, the ultimate guru of "supply-side economics" and a figure of remote but significant influence in policy circles around the Reagan administration, re-opened the gold debate in public with a Jan. 31 essay in the *Wall Street Journal* ("Selling the White House on Gold-Backed SDR's," Feb. 15). In a Feb. 10 discussion, Professor Mundell clarified his published views, and argued that the International Monetary Fund and the IMF paper world currency, the Special Drawing Right (SDR), cannot work in their present form. He called for a new institution, a "trillion-dollar world central bank."

Mundell insists that progress toward his proposal for a world central bank is "coming very fast," and was anxious to give the impression that members of the administration were on this track. Arguing against the expansion of the International Monetary Fund, Mundell believes that the Bretton Woods institutions were compromised fundamentally by the concession to floating rates and the demonetization of gold. In response to proposals for a major expansion of the IMF's SDR, he said, "SDRs are small potatoes. How many of them are there now? The SDR is not an asset. It is not backed by anything. SDRs are a red herring; gold is not a red herring—it is the answer to a sound monetary system—but the real problem is the debt."

Mundell's argument is that the IMF must be replaced. He says, "To function, the SDR has to be a convertible SDR [that is, convertible into other

currencies], and the IMF does not have the right to make the SDR convertible; it abandoned that right when it moved to floating rates." I.e., by eliminating any criteria for fixing the value of the SDR, the Fund eliminated the ability to fix the ratio of SDRs to anything else, and make it a convertible asset.

A bank of issue must be sovereign; it must be able to set the standard of the currency it issues. A national central bank does this through its power to tax. But if the IMF receives the power to issue an international currency in significant amounts, it must also have the power to force the governments who issue these currencies to fix their exchange rates against each other, or gold, or both.

Mundell repeated, "The SDR may be useful, but it's a red herring. I am not even sure that the issue is gold, although gold is the answer to a sound monetary system. The debt problem is the real issue. The SDR is one of the things that got us into the problem in the first place. What is required is a major shift in attitudes. The debt problem requires systematic funding through a new institution. This can either be the U.S. Treasury, or a group of creditor countries, or a multilateral institution—it should be the latter. [EIR's] old proposal to forgive the debt is attractive; it may even come to that, or may end up that way although under a different name."

What did Professor Mundell think of the relatively small quota increase offered by the just-concluded meeting of the IMF in Washington? "If there is

something more imaginative in the works, no one would want a big increase in quotas," Mundell answered.

"The broad outlines of my article are going to come fast, because it is the only solution. The IMF doesn't like it, because the new institution is in competition to them. But people may be thinking about this. The United States may begin to realize that more patchwork won't work. The IMF is now just being patched up. Why patch up an old thing when you can get a new one? Ronald Reagan is old enough to see this, and he is brazen enough to go for a big one—and I am talking about a \$1 trillion central bank."

Robert Mundell is a Canadian, not American, citizen, and his professional career was spent in the orbit of the Bank for International Settlements and International Monetary Fund. His link to the "patriotic" supply-siders is somewhat ironic.

Mundell's closest friend in the Congress, Rep. Jack Kemp (R-N.Y.) made the same pitch to President Reagan during a private meeting at the White House Feb. 14. Arguing that the administration should not support any quota increase whatever for the International Monetary Fund, for the "bankrupt old system," Kemp urged the President to accept the Mundell plan for a new world central bank and a "new Bretton Woods conference" to fix exchange rates. The President, an aide reported, argued back that the recovery now in progress in the United States will alleviate the world crisis, and that the United States should view the IMF quota contribution as a way to buy time.

"The President will not move on this until there is a crisis in the markets," said a Kemp aide.

EIR's regular gold columnist, Montresor, will return in future issues.

Business Briefs

Econometrics

Wall Street Journal echos EIR

Confirming EIR's assertion that the LaRouche-Riemann Economic Model alone has been able to make accurate predictions of both the long-range and intermediate-range course of the economy, the *Wall Street Journal* gave lead coverage Feb. 17 to the failures of all other econometric models. Excerpts from the article, entitled, "Clouded Vision: Forecasters Overhaul 'Models' of Economy in Wake of 1982 Errors: They Admit They Heralded a Recovery Too Quickly But Learned a Lesson: Critics Fear Future Mistakes," follow:

"If talk of an economic recovery this year sounds familiar, it is because most economic forecasters also predicted a recovery last year—and they were dead wrong.

"I've been forecasting 15 years, and last year was the worst," admits Lawrence Chimerine, the chairman of Chase Econometrics of Bala-Cynwyd, Pennsylvania, one of the nation's largest economic forecasting firms. In late 1981, Chase Econometrics assured its 650 clients—who pay \$15,000 to \$22,000 for its forecasts—that the recession would end in the second quarter of 1982. But the slump dragged on all year.

"Chase Econometrics has plenty of company. The crystal balls of such leading prognosticators as Data Resources Inc. and Wharton Econometric Forecasting Associates also were faulty. Indeed, for most economic forecasters last year's predictions were the worst on record, says Stephen McNees, a Federal Reserve economist who monitors such forecasts. And Treasury Secretary Donald Regan says overly optimistic government forecasters, . . . 'missed the whole thing. . . .'

"Economic models 'are irrelevant,' declares Gary Shilling, the head of a New York consulting and forecasting firm bearing his name. 'They're based on a normal postwar business cycle. But every forecaster these days should get up in the morning and while brushing his teeth say, "This is not a normal post-war cycle. . . ."'

"The models predicted solid economic growth for the second half of 1982, overestimated the inflation rate, and underesti-

mated the unemployment rate. . . ."

As EIR has reported, its U.S. forecasts for the past 13 quarters have been right on target, unlike those of any competitor.

World Debt

Peruvian politician backs joint renegotiation

Peruvian congressional leader Alvaro Landini has called for his country to act on a continental scale for a global debt renegotiation, Lima's *El Observador* reported in mid-February. Landini, a member of President Belaunde's Accion Popular Party (APRA), received the support of the social democrats around the APRA party. APRA's secretary-general, Allen García, urged his colleagues on the floor of congress to back up Bolivian President Siles Zuazo's inaugural call for joint debt renegotiation.

Peru is also resisting IMF demands to trim the budget by one-third, which, not coincidentally, corresponds to the sum of Peru's foreign debt. *El Observador* notes that the country's reserves are currently down to a drastic \$682 million, less than the \$750 million required for three months of import needs. The conclusion of *El Observador* is that the debt should not be paid, since this would only "increase IMF dictatorship" over the country.

Public Policy

Rockefeller sets up debt-collection body

The Council of the Americas, created by Rockefeller and Morgan banking interests, has set up a new Commission on Latin American Debt and Governmental Politics. The Commission was initiated directly by the Ditchley Group of private bankers and David Rockefeller, according to a Council of the Americas spokesman, with the express purpose of drafting a uniform policy on dealing with Latin American debt. This policy is intended for both the Democratic and Republican party platforms for the 1984

presidential campaigns.

The new commission's policy recommendations, the spokesman continued, will become debt policy for the next U.S. administration, and it is likely that the Reagan administration will adopt these recommendations for the interim period.

According to a member of the Commission, the group will be run by a steering committee headed by former Carter State Department official Robert Hornmats and Celanese Corporation chairman John McCumber. Members include David Rockefeller; William Ogden, the Chase Manhattan official who chairs the Ditchley Group; Russell Marks, head of the Society of the Americas; and Robert Lindsay, vice-chairman of Morgan Guaranty and responsible for the bank's Ibero-American operations.

The source admitted that Rockefeller, although de facto chairman of the commission, did not want his name linked with the group, since that would "poison our work with the developing sector." Nor does the commission want the formal participation of the IMF or the Bank for International Settlements, since that would make it appear to be merely "a subcommittee of the international enforcers."

The commission will be unveiled at a New York press conference on Feb. 24.

International Credit

Chase takes off the gloves to LDCs

Making no attempt to veil its threats, Chase Manhattan's Economics Group informed the world's non-oil-producing LDCs that there will be no more credit and no less domestic austerity in 1983—which means genocide for these nations' populations.

In its Feb. 14 *International Finance* newsletter, Chase "warns" the developing sector that any "second looks" at economic priorities, in the context of "rising optimism" about lower oil prices and a possible recovery in the United States, will not be tolerated by the "taskmasters" of the "international banking community."

The current-account deficits of these LDCs fell by some \$10-12 billion last year,

the newsletter states, for the most part against the will of those nations, due to depressed commodity prices, stagnant trade, and high interest rates. Chase fails to note that all three of these factors are deliberate policy on the part of the international banks.

But, Chase warns, the purpose of any drop in world oil prices is not to alleviate the crisis. Any "intense domestic pressure" within developing-sector nations to take advantage of lowered interest rates and cheaper energy must be contained, because there will be no change in lending policy.

There was a drop in net private financing of non-oil LDCs, Chase states, but that drop would "have been even more abrupt without collective action to sustain various large debtors," i.e., without the IMF's dictating severe domestic austerity to Mexico, Brazil, and other nations. This policy will remain in effect, with IMF and private-sector lending going solely to those LDC nations possessing some "collateral"—oil.

Comecon

Poland's debt team replaced in shake-up

The leadership of Bank Handlowy, the foreign trade bank that handles the renegotiation of Poland's foreign debt, is changing hands. Both the bank's Chairman, Stanislaw Kobak, and his top deputy, Jan Woloszyn, will leave. Kobak has held his Bank Handlowy post only since mid-1982, but Woloszyn's career in Polish banking goes back many years, and he was lead negotiator at the sessions where Poland's 1981 and 1982 debt to commercial banks was rescheduled.

The shuffle of banking personnel follows a review of debt policy that is apparently still in progress. Poland's application to join the International Monetary Fund may not be considered until late 1983, according to New York banking sources, and in the meantime, Polish economic officials are understood to be studying alternative approaches to the debt crisis; one of these would be common efforts with Third World nations in a debtors' cartel, to obtain long-term rescheduling and new credits to finance investment and revive trade.

The commercial banks' Vienna-based coordinating committee for Poland, *EIR* has learned, recently sought to send a team to Warsaw to begin negotiations about payments due in 1983, but was told not to bother until further decisions had been made by the government. Woloszyn, who will retire, is wistfully described by creditors as "a moderate." London sources acknowledge that Finance Minister Stanislaw Nieckarz will have increased influence and that Nieckarz is collaborating with Deputy Prime Minister and Planning Commission chief Janusz Obodowski. The latter has publicly advocated that Poland make a joint policy with Third World debtors.

Oil Products

OPEC members liquidate foreign holdings

As a result of collapsing oil income, Nigeria is reported to have begun withdrawing funds from Japan, JIJI press reported. Feb. 14. Japanese Central Bank governor Haruo Maekawa informed the Japanese cabinet about the withdrawal. The amounts were not revealed.

Japanese banking sources speculate that Nigeria, which is faced with a massive budget deficit, liquidated Japanese government securities, in which the majority of OPEC deposits in Japan are made.

The Japanese daily *Yomiuri* reported Feb. 15 that since 1981 there has been a marked downturn in OPEC investments in Japanese bonds, as a result of the decline in oil income from declining oil prices. Saudi Arabia's purchase of Japanese bonds was half of the 1981 level in 1982, dropping to \$2.7 billion. Kuwait is reported to have liquidated nearly \$500 million in Japanese bonds in the fourth quarter of 1982.

According to New York analysts, the "inevitable" withdrawal of OPEC funds from foreign institutions will begin with Japan, since it is the "least lucrative market." Continental Europe is seen as the second investment area where withdrawals will soon occur. OPEC investors will leave funds in the United States, while it maintains high interest rates.

Briefly

● **RICHARD LYNG**, a deputy secretary with the U.S. Department of Agriculture, told European and Japanese representatives that their nations' agricultural policies were "contrary to a policy of liberalized trade." Speaking at the early February Second European Agricultural Conference in London, Lyng urged that other nations adopt U.S. policies of dropping price supports and dumping on the world market.

● **THE AMERICAN** Iron and Steel Institute reports that steel imports into the U.S. dropped 16.3 percent in 1982 compared to 1981. Eliminating misconceptions such as "rising imports" or "dumping of foreign steel," the figures show that total steel imports for 1982 were down to 16.7 million tons, from 19.9 in 1981. Imports of Japanese steel sank from 6.2 million tons in 1981 to 5.2 million tons last year, while Europe's imports were cut 13.7 percent. The greatest loss was recorded by Canada, whose imports plunged 36.4 percent.

● **DUN AND BRADSTREET** reports that U.S. business failures are up 55 percent in the first five weeks of 1983 from the same period in 1982. The year to date reported failures is 3,145, compared to last year's 2,031. According to the report, the number of failures of companies with liabilities of more than \$100,000 rose from 206 in the first five weeks of 1982 to 340 in the same period this year. The largest increase in business failures occurred in the service sector.

● **BRAZILIAN** banking sources in New York reported Feb. 18 that Banco do Brasil may have gone up to \$1 billion in arrears for the first time. Until now, the biggest U.S. banks have been giving Brazil the equivalent of "overdraft" privileges by paying Brazil's bills with the banks' own funds. Now they are bouncing some of Brazil's checks. On Feb. 17, Banco do Brasil failed to meet \$70 million in debt obligations; and it went "deeper into the hole" the next day.

Klaus Barbie, the Nazi International and organized crime

by Michele Steinberg

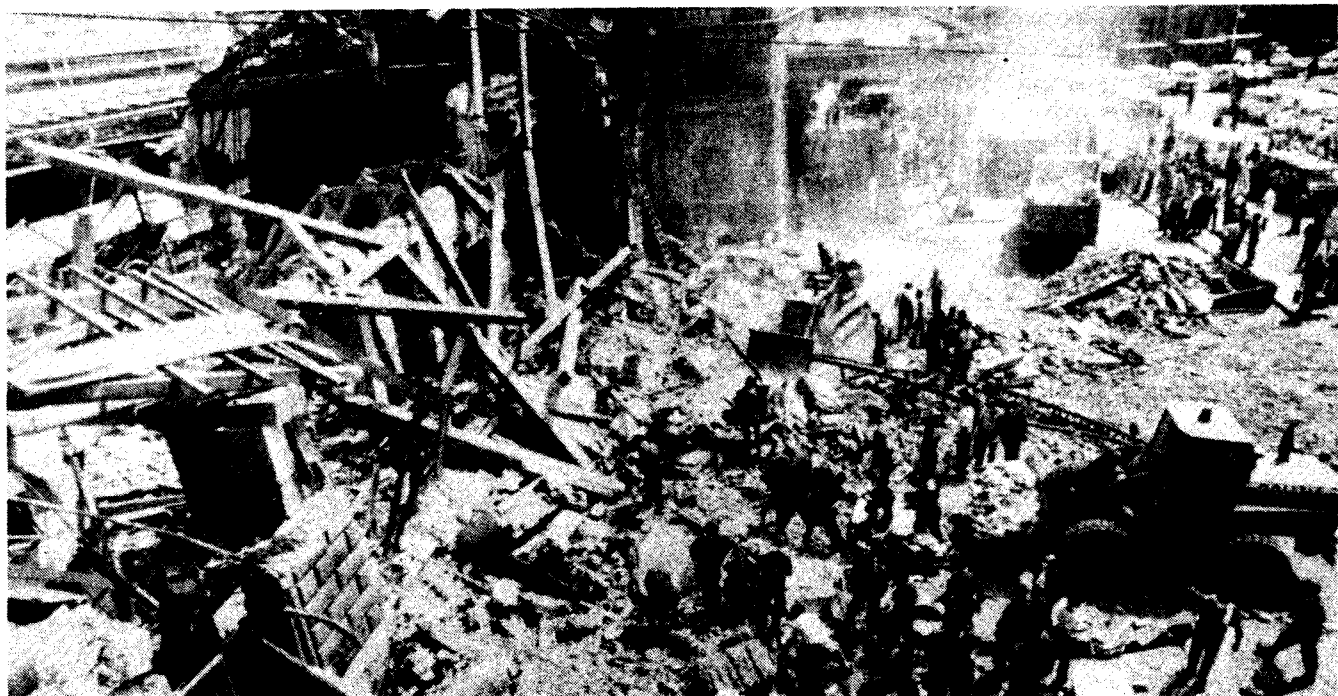
The Feb. 5, 1983 extradition of former Gestapo official Klaus Barbie from Bolivia to stand trial in France could become one of the most explosive political shake-ups in post-war history. Ongoing investigations by *Executive Intelligence Review* have uncovered new evidence pointing to a more than 30-year relationship between Barbie, the infamous "Butcher of Lyons," who killed thousands of resistance fighters and Jews while heading the Gestapo unit in Lyons, France, and some of America's leading "citizens above suspicion." These include: Henry A. Kissinger; Gen. Julius Klein, a leader of the U.S. occupation forces; former OSS Station Chief, and later CIA Director Allen Dulles; U.S. High Commissioner for Germany John J. McCloy; Kissinger-mentor Fritz Kraemer; and the late Frank Wisner, former head of the State Department's Office of Policy Coordination.

Within a day of Barbie's extradition, a new international scandal emerged in the person of Erhardt Dabringhaus, a professor at Wayne State University in Michigan, who had been a civilian employee with Section 970 of the U.S. Army Counter-Intelligence Corps in southern Germany after World War II. Dabringhaus has claimed that from April to September 1948, he personally paid Barbie, who was operating under a false identity at the time, for service to U.S. intelligence. While Dabringhaus's testimony has opened up a critical area of investigation—the role of British and American intelligence services in post-war protection of the Nazi apparatus—to date the story only scratches the surface.

In the course of the investigation of how Barbie, one of the most notorious Nazi criminals of World War II, who was listed on the *first* Allied-compiled list of wanted criminals, escaped from *custody* in both the American and British zones of occupied Germany, *EIR* has asked the obvious question: who ordered his recruitment, and who provided Barbie with the papers needed to escape through Italy to South America?

To date, former High Commissioner McCloy, Gen. Julius Klein, and Henry Kissinger have refused to answer our inquiries.

For any competent or honest investigation into the case of Klaus Barbie, the investigator must begin, not in 1943 when Barbie murdered the French Resistance



The right-wing terrorist bombing of the Bologna railroad station in 1980. Safeguarding Klaus Barbie in Bolivia was not a defensive move by the neo-Nazi International: it was part of their overall drive to subvert sovereign governments.

leader, Jean Moulin, a crime for which he was sentenced to death by French courts in 1952, but with the British High Command during World War II, and the deliberate policy of Britain's Special Operations Executive to exterminate leaders of the French resistance in order to fulfill Prime Minister Winston Churchill's desire to postpone the beginning of the second front of the war against the Nazis.

The investigator must not stop with Barbie's alleged recruitment to U.S. intelligence agencies and escape from Europe in 1948. According to documented information, Klaus Barbie has been at the center of the neo-Nazi International since the end of the war, the neo-Nazi International that is run out of Lausanne, Switzerland by banker and former SS officer François Genoud, a funder of left- and right-wing terrorists in Europe today. Barbie has also been a linchpin in the Ibero-American operations of the notorious Freemasonic Lodge, Propaganda-2, founded by Licio Gelli, a wartime official of Mussolini's secret police, the OVRA.

Since 1981, shortly after the attempted assassination of Pope John Paul II in Rome, Italian magistrates and parliamentarians have led an international investigation into the operations of P-2: its control over left and right terrorism; its role in several attempted coup plots in Italy; and its role in running the bulk of international narcotics and arms traffic. That investigation has also uncovered Henry Kissinger as a member of the Monte Carlo Lodge of P-2, the elite executive center of its international operations.

Barbie and P-2

The extradition of Barbie from Bolivia on Feb. 5 was not

an isolated occurrence. Rather, it involved coordinated efforts by Bolivian President Hernán Siles Zuazo with Italian magistrates investigating P-2 and its role in international terrorism and drug trafficking.

On Oct. 10, 1982, the same day that Siles Zuazo was sworn into office, one of the most important breakthroughs in this investigation occurred. Siles Zuazo, who had been prevented from taking office by a coup which usurped his elected office in 1980, immediately ordered the arrest of cocaine-trafficker Pier Luigi Pagliai, an Italian fugitive also wanted for the 1980 bombing of the Bologna, Italy train station by right-wing terrorists where 85 people were killed. The arrest, carried out by Bolivian officials working in tandem with the U.S. Drug Enforcement Administration, and law enforcement agencies in Brazil, Colombia, Venezuela, and Italy, was also targeting two of Pagliai's collaborators, Stefano Delle Chiaie, a member of P-2 and a leader of the neo-Nazi Ordine Nuovo (New Order) terrorists, and Joachim Fiebelkorn, a West German right-wing terrorist also being sought for involvement in the Bologna bombing.

Pagliai, the only person captured in the raid, died after his extradition to Italy of wounds sustained in the gun battle with police; Delle Chiaie is still a fugitive who has recently threatened a Nazi-terrorist bloodbath in Italy; and Fiebelkorn was arrested by West German authorities on Jan. 14.

Until the inauguration of President Siles Zuazo, the Delle Chiaie/Pagliai cell in Bolivia was functioning under the direct protection of Klaus Barbie (a.k.a. Altmann, the name under which he was naturalized as a Bolivian citizen). Since 1980, when the "cocaine colonels" seized power from elected Pres-

ident Siles Zuazo, Barbie operated a paramilitary death squad under Interior Minister Arce Gómez. Barbie's unit, including the P-2 fugitives, was known as the "Bridegrooms of Death," and had targeted Siles Zuazo himself for assassination.

In January 1983, a series of legal cases was brought against Barbie in Bolivian courts, resulting in his being stripped of Bolivian citizenship for organizing "paramilitary groups," and finally extradited to France.

P-2, the Nazi International and Kissinger

In late August 1982, Aldo Gentile, the Italian magistrate in charge of the investigation of the 1980 Bologna train station bombing revealed that Elio Ciolini, a member of the P-2 Lodge, had confessed that the bombing was planned at a special April 1980 meeting of a P-2 "executive" group known as the Monte Carlo Lodge. Ciolini named the West German Fiebelkorn, and a French right-wing operative by the name of Donet as participants. Ciolini also identified Henry Kissinger as one of the top members of the elite Monte Carlo Lodge.

The investigator must not stop with Barbie's alleged recruitment to U.S. intelligence agencies and his escape from Europe in 1948. According to documented information, since the end of the war, Klaus Barbie has been at the center of the neo-Nazi International, which is run out of Lausanne by former SS officer François Genoud.

Not long afterwards, in early November 1982, in the trial of Red Brigade terrorists charged with the 1978 kidnapping and murder of former Italian Prime Minister Aldo Moro, witness Corrado Guerzoni testified that in 1974 Kissinger had threatened Moro's life for pursuing a policy for Italy that was not acceptable to the then-U.S. secretary of State.

At the same time that Italian magistrates have been documenting the far-flung operations of P-2 in its control of both right and left terrorism, French officials have begun an investigation into terrorist operations that is closing in on the headquarters of the Nazi International in Switzerland.

On Jan. 25, 1983, French officials raided the apartment of Ahmed Ben Bella, the exiled Algerian leader, who is known to be both a fanatical supporter of Adolf Hitler, and a close collaborator of the Swiss Nazi, François Genoud. Genoud was exposed in the *EIR* in April 1982 for his role in financing the operations of West German Baader-Meinhof gang terrorist Bruno Breguet. Beginning in 1944, Genoud was one of the central organizers of the escape routes for Nazi war criminals like Barbie and Mussolini-liberator Otto Skorzeny. It is also an established fact that Genoud was in secret negotiations with Allen Dulles of the Berne station of the OSS during the later years of World War II.

The safehousing of the P-2 Nazis, Delle Chiaie, and Pagliai under the protection of Barbie from August 1980 at the latest (the time of the Bologna bombing) until last October was not an accident. Investigators for the *EIR* have determined that Barbie was a critical operative of Ibero-American narcotics traffic since the height of the "French connection" in the 1960s. The Grupo Frances was the same apparatus that involved another former Gestapo operative—August Ricord, kingpin of the Ibero-American end of the French connection. Ricord, who worked for the Gestapo in France, fled Europe in 1947 under a death sentence for war crimes, following the same route as Barbie.

Breaking the coverup

The most active publicizers of Barbie's connections to U.S. intelligence agencies, including the *New York Times*, the British Broadcasting Corporation, and self-appointed Nazi hunters Serge and Beate Klarsfeld, have, to date, deliberately covered up Barbie's undeniable connections to the Nazi International and its illegal operations in Ibero-America.

Several informed sources have pointed to the role of KGB Gen. H. Kim Philby, who played a central role in Section 9 of British Military Intelligence in the recruitment of the Nazi criminals by British intelligence and Wisner's Office of Policy Coordination. These sources suggest that both the British, who set up Propaganda-2 Lodge through the London Grand Orient Lodge, and the Soviets, complicit in prewar and wartime collaboration with the Nazis against opponents in the French Resistance, have a vested interest in steering the Barbie trial away from the facts and in the direction of a propaganda war against the United States.

In an interview supplied to *EIR*, Klarsfeld, a paid operative of the Anti-Defamation League of B'nai B'rith states, "The only ones who will be harmed by Barbie's testimony are the Americans who protected him. . . . It is ridiculous to say that Barbie was involved in any criminal activities in Bolivia."

In contrast, an investigation that combines the investigative forces of France, Italy, the United States, West Germany, and Bolivia and follows the leads developed by Italian magistrates in their investigation of Propaganda-2 could finish the work sabotaged by the Anglo-American traitors in the trials at Nuremberg.

Who really protected Gestapo butcher Barbie?

by Scott Thompson

Responsibility for the post-World War II protection and political control of the “Butcher of Lyons,” Klaus Barbie—as well as for thousands of other fascists who should have been prosecuted under the Nuremberg statutes—rests with a handful of Anglo-American policymakers who have remained “above suspicion” for their program of saving mass murderers. This Nazi connection did not originate, as most coverage of the Barbie case implies, in the Cold War scramble to recruit everyone from Peenemunde rocket scientists to fascist intelligence and paramilitary specialists for operating against the Soviet Union.

Rather, the Cold War itself was merely an extension of the post-World War I policy of this same Anglo-American group, aided by Swiss-Venetian centered oligarchic interests, to impose Hitler upon a prostrate Germany as the “marcher lord” for a drive East into the Russian heartland. As *EIR* documented (April 20, 1982), the transition from a tacit British strategy of using Germany to bleed the Soviet Union dry toward preparation for the Cold War, began the instant in 1943 that the Nazis’ invasion of the Soviet Union was decisively and finally halted at Stalingrad. Such early promoters of Hitler’s rise to power as Allen Dulles, who served as wartime chief of intelligence for the nominally American Office of Strategic Services (OSS) in Berne, Switzerland, began negotiations for the “secret surrender” of fascist forces in Italy, Germany, and elsewhere, buying the basis for the postwar hiding and protection of tens of thousands of Nazi SS personnel and their collaborators for Cold War activities.

Confirmation that a trail of evidence leads from Klaus Barbie to some of the leading figures (or their protégés) responsible for this traitorous misdirection of U.S. policy, was provided in a series of interviews by *EIR* with such public commentators on the Barbie case as Erhardt Dabringhaus, who was Barbie’s case officer in 1947; John Loftus, author of *The Belarus Secret* (see book review, page 25); and several former intelligence officers caught up in this Nazi relocation program. Among the leads they provided were:

1) A European source reports that the original arrangements for Barbie’s pickup may have been made by François Genoud, a leader of the Swiss Nazi Party who acted as the intermediary between Dulles and SS Gen. Karl Wolff in

“secret surrender” negotiations. Genoud was to become a postwar financial backer of both “left-” and “right-” terrorism. He has been recently linked to Bruno Breguet, a member of the West German Baader-Meinhof gang whom French authorities arrested last spring, and to Algerian radical Ahmed Ben Bella, whom French authorities are now seeking on arms-smuggling charges.

2) According to John Loftus, Barbie was picked up by members of the 970th Counterintelligence (CIC) Division in Germany in 1945. He was released in 1946 through intervention of the Strategic Services Unit (SSU), a short-lived remnant of the OSS headed by Allen Dulles and Frank Wisner (who had earlier been Dulles’s OSS case officer for the Balkans).

Barbie, who already had ties to the British Secret Intelligence Service, regained contact with SIS in the British Zone in 1947. Because of his knowledge of the French Communist Party, Barbie came to the attention of H. A. R. “Kim” Philby, then head of Soviet Counterintelligence Section IX of the British Secret Intelligence Service. Philby, who is today a KGB General in Moscow, was to work on an almost daily basis with Wisner, who was mandated by National Security Council in 1948 to found the State Department-coordinated Office of Policy Coordination (OPC) which recruited vast secret armies staffed by SS officers and their collaborators from 1948 to 1952.

3) In April 1948, Erhard Dabringhaus was assigned to pick up Barbie, who was then living in a house in Memmingen, Bavaria. Dabringhaus was a member of a unit of the 970th CIC which Loftus believes was a “blind” for Wisner’s OPC. Dabringhaus took Barbie to Augsburg where he assigned him to active intelligence on the East bloc. On two occasions, members of the French Deuxième Bureau requested Barbie, but Dabringhaus reports that he was instructed to deny the United States had him.

4) According to John Loftus, classified documents now in a State Department vault show that the order to hide Barbie from the French was made by the legal counsel to John J. McCloy, the High Commissioner for Germany. Such a step is consistent with McCloy’s effort to stop the Nuremberg trials. It was McCloy who released Nazi Finance Minister Hjalmar Schacht, the architect of the financial policy that led



Resistance leader Jean Moulin.

to the concentration camps, and then released most of the SS leaders, including convicted mass murderers awaiting execution.

5) A usually reliable intelligence source reports, and Darbringhaus has confirmed that Barbie worked with Gen. Julius Klein, a former member of the OSS who was an adviser to McCloy's occupation government. General Klein was also associated at this time with Henry Kissinger. Other members of the CIC Unit to which Kissinger belonged were: Fritz Kraemer, the man who claims to have discovered both Kissinger and Alexander Haig; and Helmüt Sonnenfeldt, Kissinger's close friend who has held various major posts with the U.S. State Department.

6) A usually reliable intelligence source reports that files exist which show Kissinger debriefed Klaus Barbie at some time prior to Kissinger's return to the United States in spring 1947. Kissinger's CIC unit not only interrogated Nazis, but recruited them for future Cold War operations through such agencies as George Kennan's Policy and Planning Group and Wisner's Office of Policy Coordination.

Kissinger's dirty little secret

Many experienced Washington observers tracing the career of Henry Kissinger, whose family fled the Nazis in 1938, have been astounded by his meteoric success. As Kissinger

himself admits, the real source of his power today lies in his role as a British agent-of-influence for such figures as the U.S. anglophile William Yandell Elliott, Sir Isaiah Berlin, and British aristocrat Lord Alec Douglas-Home. But the question almost never raised is why such figures noticed him.

As several sources now confirm, the answer to this question lies in Henry Kissinger's activities in Bavaria from 1945 to 1947 with Fritz Kraemer, General Klein, and Helmüt Sonnenfeldt, activities which placed him at the initiation of the dirtiest aspect of the Cold War, the wholesale recruitment of members of Hitler's inner circle.

After the "Battle of the Bulge" in 1944, John Loftus reports that it was Kissinger and Kraemer who were among the first to interrogate officers of the paramilitary units trained by SS Sturmabführer Otto "Scarface" Skorzeny, the man Hitler called "my favorite commando." Later, Kissinger and Kraemer were posted to the U.S. Army Intelligence base of Oberammergau, where some of the principal operational files of Skorzeny were maintained. A close connection to Skorzeny made the career of many lesser intelligence officers. After World War II, Skorzeny, by this time Schacht's son-in-law, set up an operation in Spain that employed former SS and paramilitary people for covert activities ranging from Egypt to Indonesia.

It was through Skorzeny that the leaders of the Henry Kissinger-linked P-2 Masonic Lodge were at first brought together with elements of the French connection heroin route into Ibero-America. Among the latter was August Ricord, an early Gestapo friend of Klaus Barbie, who worked together in the 1960s and 1970s organizing paramilitary "enforcement" groups for the drug trade in Ibero-America.

The Skorzeny case was replicated several times over by Kissinger's friends and associates. A well-informed Washington source reports that Gen. Julius Klein obtained early access to the party membership cards of the NSDAP (Nazi Party). Several cards were pulled both to mask the recruitment of second-level Nazis and to exert effective blackmail over others who might rise to positions of power in postwar Germany. While working as an adviser to the occupation authorities in Austria and Germany, Klein founded a "public relations" firm that has exerted tremendous power over German politics down to the present, with Klein having trained several leading political figures. Klein, who was briefly a military adviser to Israel, was later to head the Jewish War Veterans and to co-found the American Jewish League Against Communism with Roy Cohn, the general counsel to Sen. Joseph McCarthy.

Under the guidance of John J. McCloy, Kissinger and Sonnenfeldt were deployed in 1946 on a secret mission to locate the so-called Bamberg files—files safehoused by the high command of Nazi intelligence around the city of Bamberg. These files are reported to have included documents on secret Nazi financial holdings worldwide, identification of Nazi secret agents, and, most importantly, documents reporting the location of secret liquid deposits of the Romanov

Czars in world banks.

The Nazis had captured these files, as well as Romanov assets, during their invasion of the Soviet Union. The Nazis intended to employ these files after their victory, and, after installing a puppet Czar in Russia, to legally claim massive deposits in London and Rockefeller-connected banks for this Czar. The files also reportedly showed how the banking system internal to the Soviet Union had carried over intact from Czarist days. Reportedly, Kissinger and Sonnenfeldt did locate the Bamberg files, which were of immense value to one of Kissinger's later patrons, Nelson Rockefeller.

From cold warrior to National Security Adviser

After his training at Harvard by William Yandell Elliott and Sir Isaiah Berlin, two members of the Round Table Movement that was the center of the conspiracy to bring Hitler to power in the 1930s, Kissinger quickly obtained the posts of adviser to the Operations Research Office, the Pentagon equivalent of Wisner's OPC, involved in the deployment of Nazi-staffed guerrilla armies. He was also an adviser to Nelson Rockefeller, named in 1954 Special Assistant to the President for Cold War Strategy—a "supercoordinator" over covert intelligence operations of the sort run by OPC and the ORO. Sonnenfeldt by 1952 had obtained a post with the sensitive Bureau of Research and Analysis, forerunner of the Bureau of Intelligence and Research, which took over liaison with Nazi and Eastern European emigré groups for State when the OPC was collapsed into the CIA in the same year.

In 1969, when Kissinger was appointed National Security Adviser to the President, his operations showed that he was still actively linked to the Nazi International established after World War II. As *EIR* has elsewhere documented, in 1969 Kissinger deployed his deputy, Alexander Haig, to re-establish contact with the P-2 Masonic Lodge of former Mussolini secret police officer Licio Gelli.

On Dec. 7, 1970 the first of several P-2 coups and assassination attempts was carried out by Prince Junio Valerio Borghese, a leader of the fascist MSI and its terrorist Ordine Nuovo adjunct. Borghese, who had been saved from hanging for war crimes by members of Wisner and Dulles's SSU, made contact with Licio Gelli and the P-2 through fascist circles around Skorzeny in Madrid, where both Gelli and Skorzeny were in exile. It was also members of the Nazi International that Kissinger brought into play when he case-officered Track II of the 1973 Chilean coup that led to the overthrow and murder of Salvador Allende.

Among the Nazis who played a prominent role in the coup and the subsequent founding of the murderous secret police (DINA) was Walter Rauff, a former member of the killing units of SS (Einsatzgruppen) under the command at one time of Skorzeny. Rauff became well acquainted with Klaus Barbie as well during their mutual "exile" in Ibero-America.

Book Review

Dulles and the Nazis: the real history

by Jeffrey Steinberg

The Belarus Secret

by John Loftus

Alfred A. Knopf

New York, 1982 \$13.95

On Feb. 9, 1945, the *Chicago Tribune*, the *New York Daily News*, and the *Washington Times-Herald* all published with prominent front-page headlines an article by *Trib* correspondent Walter Trohan exposing a draft Executive Order for a postwar super spy agency. Authored by U.S. intelligence officials William "Wild Bill" Donovan and Allen Dulles, the document proposed the creation of a mega-agency coordinating all domestic and foreign intelligence and covert operations directed principally against the Soviet Union. The agency was to be in co-equal partnership with the intelligence services of His Majesty and King of England.

According to sources inside the wartime Office of Strategic Services, the actual author of the document was a British intelligence officer, Sir William Stephenson, head of the British Special Operations Executive (SOE). After reprinting virtually the entirety of the Donovan-Dulles memorandum, Trohan demanded "prompt congressional denunciation of the adoption of Gestapo, Nazi secret police, and OGPU Russian secret police methods in the United States."

According to sources close to the wartime intelligence scene, Trohan was leaked a copy of the Top Secret document by a patriotic senior grade military officer attached to the Joint Chiefs of Staff. As the result of that leak—and a string of similar actions over the next several year period—the Dulles-Donovan scheme for a postwar Anglo-American international gestapo was formally defeated.

Even as Dulles and Donovan were composing their secret draft, the strong, perhaps dominant sentiment within America's military elite was that the Allied cause had been sabotaged on countless occasions by our British "partners." The American command in Western Europe perhaps best recalled the British-orchestrated slaughter of a Canadian division at

Dieppe in France; an unconscionable act of willful sacrifice of lives to block the early opening of an Allied second front in Europe—an American sponsored plan that would have ended the war in Europe a year earlier but would have undermined British Prime Minister Winston Churchill's secret war objective of manipulating Germany and Russia into a protracted war that would strip both nations of their industrial and skilled labor infrastructure.

Even President Franklin Delano Roosevelt, by no means an enemy of the Crown, had come around to the realization by the war's end that American war objectives and British war objectives were by no means identical. On more than one occasion at Casablanca, Teheran, and Yalta, FDR had declared that the United States would not sacrifice hundreds of thousands of lives in Europe and the Pacific for the sake of restoring the British Empire. Roosevelt's call for a postwar "American Century," typified by his Casablanca call for the transformation of the Sahara desert into an agricultural breadbasket for all of Africa using American technology, symbolized the prevailing aspirations of the patriotic U.S. military and intelligence elite at war's end.

From the vantage point of nearly 40 years of postwar history, leading to the present era of great international crisis and the looming threat of a third world war, it is not inappropriate to contemplate the lost sense of national purpose, the failure of the postwar political and military leadership of the United States to realize FDR's American Century. John Loftus's *The Belarus Secret*, in its own limited way, is a useful aid in answering the question of what went wrong and who is to be held accountable.

Loftus's book is the product of several years of research into the postwar recruitment of leading Nazi collaborators from Byelorussia (White Russia) into the services of U.S. intelligence. Some of that research was conducted while Loftus was a staff attorney for the U.S. Department of Justice Office of Special Investigations (OSI), a unit created on dubious motivation during the Carter administration to hunt down and deport wartime Nazis who had illegally entered the United States.

What Loftus discovered and reports in considerable detail in *The Belarus Secret* is that the only wartime Nazis of consequence who managed to puncture the screens of military intelligence and immigration services' background checks and rechecks were those Nazis illegally ushered into the country through the efforts of the Dulles-Donovan-Stephenson Anglo-American crowd. As Loftus stated in the preface, "I hope that it will reflect credit upon them, particularly those members of Army counterintelligence and the regular staff of the CIA who tried so hard to keep the Nazis out of our country. I hope this book puts the blame where it belongs, with the State Department."

Loftus detailed the role of a little-known State Department clandestine operations unit called the Office of Policy Coordination (OPC), headed by Frank Wisner from 1947 until its

late-1951 incorporation into the CIA Planning Section. An Anglo-American protégé of Allen Dulles, Wisner was "more British than the British" in his commitment to implement Churchill's postwar plan to drag the United States and the U.S.S.R. into a Cold War. According to one former U.S. military intelligence officer who battled Wisner and Dulles, Wisner's OPC office was the center of a world-federalist cabal incorporating prominent homosexuals infiltrated into the foreign policy and intelligence establishments of many nations of the East and West, a cabal that believed that nation-states must be destroyed to cure the world's ills. The self-described "International Brotherhood," according to the source, included Henry Kissinger, Fritz Kraemer, Frank Wisner, Helmut Sonnenfeldt and Kim Philby, among others.

Loftus provides extensive evidence that Wisner's OPC was the principal U.S. agency responsible for the recruitment of countless wartime Nazi criminals into the State Department's postwar anti-communist crusade. The same Wisner, perhaps not so paradoxically, was also one of the closest American collaborators of H. R. "Kim" Philby, the postwar head of Section 9 (Anti-Soviet Operations) of British SIS and currently a General in the Soviet KGB. Thanks to the Wisner-Philby collaboration, virtually every U.S. covert action into Eastern Europe was a disaster, usually resulting in the capture or death of every individual involved, whether quisling-turned-American agent or U.S. military personnel assigned on the ground to one of Wisner's special units.

In late 1951, Wisner, his mentor and OPC colleague Allen Dulles, and a crew of "Ivy League dilettantes" including Kermit Roosevelt, Tracy Barnes, Desmond FitzGerald, Richard Bissell, and Cord Meyer, Jr., relocated OPC lock, stock and barrel into the Central Intelligence Agency. It could only be described as a quiet coup d'état, carrying out, in effect, the aborted 1945 Dulles-Donovan-Stephenson Anglo-American gestapo plan.

It was literally all over but for shouting from that point on—at least from the standpoint of the American Century dream shared by FDR and the best of America's wartime military elite. Or, perhaps, the beginning of the end is best traced back to 1943 in Berne, Switzerland. There, Allen Dulles, OSS station chief, aided by Frank Wisner and later exposed Anglo-Soviet agent Noel Field, entered into negotiations for a "separate peace" with leading elements in the Nazi high command. It is that "separate peace" which is playing out today with the resurgence of the Nazi International of Klaus Barbie and François Genoud. It is not inconsistent with the evidence presented by Loftus and others that today the intelligence services of both the United States and the Soviet Union have been implicated in the Nazi International's drugs and arms smuggling network that recently tried to murder a Pope.

It would not be inappropriate to commemorate the 40th anniversary of Dulles's treason by rekindling the national purpose that was so viciously attacked by the British "allies."

Barbie's secret collaborators in the capture of Jean Moulin

by Garance Upham Phau

One day in June 1943, Jean Moulin, Charles de Gaulle's chief of staff and head of the French Resistance, was betrayed to the Gestapo of Klaus Barbie and died of wounds after a few days of torture. The Butcher of Lyons, as Barbie was called, was responsible for up to 50,000 deaths. He was not going to restrain himself with someone who would never betray another.

The French are holding their breath: Barbie is now locked up in the same cell where Moulin lived his last hours, awaiting trial. In his defense, Barbie has threatened to tell all, to reveal the "French connections," who handed him Moulin.

When we examine the Moulin affair, we see the shadow of a most shocking, horrid creature, an animal Barbie could bring into full view. That creature is collaboration between British intelligence, the British-dominated U.S. Office of Strategic Services (OSS) of Bill Donovan and Allen Dulles, the Soviets' international, the Comintern faction, and *certain Nazi networks*. Such revelations would now throw light on such things as the "Bulgarian connection," and go a long way toward explaining the phenomenon of anti-nuclear and terrorist activism in Europe which involves those old "collaborative" networks still in existence today. (See, *inter alia*, *EIR*, April 6, 1982, April 20, 1982, July 20, 1982, Sept. 21, 1982, and Dec. 21, 1982.)

Why Moulin?

In 1943 the OSS, the British Special Operations Executive (SOE), the Comintern faction, and the Gestapo had a common vested interest in Moulin's death. No single death among the millions who lost their lives in the war was to have more dramatic consequences for postwar French history than that of Moulin. It was to destroy de Gaulle's chances to govern a postwar republican France, and in so doing, replace a natural Franco-American axis by an arrangement in which the British dominated both France and the United States.

Moulin was de Gaulle's chief of staff for occupied France. When he was parachuted back into France late in 1941, after several months in London with de Gaulle, his task was to channel the Resistance ferment brought about by the famed de Gaulle addresses over the BBC into a unified Resistance movement, which would bring together not only the incipient "Gaullists" but also the British-influenced fake Resistance operations and the French Communist Party (PCF).

At the time of his death, Moulin had succeeded in setting up the National Committee of the Resistance under his control, and the meeting of Resistance leaders, into which the Gestapo burst to capture Moulin, was to have consolidated de Gaulle's takeover.

With an iron hand and strategic brilliance, Moulin had bent the very powerful Communist Resistance organization and brought them to accept his leadership, and beyond him, that of de Gaulle.

He got the Communists to abide by his project of a republican post-war constitution, in which de Gaulle would be the natural chief of state. It is ironical to see how, both while he was alive and 40 years later, Moulin is commonly slandered as a "Communist sympathizer" by those who have always preferred the Communists to follow the path of sabotage and destruction against national republican institutions.

Against Moulin: the Frenay-SOE-OSS tactics

In the week preceding his arrest, Moulin had come to battle more and more with the leaders of the British-influenced non-Gaullist Resistance groups, Combat and Libération, which were more akin to channels for British intelligence for control over real Resistance ferment than any serious challenge to Vichy.

How could they be real Resistance groups when they balked at recognizing de Gaulle? "Combat" had taken form in Vichy's Deuxième Bureau, the intelligence unit where Combat's Henri Frenay tells us he first conceived and initiated his "resistance"! When Moulin took control over the CP operation, and Moulin's man General Delestrain also set up a united "Secret Army" that included the Communist Party's Francs-Tireurs of Partisans, Frenay's Combat, and Liberation's Emmanuel d'Astier de la Vigerie panicked. Their game was over. The SOE-OSS-Gestapo-Comintern faction deal to get rid of Moulin then took form.

Henri Frenay, whose guilty conscience leads him to write books denouncing Moulin as "KGB" to this day, himself offers the public circumstantial evidence indicating why Moulin was set up. Frenay published some letters of Moulin written to de Gaulle weeks and days before his death. In those Moulin comes little short of denouncing Frenay as a traitor, and keeps warning de Gaulle that some drastic action must be taken to thwart such insanity on the part of Frenay, who,

he says, has Vigerie under his sway.

Moulin denounces Frenay for preaching a suicidal immediate revolt against the occupying Nazi powers, and argues that such a revolt would lead, especially in Paris, to the needless butchery of thousands and possibly the destruction of the entire city. In plain words, Frenay was recommending that same *Paris Comintern tactic* which de Gaulle's associates would later barely be able to prevent as the Allies marched into Paris. In contrast, Moulin wanted the Resistance troops (which included the Communist Party's forces) to swing into action only once the Allies had moved in. It is to be noted that, against the urging of agents in the Paris Comintern apparatus, Stalin himself favored an alliance with de Gaulle; hence the PCF could have gone either way.

Moulin above all disapproved of Frenay's decision to strike a deal with Allen Dulles and his Swiss-based OSS. Frenay himself says he had agreed to work for Dulles just at that time, in exchange for large sums of money and supplies. Moulin absolutely opposed putting the Resistance to work for the OSS, which he saw as an open enemy of de Gaulle and of France's chances for independence after the war. Moulin warned de Gaulle of the dangers of such a deal between Frenay and the OSS.

Finally, in his letters to de Gaulle, Moulin complained that Frenay, under the guise of a democratic debate in the Resistance organizations on the factional issue of whether de Gaulle should be recognized as the future head of state (which Frenay opposed), was committing gross violations of the most basic security requirements. Messages were left uncoded in partisans mailboxes, telling them to go to such and such hideouts, informing them that Moulin was coming and so forth. Moulin told de Gaulle that such behavior jeopardized his life and that of his associates.

The 'Judas'

Barbie has long said that it was one René Hardy who denounced Moulin to the Gestapo, informing them as to the exact place and time of a meeting Hardy and Moulin were to attend. Although two postwar trials of Hardy exonerated him (he seems to have enjoyed very highly-placed protection at the time, notably from the very tainted DST, the French FBI), there is little doubt as to Hardy's involvement—notably because General Delestrain had been expecting to meet Hardy three weeks earlier when the Gestapo came instead and sent him to Auschwitz—the first devastating blow to Moulin's Resistance. What is usually not emphasized is that Hardy, who had been training Frenay's men in the art of bombing railroads, was in charge of explosives for Frenay. But whether Hardy is cleared by Barbie under pressure or indicted, the truth is that he was only the last link in the chain, much as with a Hinckley. But a network of masterminds lies behind the many Hinckleys. Will Barbie give the French names of that conspiracy? And what if the conspiracy were to be exposed as alive and well today, as determined as ever to end national sovereignty and industrial progress?

Adolf Hitler: fifty

by Lyndon H. LaRouche, Jr.

Today, fifty years after Adolf Hitler's rise to power, the largest single chunk of organized Nazi-like evil in the world can be traced to the Nazi international in Lausanne, Switzerland, and to such backers of Ahmed Ben Bella as the veteran Swiss Nazi and the head of the Nazi international, François Genoud.

Ben Bella was, unfortunately, in Switzerland on Jan. 25, 1983, when French police raided Ben Bella's apartment, capturing a major arms-cache and a handful of confederates, including Mohammed Yadi, the former director of Algerian Security. According to an informant who penetrated a secret meeting in France in mid-August 1982, Ben Bella is not only an ally of the Swiss Nazi Genoud, but a fanatical admirer of Adolf Hitler.

Our own investigation of Genoud—and Ben Bella—dates from the arrest of an international terrorist, Bruno Breguet, in France, on Feb. 16, 1982. Following up the arrest, our investigators discovered and confirmed that Breguet was a protégé of Genoud, and that it had been Swiss authorities which had intervened on Breguet's behalf during the time Breguet had been incarcerated in Israel. We cross-checked with various Israeli authorities, and shared our information with France's prominent Jewish figure Jean-Pierre Pierre-Bloch. Pierre-Bloch, among others, reacted in a useful way.

It was the same investigation of Genoud and Breguet which led our undercover investigators to the Nazi international's control over an array of separatist and tribalist "liberation movements," including British intelligence's own Sikh operation, the Khalistan movement targetting India for fragmentation. The Alsatian liberation front, for example, was discovered to be nothing but a continuation of the old Nazi Amt VI's foreign-nationalities operations of the Abwehr and the Waffen SS. Part of the trail led by way of Denmark into theologian-anthropologist networks running through Harvard Divinity School. We were not surprised to discover that much of the so-called Arab and Armenian terrorist organization was a continuation of the old Middle East Nazi organization around the Grand Mufti of Jerusalem. Nor were we incredulous as we first collected later-confirmed

years later

intelligence showing that Genoud's Lausanne center had played a direct hand in developing this and other sections of the international terrorist movement.

It was through the same investigation that we uncovered a British intelligence ploy, run partly through the Scottish Rite's mother-lodge in London, to stage a bloody separatist uprising in Sicily during the summer of 1982. We telephoned officials of the British Royal Household and of Michael Duke of Kent's office in London, advising them of our knowledge of Operation Nightmare, and suggested that they cause the operation to be scrubbed. They agreed they would consider the recommendation, and left it to the Italian authorities to close down large chunks of the aborted operation in both Sicily and Sardinia.

This was the same investigation which led us to Ben Bella's door in France. Our informant reported that he had heard Ben Bella personally praising Hitler at that secret meeting, and announcing plans for an open revival of Hitlerism, a propaganda campaign to be launched widely on the fiftieth anniversary, Jan. 30, 1983, of Hitler's rise to power. Naturally, we reported our facts to appropriate officials of several nations, including the U.S.A. The French police are now beginning to close in on Ben Bella's operations; Genoud's Lausanne operations are now coming under increasing investigative pressures.

Meanwhile, the same investigation probes Nazi influence over important pieces of the European Peace and Anti-Nuclear movements, with special emphasis on such locales in Germany as the Mainz and Frankfurt areas of the "Revolutionary Cell's (RZ) activities, focusing on some of the protestant conduits through which the New Left was earlier coordinated, and into allied circuits of the London Tavistock Institute's psychologist operations in Germany, France, and Italy. At the moment, three hot names of Middle-East-trained neo-Nazis deployed into the Peace movement are among the targets of attention of ourselves and several European security services.

The question is naturally asked again and again among various security and intelligence services: How serious a

threat is the present effort to bring forth a "new Hitler?" Some of the Nazi international's operations are very well-financed, partly through the lucrative cocaine-traffic into the "jet set" and "Schickeria" centers of Germany, North America, and so forth. They are well-armed, through arsenals purchased from the illegal operations through which both drugs and weapons are trafficked. They coordinate the international terrorist movement, at least in large part. They constitute a very deadly criminal problem, but do they actually have the potentiality of bringing a "new Hitler" to power?

Hitler: myth versus fact

From about 1938 through the postwar Nuremberg and Wilton Park operations, there was a concerted effort to cover up the massive support earlier afforded both Hitler and Mussolini by such Anglo-American figures as Winston Churchill, the Harrimans, the Morgan interests, and the Astors. Britain's Major (ret.) Hugh Trevor-Roper and Chatham House's John Wheeler-Bennett were especially prominent in this massive coverup effort, as Wheeler-Bennett's Wilton Park organization—both in Britain and at Harvard University's Elliott-Kissinger center—conditioned influential Germans to repeat monotonously: "It was we Germans, and we Germans alone, who were responsible for Hitler."

The doctrine popularized by the Wilton Park indoctrination-campaign was not only terribly, wickedly false. Wide acceptance of Wheeler-Bennett's lying myth has left populations and institutions intellectually disarmed in face of a growing danger of Hitlerian revival today.

Now, as during the 1929-33 period, leading Anglo-Swiss financier circles once again respond to a breakdown of the international monetary system with the kinds of policies which Britain's Montagu Norman and his protégé, Hjalmar Schacht, imposed upon Germany then. It was to defend these policies that Germany's Versailles war-reparations creditors, including the Bank for International Settlements (BIS), acted through Schacht and Schroeder's Bank, to put Hitler into power in 1933.

Now, as then, the social basis for a Nazi movement in Germany is provided by an anti-technology youth-counter-culture movement. A number of leading German trade-unionists with longer memories, and Holger Boerner, the SPD leader of Hessen, warned of the fascist character of the West German environmentalist movement, the Greenies, during the spring and summer of 1982. Although neo-Nazis are prominent forces within the Green and Peace movements today, they did not actually create these movements, but have responded to the recognition of the Nazi-like social tendencies increasingly dominant in those movements.

Unfortunately, the trade-union and social-democratic forces warning of the Nazi *Sturmabteilung*-like character of the Greens during 1982 almost deny that they ever voiced such fearful warnings. Now, with a general election in view, the SPD and trade-union leadership is concentrating on ef-

forts to capture support from these Greens. It has gone so far that the recent Dortmund SPD congress adopted a proposal of the defense of the forest against the industrial cities, a resurrection of the old Nazi demand of Alfred Rosenberg et al. Like Hitler prior to his appointment to power, the fascist tendencies of today have been made *salonfähig* [respectable] with massive support for these tendencies from the Soviet leadership!

Ominously, present forecasts predict that Germany will reach the six millions level of mass unemployment either by summer or the close of 1983, the same level of mass unemployment existing at the time of Hitler's rise to power.

The economic collapse of West Germany has come rather suddenly, but not accidentally. The Federal Republic enjoyed a great period of reconstruction under Chancellor Konrad Adenauer and the Adenauer-de Gaulle partnership. This period of "dirigistic" capital investment came to an end with the chancellorship of Ludwig Erhard, with a long-term shift to emphasis on consumer-goods traffic, gradually taking down the investment in capital-goods industries.

With the adoption of Mutually Assured Destruction (MAD) by U.S. Defense Secretary Robert S. McNamara and his legacy of "McNamara whiz kids," the motive of Anglo-American support of Germany's industrial reconstruction was removed. No longer was Germany's development as an advanced strategic logistical base the long-term perspective of the dominant faction among Anglo-Americans. The decision to cut off credits suddenly to Krupp, during the middle 1960s, signalled a reversal of the policies of the 1949-56 period.

German industrial development slowed under Erhard, and veered into a dangerous situation during the Chancellorship of Willy Brandt. Helmut Schmidt's Chancellorship stabilized the German economy, but without actually reversing the two trends set in motion with the Erhard government: increasing relative emphasis on consumer-goods exports and a long, erosive slide into the direction of the kind of "post-industrial society" earlier projected in the "Morgenthau Plan."

Under Schmidt, Germany required the export of approximately 40 percent of the Republic's capacity. Beginning with Khomeini's destruction of Iran, Germany's export markets began an accelerating process of contraction in long-term potential. This was slowed by the Schmidt-Giscard launching of the European Monetary System beginning the summer of 1978, but after the October 1979 launching of the "Volcker measures" of "controlled disintegration" under President Jimmy Carter, Germany's markets and internal economy began to erode at an accelerating rate.

Now, the head of the Basel, Switzerland Bank for International Settlements (BIS), Fritz Leutwiler, has declared a long-term policy to "kill the Third World" through credit-strangulation. German banking has obeyed, rolling over foreign debt, but virtually strangling flows of new investment-credit to prime developing-sector markets such as Brazil. Now, Germany's steel output is being cut from about 55

million to 30 million tons. Without export markets for about 40 percent of the capacity previously in operation, under Chancellor Schmidt, Germany can no longer afford to purchase the imports upon which its internal economy (and levels of household consumption) depend.

The power behind Adolf Hitler, Benito Mussolini, and today's Nazi International is constituted in the form of an institution known in Italian as the fondi, corporations embodying the collective financial holdings of a specific 'family' in perpetuity. The Bank for International Settlements is the largest of the typical banking interests controlled by these fondi. Their greatest fear, and the reason they hate and fear LaRouche so passionately, is that sovereign nation-states might act to take away from the private banking system control over the currency and credit of nations. They hate LaRouche's international monetary proposal because it would save the world's banks, at the price of taking away the political power of the fondi.

With the fall of the Schmidt government, a sudden, monstrous pessimism seized the ranks as well as leadership of the trade-unions and SPD, a profound, cynical pessimism infecting all strata of society. The relatively conservative sections of the trade unions and SPD, which used to be the principal mass-based constituency for Germany's export activities, have now reconciled themselves to policies of work-sharing and of the same kind of *Arbeitsbeschaffung* [job creation] employment alternatives introduced by the 1933-34 Hitler regime.

The parallels to the 1929-33 period are stunning. As former Swiss Waffen-SS volunteer Armin Mohler docu-

ments the basis for Nazi philosophy and social movements in his "The Conservative Revolution," the spread of deep cultural pessimism brings a rapid convergence of Nazi-like neo-conservative movements and putatively "leftist" "youth counterculture" outgrowths of the 1960s New Left. The "Steppenwolf" mentality defended by Klaus Horn et al. of Tavistock Institute psychology networks in Germany, is on the rise as the prevailing philosophy of "individual political freedom" among both neo-conservative and youth-counter-cultural ferment. From this, and violent Greenie street-demonstrations echoing the old Nazi *Sturmabteilung*, it is not far to the triumph of the irrationalist will made notorious by Hitler's Nuremberg rallies.

This is not to imply that such problems are indigenous to Germany. Rather, they are natural outgrowths of the circumstances which the Versailles policies then, and Bretton Woods policies now, impose upon the victim-nation of Germany. Similarly, the same monetary policies have brought Italy to the verge of a "new Mussolini." A nation made increasingly ungovernable by its submission to "IMF conditionalities," is at the verge of a legal or other kind of coup d'état. Without a reversal of present international monetary policies, the present constitutional government of Italy will not live out 1983.

The problem is not merely that of Germany and Italy. If the government of the United States permits the Federal Reserve System to become the "lender of last resort," under BIS control, attempting to bail out a financial collapse of between one and two trillions dollars worth of international paper, preconditions for "emergency government" could mature in the U.S.A. almost as rapidly as in Germany.

It is against this general backdrop that the significance of François Genoud's Nazi international must be judged. Genoud's Nazi international is not creating the neo-Nazi menace of 1983-84. Our failure to denounce the myths of Wilton Park has blinded most of us to the fact that the Harrimans, the Morgans, and their Anglo-Swiss allies of then and now, are repeating the same follies which brought Hitler to power fifty years ago.

More Deeply

The national bi-weekly of the United States *New Solidarity* is currently publishing a series authored by researcher Anton Chaitkin, exposing the direct connection between the treasonous circles of Aaron Burr and the Harriman-centered circles of the U.S. "Eastern Establishment" today. The primary sources from the period 1775-1815 show not only that Burr was a British agent during and following the American Revolution, but that Burr was at the center of a network of British and Swiss financier interests working to destroy the United States from both within and without.

During that earlier period, the Swiss center of operations against the U.S. republic was François Genoud's Lausanne, the bedroom of Jacques Necker and his daughter, the Madame de Stael. Necker, the man who ruined the economy of

France and who brought Robespierre's Jacobin 'Terror to power, in collaboration with Britain's William Pitt, Lord Shelburne, and Jeremy Bentham, was a cousin and an agent of the financier families of de Neufville, Mallet, and Schlumberger, families then and now closely allied to Britain's financier-centers of Edinburgh and London, and immediately the coordinators of operations deployed against the United States from Germany.

These Swiss financier backers of Rousseau and Jacobinism then also collaborated closely with elements of British intelligence in launching the direct predecessor for the fascist movement in Germany, the so-called Romantic movement of the early nineteenth century, a movement in which the Madame de Stael contributed a key leading role. Arthur Schopenhauer, Richard Wagner, and Friedrich Nietzsche are notable products of this Romantic movement. Armin Mohler accurately defines the direct, causal connections of this to both Nazism and the present-day international "neo-conservative" movement.

These same Swiss interests were key to the rise of neo-Jacobin radicalism around Giuseppe Mazzini's Young Europe (and Concord-based Young America) movement of the 1840s and later, the movement which is the common point of origin of the social movements variously known as communism, anarchism, and fascism. The connection of Young Europe to fascism in Germany is typified by the case of Richard Wagner. Wagner, a terrorist bomber of the 1848 Revolution, and a close collaborator of M. Bakunin then and later, was not only a protégé of the Nazi anti-Semite Houston Chamberlain, but together with Franz Liszt, the leading enemy of Bach, Mozart, and Beethoven in music, rejected the idea of lawful well-tempered composition for the fascistic irrationalism of irrationalist "chromatic freedom." According to persons directly involved in the same program by which Adolf Hitler was groomed, Wagner's music-dramas were the principal tools employed to train Hitler in his irrationalist style of platform rhetoric.

Although modern German-language fascism has attempted to co-opt Goethe into its pantheon in some instances, this does not pertain to the Goethe of Friedrich Schiller and Wilhelm von Humboldt's Weimar Classic circles, but to the later Goethe who was variously corrupted by G. W. F. Hegel, by the Romantics of the Madame de Stael circle, and others, to the effect seen most clearly in the pagan cultism of Faust II. Despite Mathilde von Ludendorff's efforts to co-opt Rudolf Hess into exposing the assassination by poisoning of Friedrich Schiller, Nietzsche et al. clearly and correctly recognize and emphasize that Schiller and the Humboldts are the deadly adversary the Romantics, and their fascist "conservative" heirs were and are determined to uproot from German culture.

The term "conservative," as Armin Mohler and other fascist authorities employ that term, does not mean pro-capitalist, but quite the opposite. "Conservative" as used by fascist ideologues means pro-feudalist, anti-industrial capi-

talism. In the case of Oxford University's proto-fascist, John Ruskin, and his followers, Ruskin and his Pre-Raphaelite accomplices emphasized that their goal was to return society to the feudalist form of organization prevailing in Europe during the early fourteenth century. On the continent, this same pro-feudalist movement adopted as its chief enemies Italy's Nicholas of Cusa and Leonardo da Vinci, France's Francis I and Colbert, and Germany's Leibniz as well as the republican circles around Schiller and the Humboldts. Urban industrial society, the chemistry revolution in agriculture, and rationalist science in the sense of Cusa, Leonardo, and Leibniz, together with those ideas of sovereign nation-state republic traceable to Dante Alighieri and Cusa, are the targets of the pro-feudalist, "back to nature" "conservatives."

The essence of this Anglo-Swiss current behind modern fascist developments is expressed earlier by its efforts to crush and subvert the young United States whose republican constitution and commitment to technological progress expressed in concentrated form everything hated and feared by the pro-feudalist financier interests of Europe.

Although London, Edinburgh, and French-speaking Switzerland were the principal centers of efforts to destroy the United States, it is impossible to understand these British and Swiss interests without going a step further, to trace the presently continuing direction of those Swiss and British factions by the leading financier families of Venice, and to locate the center of origin of modern fascism on the island of S. George Major, the present site of Venice's powerful Cini Foundation.

Venice was established initially as a colonial outpost of the Byzantine Empire, directing its efforts against those institutions of Western Christendom set into motion by St. Augustine earlier and Charlemagne and Alcuin later. This represented not Byzantium of the Paleologues, but rather pagan rentier-financier families associated with those pseudo-Christian cults generically identified as Gnosticism, a disguise of the old pagan cults of Mithra, Isis, et al.

The connection to Edinburgh, London, Geneva, and Amsterdam of today is summarily this.

In concert with a competitor-colony of Byzantium, Genoa, Venice successfully subverted Western Christendom over the period 1230-1268 A.D., first overthrowing the Hohenstaufen (Ghibellines/Waibling), and then in the "Black Guelph"/Welf defeat of Dante Alighieri's "White Guelph" faction in Italy. The Venetians and Genoese established dictatorship over the Papacy and Europe generally through the pyramided debts controlled by such Lombard banking-houses as the Bardi and Peruzzi. This usury, and the collapse and chaos it promoted, led to a general collapse of European civilization, reducing the population of Europe by half over the century following the defeat of the Stauffer.

The bankruptcy which the Lombards brought upon themselves provided an aperture through which the political heirs of Dante Alighieri set into motion what became the Golden

Renaissance of the fifteenth century. However, the Golden Renaissance failed to uproot and crush Lombard power. Venice and Genoa deployed the Turkish ruler, Mohammed the Conqueror, to conquer Constantinople in 1453 A.D., crushing the Golden Renaissance's Paleologue allies to the east.

As a result of 1453 A.D., the Lombard bankers, usually then described as the "Genoese," brought the Iberian peninsula under their control, capturing Spain fully once the death of Ferdinand removed the last major obstacle to their power there. Aided by control of Spanish mercenaries, they defeated the forces led by Leonardo da Vinci in Italy, and would have established unchallenged world power but for the success of Louis XI in reconstructing France as the first modern nation-state.

In addition to the Iberian peninsula, the Genoese took over Burgundy, establishing Geneva as a colonial outpost of Genoese financier and political power. Both the Netherlands and England were brought under Genoese control over the period 1589-1607, aided by Genoa's fourteenth-century colony in Scotland, the Genoese financial colony of Edinburgh. At the close of the Napoleonic wars, Venice dictated the present constitution of Switzerland, making the entirety of the nation, not merely its French-speaking canton, a colony of Venetian financier interests.

So, Switzerland has profited comfortably from two World Wars of this century, World Wars orchestrated by the Venice-centered financier interests.

The power behind these Venetian, Genoese, Swiss, London, Edinburgh, and Amsterdam interests is constituted in the form of an institution known in Italian as the *fondi*. These *fondi* take the form of a corporation embodying the collective real-estate and other financier holdings of a specific "family" in perpetuity. The *fondo* is not the expression of the interests of the members of the family, rather the family becomes what U.S. law recognizes as a collection of "remainder men," heirs who enjoy use of the income from the *fondo*, but are otherwise merely ephemeral appendages of the corporate form of the *fondo* itself.

These *fondi* are operated by "technicians," such as private banks and lawyers. Often by aid of highly disguised arrangements, the *fondi* control vast real-estate holdings, major insurance companies, and private commercial-banking interests. Today, as a group, such *fondi* control much of the real-estate of the entire world, and have a virtual monopoly over the currency, credit, and debt of both nations and private business enterprises. The Basel, Switzerland, Bank for International Settlements (BIS), is the largest of the typical banking-interests controlled by these *fondi*. Through a network of central banks of nations, central banks chartered by governments but actually controlled by private financier interests, the network of *fondi* radiates out of Venice, through Switzerland, Amsterdam, London, Edinburgh, Boston, New York, Chicago, and so forth.

The greatest fear of these *fondi*, and the reason they hate

and fear this writer so passionately, is that sovereign nation-states might act to take away from the private banking-system control over the currency and credit of nations. In other words, they fear a revival of the kind of national banking which the George Washington administration established in the form of the Bank of the United States.

As several leading international bankers have observed, the international monetary reforms proposed by this writer would succeed in preventing the presently looming international financial collapse. Since such monetary reforms would inclusively save the leading banks of the world, one might wrongly suppose that those bankers would be loudly demanding that the LaRouche program be implemented immediately. Quite the contrary. They hate the LaRouche option, because it would save their banks at the price of taking away the political power of the *fondi*.

What this writer has proposed would solve the danger of financial collapse now, and could also have prevented or overcome the last Great Depression. The resistance to such alternatives now is key to the motives of the *fondi* in putting Hitler into power fifty years ago, and for pushing the world into a new outbreak of fascism now.

The alternative these bankers fear is, briefly, as follows: 1) Settlement of imbalances in current payments due among nations is accomplished by sale of reserve (monetary) gold at a competitive price of production of gold for monetary needs. 2) Banks are prohibited from issuing currency, or for

making any loans except as loans of a percentile of the total currency placed on deposit (eliminating the "Keynesian multiplier" from the world's banking systems). 3) National treasuries alone shall have the power to issue currency, which they shall issue as gold-reserve-denominated currency-notes, loaned through the rediscount facilities of a national bank, and loaned only as participation in a percentile of the value of designated categories of loan-agreements contracted by either the national bank or by private banks. 4) Such treasury-issues loaned through the national bank shall be issued at nominal interest-charges, and restricted in application to technologically progressive investments in either production of tangible wealth, improvements of basic economic infrastructure, world trade in commodities used for such purposes by importers, or some other specified application established by law.

This arrangement makes for sound banking, and profitable banking, but it removes from private banks' hands their present political power to dictate the currency-issue, credit, and debt of nations.

That was the essence of the fundamental policy-difference between President Franklin D. Roosevelt and Prime Minister Winston Churchill during World War II. That is the essence of the hatred directed against this writer today. That was the reason the *fondi* chose to put Hitler into power fifty years ago. That is the reason the danger of a new eruption of fascist regimes is so near today.

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West German elections: mediocrity to disaster?

by Michael Liebig and Rainer Apel in Wiesbaden

The impending national elections on March 6 find the West German republic in a situation of unprecedented instability. Not only is it rather uncertain whether the elections will result in a more cohesive political majority in the federal parliament; it is equally uncertain whether the economic incompetence of all the major political parties will be overcome soon enough to open ways for efficiently fighting the economic depression. The main disease in German politics has been, and still is pragmatism, and with a very few exceptions, political life in West Germany has been characterized to this day by an attempt to make this pragmatism even more pervasive. It is this fixation on a "middle-of-the-road" approach which ironically has led the country into its present extreme crisis.

The crisis is economic, political, and ideological. It could soon lead to a situation of "ungovernability," and finally to a fascist "technocratic" form of an emergency regime. History does not repeat itself in form, but in substance similar crises could give rise to historically similar results.

The economic problem

There are already 3.5 million unemployed in the Federal Republic, 2.5 million officially and 1 million unofficially, as well as 1.5 million on short hours. The most dangerous aspect is the tempo of joblessness: a doubling within six months. Because of West Germany's export dependence, the world depression has hit with special intensity. But external factors are compounded by the government's economic policies,

which have been guided by the Swiss through Economics Minister Graf von Lambsdorff and the central bank. The belief prevails that Germany must fatalistically accept "restructuring" away from its industrial strength, and "adjust" to the depression.

This suicidal policy orientation is strongest in the small liberal party, the Free Democrats, who have degenerated into a splinter party below the 5 percent threshold since they committed political treason against former Chancellor Helmut Schmidt on Oct. 1, 1982. The main argument brought forward by the Free Democrats in justifying their leaving the coalition with Schmidt was that the Social Democrats were a political obstacle to the "necessary process of adjustment." The FDP's position of influence over the years has been of utmost detriment to the West German economy, and has been strengthened by the fact that when the Free Democrats joined a coalition with the opposition Christian Democrats on October 1, 1982, they joined a political partner with basically the same outlook: insistence on the invisible hand of the "free market," rejection of the need for a dirigistic credit-generating policy, and an almost religious belief that the main cause of the economic evil is the high wages in West Germany.

The FDP/CDU/CSU coalition which has ruled Germany since last October is one of utmost mediocrity, and the fact that it is this kind of coalition which has found the welcome of German industrialists and businessmen speaks for itself: the rule of mediocrity over the brains of "the economy" is as devastating as over the brains of "politics". There hasn't been

any world economic initiative worth mentioning coming from West Germany since 1978 under the government of Chancellor Helmut Schmidt. Schmidt's subsequent passivity has continued under the present government, led by CDU Chancellor Helmut Kohl.

It is known to Bonn insider circles that Kohl would very much like the Free Democrats to re-enter parliament on March 6, because he would like to rely on the assumed "expertise" of the two FDP cabinet members, Graf Lambsdorff and Foreign Minister Hans Dietrich Genscher. The CSU would like to occupy these crucial ministries with people of its own choice—hence, the strong and escalating attacks from the side of the CSU on the FDP.

At least some people in the German businessmen world are aware of Kohl's incompetence, and of the hazardous position of the FDP. They set their hopes on Franz-Josef Strauss, the chairman of the CSU, governor of Bavaria, and probable new foreign minister and vice-chancellor in a continued Kohl government without the FDP.

Strauss has indeed done some worthwhile things in the economic sphere, and has promoted the nuclear sector and the armaments and aerospace sectors, in which cooperation with France has been very important. Yet, for example, at the recent CSU party conference, during a two-hour-plus speech Strauss said not a word about the world depression. His advocacy of nuclear power and infrastructural projects, praiseworthy as it is, offers no solution for the global depression: and he simply aims to keep domestic unemployment at the current level (instead of the anticipated 5 million or more) through a combination of bitter austerity and "industrial incentives." "He does not understand the imperative of reversing the destruction of labor power and industrial capacities, above all in the civilian steel-producing sector; it must be assumed that his policy of industrial "encouragement" would rely more on efforts in the military-industrial sector. Strauss, like the leading Christian Democrats, does not care about the ongoing international fight for a New World Economic Order; for them, development of the Third World is an extension of the competition between the East and the West, rather than a prospect of building huge future export markets for German industry.

The SPD and the Greens

One can only explain the widespread belief in Strauss as an alternative to the currently ruling mediocrity by looking at the disaster that a new Social Democratic Party (SPD)-led government under Hans-Jochen Vogel would mean for West Germany. Vogel, unlike Helmut Schmidt, has no understanding of economics at all; he cultivates the profile of a person "at peace with man and nature." His ideological background is in the "solidarist" current within the Catholic Church, and he demagogically presents himself on election campaign posters as the man "who will make it" through "partnership and integration."

These words are meaningless to the SPD's traditional labor voter base; they are designed above all to address the German ecology movement. Vogel believes he can win back some of the percentage points gained in recent elections at the SPD's expense by the new political vehicle of the ecologist, the Green Party, and that he could find an acceptable accommodation with the Greens once they entered the parliament.

The formula found for this is "peace with nature," and it is the most prominent passage in the SPD's election campaign platform. It says that jobs can be created by conservation projects, e.g., cleaning up waters and seas, protecting the German forests against acid rain, renovating village structures, and improving neighborhood services. For hundreds of thousands of German industrial workers in steel, construction, shipbuilding, and most of all in the nuclear power sector, this SPD platform has nothing to offer. If this platform becomes government policy, the decline in the quality of German labor power would vastly accelerate, from current high skill levels to the level appropriate to ecologist make-work schemes, a replay of the Nazis' labor-intensive "job creation" policy.

As German Foreign Minister Walter Rathenau said at the beginning of the 20th century, the economy is Germany's fate. Today, this is more important and more correct than ever. The Weimar Republic perished because of mass unemployment, which created the indispensable precondition for Hitler's seizure of power. Today more than ever, the question of mass unemployment defines the life of the Federal Republic. Because of the destruction of historical and institutional continuity in Germany through Nazism and war, the economy has become the principal mechanism of social cohesion. Mass unemployment and a deteriorating economy must therefore have fatal consequences for the West German state as a whole. Equally fatal are state programs that seek, in the style of the 1930s, to lower unemployment figures without any perspective for rejuvenating civilian high-technology sectors. Unless the economic depression is overcome, the advent of an "emergency regime" is unavoidable. Such an emergency regime would operate on the basis of existing emergency laws, lying ready in the desk drawers of the Ministries. This applies particularly to the so-called "small" emergency laws in case of an economic emergency (laws to secure labor and the economy). Of course, such a regime would not be "Nazi"; there would be no swastikas or anti-Semitism (though mass expulsion of foreign workers is on the agenda). Rather, such an authoritarian-technocratic regime would try to legitimize itself by talking about "crisis management."

In the March 6 parliamentary elections none of the parties represented in the Bundestag has a program to overcome the depression. The Christian Democratic Union/Christian Social Union (CDU/CSU), the Free Democratic Party, and the Social Democrats are all incapable of mounting such a pro-

gram. The line is out that there is no "prescription" (*Patent-rezept*) that could solve the unemployment problem over the short or medium term, just as in the United States people are fond of repeating that there are "no simple answers." In little circles and behind closed doors, leading West German politicians of all stripes are instead speculating about emergency crisis-management measures under depression conditions. Yet, which party comes out ahead in has paramount significance for the survival of the Federal Republic and for Europe. Neither a CDU/CSU-led government nor a regime of the Social Democrats in alliance (of whatever form) with the "Green" ecofascists will provide stability in an intensifying depression. But there are still important differences between them.

The election stakes

Should the Social Democrats win the upper hand together with the ecofascists, then an immediate destabilization will begin, first of an economic nature: capital flight, further collapse of domestic investments, pressure on the deutsche-mark, rapid increase in unemployment. It hardly makes any difference whether the ecofascists come into the government (which is unlikely). The fact that the ecofascists would be able to directly influence the overall political climate in Bonn would in itself paralyze the economy. At the same time, what remains of foreign policy channels capable of maintaining sane relations in Europe and averting brinksmanship between the two superpowers would be destroyed.

Under these circumstances, it is unlikely that a reunification of East and West Germany would come about. It is also extremely unlikely that there will be a neutralization of Federal Republic in any formal sense. For the Soviets, a sparrow in the hand (East Germany) is always preferable to a dubious dove in the bush (a demilitarized, neutral, unified Germany). Why should the Soviets relinquish veto powers over East Germany, when a politically disintegrating West Germany in a state of economic agony would no longer constitute any kind of strategic counterweight?

The Green Party's ecofascists are the most visible and most dangerous expression of the political sickness of the Federal Republic. True, they are internationally directed, controlled and financed; but their growth since the late 1970s remains an unequivocal proof of the emptiness, mediocrity, and cowardice of the established parties in Federal Republic, at least since the 1963 ouster of Christian Democratic Chancellor Konrad Adenauer and his policy of coordination with France's Charles de Gaulle. The ecofascists were never really combated by the established parties; they were "criticized," and individual representatives of the established parties pragmatically adapted themselves to the new phenomenon, like the Social Democratic governor of Hesse, Holger Börner, who attacked the Greens as fascists and several months later ended up working with them.

Leading industrialists and Christian Democrats now talk

about the danger of "Green Ayatollahs" who are destroying West Germany as an industrial state, but this does not sound very convincing. Even more alarming than the increase of the ecofascists is the moral and political weakness of the established parties, which have countered the cult of the irrational with nothing but cowardice and mediocrity.

The ecofascists and the associated peace movement are directed and financed from both Eastern and Western sources. Besides the nation's Lutheran and Roman Catholic churches, through which oligarchical and British networks operate, the ecofascists and their peace movement are financed by the Institute for Policy Studies and the Rubin Foundation, as the case of former Green Party head Petra Kelly illustrates. Eastern intelligence, which has an obvious stake in undermining NATO's strongest European component, also finances and controls ecofascist activities, as in the case of current Green Party head Rudolf Bahro, an "exile" from the German Democratic Republic who maintains ties to the East German secret service.

Here, then, are the alternatives for the Federal Republic. If the ecofascists in tandem with the Social Democrats under Vogel, Willy Brandt, and Peter Glotz come to power in Bonn, then an immediate transformation begins to economic and strategic chaos. Such a period of chaos would be in fact a transitional regime toward a fascist-technocratic emergency dictatorship.

Should the Christian Democrats gain the upper hand on March 6, this would not restore stability, for then the ecofascists and their peace movement would start a "peace mobilization" which will intersect mass social unrest because of youth unemployment, teacher unemployment, and discontent among the victims of social cutback. An explosion will result by early summer.

The European Labor Party (EAP), whose electoral campaign had been blacked out of the major news media until February, is running as the party of the New World Economic Order, with a program of gearing up idle industrial capacity for exports to the underdeveloped sector. Because the tiny EAP has now qualified as a national electoral party, the media were legally compelled to provide 10 minutes' worth of television slots, plus some radio time, to EAP national chairman Helga Zepp-LaRouche.

"Why should there be over 30 million unemployed in the industrial nations when they could be producing what millions of other people need to survive?" Zepp-LaRouche had said in her broadcasts. Her TV spots on Feb. 7 and Feb. 8 TV sparked a degree of political excitement that EAP campaign workers have never before seen in the party's nine-year history. For hours after each appearance, the switchboards at EAP headquarters were jammed as hundreds of viewers called in. The TV stations are now refusing to allow the EAP to participate in televised election debates among the parties, however.

The present situation in the Federal Republic opens up

opportunities not only for the EAP, but for those abroad who are not indifferent to the fate of Germany. The statesmanlike intervention of French President François Mitterrand in the Bundestag on the occasion of the 20th anniversary of the German-French Friendship Treaty on Jan. 12 is an example. This applies not only to Mitterrand's opposition to suicidal versions of "arms control" sponsored by the NATO bureaucracy, the State Department, and Moscow, but also to his courageous words on the necessity of a New World Economic Order, which would make the Third World and Europe true industrial partners.

Interview: Ehud Olmert

Israeli legislator: 'Anti-Semitic reborn in Greens' outlook'

In a statement for attribution made to *EIR* Middle East correspondent Mark Burdman on Feb. 14, Israeli Member of Parliament Ehud Olmert denounced recent propaganda issued by the Green Party ("*die Grünen*") of West Germany as containing "positions and views which are traditionally anti-Semitic." Olmert labelled these views "dangerous," and warned that they could have an adverse effect on the future of German-Israeli relations "if they indicate a new wave of anti-Semitism within Germany."

Olmert is an influential member of Israel's ruling Likud Party. In Israel's parliament, or Knesset, he holds an important post on the Foreign Relations and Defense Committee. He has also won a reputation for being one of Israel's most persistent opponents of organized crime, both in Israel and abroad.

Speaking by telephone from his Knesset office in Jerusalem, Olmert made the following statement:

"I read with apprehension that the Green Party included in its official publication and material positions and views which are traditionally anti-Semitic.

"We are aware of the fact, very much to our dismay, that this party is very much anti-Israel with regard to the Middle East problem. This in itself is not illegitimate, but when this is joined by an anti-Semite approach, it becomes dangerous and must be addressed.

"Those of us in Israel who are in favor of improving relations with Germany are particularly sensitive to anything which comes from Germany that is tainted by anti-Semitism. We hope that this party will not indicate a new wave of anti-Semitism within Germany that may set back the relations between the two nations."

Olmert indicated that he had read about the greens' anti-Semitic propaganda in Israel's newspapers Feb. 14, particularly the mass-circulation Hebrew-language daily *Ha'aretz*, which carried a prominent news item dispatched by Bonn correspondent Daniel Dagan on the theme that the greens are the "new anti-Semites of Germany."

Dagan's dispatch was based on analysis of a new "greenie calendar" which is getting wide circulation in Germany. The calendar contains many irrationalist elements which have characteristic anti-Semitic components.

Prior to Olmert's declaration, several Israeli military spokesmen, intelligence officials, and media experts had privately told *EIR* that they regarded the greens as "fascists" and as "reminiscent of the precursors to the Nazis in the late 1920s and early 1930s."

Olmert's statement echoes in crucial respects evidence published by the European Labor Party, in a widely circulated Summer 1982 document entitled "Stoppt die Grüne Gefahr" ("Stop the Green Peril"), that the Green Party's ideology and belief-structure was in most basic points identical to the irrationalist ideologies that produced the Nazis and other fascist movements of the interwar years. This document, written under the direction of European Labor Party chairwoman Helga Zepp-LaRouche, presented the extensive evidence of the Green Party links to leaders of Germany's neo-Nazi parties.

Since that document was published, *Executive Intelligence Review* has been at the forefront in exposing the greens' links, financial and otherwise, with Libyan dictator Muammar Qaddafi, who declared in a January 1983 interview with French and American journals that he thought "Hitler was right" in fighting against a "Zionist subversive plot" against Germany in the 1930s. Several top Green Party representatives have informed *EIR* investigators that they cherish their links with Qaddafi, who provides a key financial base for their activities.

EIR has established that the "green movement" operates as a sub-unit of the "Neo-Nazi International," run out of Lausanne, Switzerland, by Swiss Nazi Party banker François Genoud and by Scottish Rite Freemasonic oligarchs in Malmö, Sweden. Genoud is, along with Qaddafi, the main bank-roller of former Algerian President Ahmed Ben Bella, who has been secretly preparing translations of Adolf Hitler's works into Arabic for prospective 50th-anniversary celebrations of Hitler's rise to power in the Arab-Islamic world. Ben Bella, whose house was recently raided by French police, maintains extensive contacts to the "greens."

EIR is preparing explosive new feature material for international circulation during coming weeks on the greenie Nazi-Qaddafi connections. *EIR*'s founding editor Lyndon H. LaRouche has indicated that the truth behind the "Lausanne Connection" controlling the Green Party will reveal many of the truths of the past 200 years of history that have until now been tightly covered up.

Club of Life sharpens the choices for Non-Aligned policy

by Susan Brady

Meeting in New Delhi just two weeks before the Non-Aligned Nations' summit is scheduled to convene in the same city on March 1, the Club of Life delivered a sharp challenge to the supporters of the International Monetary Fund and World Bank who are trying to keep the critical issues of a Third World "debtors' cartel" and the New World Economic Order off the agenda of the summit.

More than 40 political leaders, economists, and others of the Indian elite, in and out of government, participated in the Club of Life's conference on Feb. 13, which was prominently reported in the Indian press. It was the first show of force by the organization's Indian chapter, and the first of a series of international conferences in February by the Club of Life to send a clear message of support for the formation of a New World Economic Order at the Non-Aligned summit, which will be chaired by Indian Prime Minister Indira Gandhi.

The Club of Life was founded officially in October 1982 on the initiation of Helga Zepp-LaRouche, the head of the European Labor Party of West Germany and wife of the world-renowned economist and author of the plan for a new world monetary system, Lyndon LaRouche, a prominent member of the U.S. Democratic Party who has been active in the Club of Life from the outset. The LaRouches will address the Club of Life's conference in Paris Feb. 18, the "flagship" event, together with a conference in Washington, D.C., the same day, for some 50 Club of Life conferences in cities on four continents.

Helga Zepp-LaRouche has stressed that, over the spring of 1983, the human race confronts a *punctum saliens* or decisive turning point, at which either the bankrupt monetary system bequeathed by the 1944 Bretton Woods accords is replaced by a new, just world order—or the world collapses into a New Dark Age. The Non-Aligned summit, representing 96 Third World countries, followed in late March by the meeting of the Group of 77 developing nations in the IMF, are nodal points in the process by which a decision will be made or failed to be made—the decision of whether developing countries will join forces to ensure a global industrial recovery, or be picked off one by one by the IMF's debt-collection policy.

The New Delhi Club of Life meeting brought together several members of Parliament, veteran journalists, promi-

nent government and non-government economists, science policy makers, social workers, and leading members of the ruling Congress Party. Discussion (see Indian press excerpts below) reflected the fight going on in the Non-Aligned, as speakers addressed the urgency of replacing the Bretton Woods monetary system and debated the potential of using the "debt bomb" to accomplish this. The meeting addressed a particular challenge to the attempt by the British Commonwealth bureaucracy to manipulate India's role in the Non-Aligned (of which Mrs. Gandhi's father Jawaharlal Nehru was a founder) to the benefit of the IMF. The draft economic declaration issued for the Non-Aligned summit by the government of India, which currently heads the Non-Aligned, came under attack.

The controversial draft declaration (see *EIR*, Feb. 22), was the product of a joint operation by the U.S. Council on Foreign Relations (founded by the British Royal Institute for International Affairs) and the Brandt Commission (another British creation, mandated by the World Bank to "study" ways of making the IMF and World Bank policies saleable to the Third World), working through local neo-colonial agents L. K. Jha and K. B. Lal in India. The declaration specifically omitted mention of the use of the "debt bomb" to force collective renegotiation of developing-sector debt, and the need to create a new monetary system. Instead it embraced an expansion of the IMF and World Bank.

Action Programme—a "more potent document"

The fight that has erupted over these two issues, and which is certain to be a major focus at the summit, came into the open with the release Feb. 15 for circulation among the Non-Aligned member nations of a 33-point "Action Programme" which in significant ways contradicts the economic declaration to which it is appended. The Action Programme, a copy of which was obtained by *EIR*, reflects varying influences. It calls for "collective renegotiation of the present debt burden of all developing countries" and "immediate convening" of a conference to establish a new monetary system. But these two striking points are embedded in the laundry lists of demands for expanding the IMF-World Bank institutions, otherwise made familiar by the Brandt

Commission.

While demanding a new monetary system, the Programme demands short-term relief in the form of expanded lending from the very institutions it would replace! "The Action Programme places one foot in each camp," a veteran diplomat observed, "whereas before, in the draft declaration, both feet were in the IMF camp." "I'd say it's a more potent document," was the way one Non-Aligned official put it.

In practical terms, the Programme represents a political opening for these determined to carry through on the urgency of the New World Economic Order.

On the subject of indebtedness, the Action Programme states the following: "Collective re-negotiation of the present

debt burden of all developing countries in a multilateral framework and to devise ways and means to prevent occurrence of debt crisis."

In addition to this provision, it is the call for a new monetary system which is most significant. The last point in the Programme reads: "Immediate convening of an International Conference of Money and Finance for Development, with universal participation, to bring about a comprehensive reform of the International Monetary and Financial System, which is inequitable and has become out-of-date."

"The objective of this Conference," the Programme continues, "will be to establish an equitable system, which will effectively meet the requirements of development of the in-

New Delhi newspaper calls for debtors' cartel

The text of a Feb. 15, 1983 editorial in the Patriot, a leading Indian daily, headlined "IMF Quota":

A decision to increase the International Monetary Fund's quotas by 47 percent taken at the just-concluded Interim Committee meeting in Washington once again shows the inadequacies of the Bretton Woods monetary system. Since the debt crisis erupted in Latin America last August, the IMF, the U.S. Treasury and the Switzerland-based Bank for International Settlements have had to come up with short-term bailout packages to keep Mexico, Brazil, and Argentina from defaulting on their debt payments to the U.S. and European private banks. Thus it is no secret that the additional \$29 billion increase in IMF resources approved at the meeting will not be enough to cover the payments crisis this year. Not only will the Latin American countries require over \$60 billion to keep them afloat in 1983, but several European nations are also expected to require emergency IMF funding this year. Even if one were to accept the optimistic forecast of "economic recovery around the corner" in the industrially developed capitalist countries, there is no way that the developing sector debts can be paid. That aside, to accept the severe austerity conditionalities being demanded by the IMF in exchange for a few crumbs with which to pay the foreign banks would be suicidal for the debt-strapped developing countries. Surely this sort of cure is worse than the disease. Ironically, many developing countries and organizations like the Brandt Commission are call-

ing for even larger increases in the IMF's lending and surveillance powers. They have fallen into the trap set for them by the IMF and the private banks, which would like nothing better than to strengthen the IMF by converting it into a "World Central Bank" with powers over all lending to the developing sector. In fact, this is precisely what the major U.S. and European private banks, which recently formed a creditors' cartel known as "the Ditchley group," have been calling for.

The developing countries must not lose sight of the fact that it is the IMF system—and not the developing nations—which is bankrupt. The current debt crisis is the result of the inequities in trade and finances established in 1944 at Bretton Woods by the British and Americans. Their aim was to design a system which perpetuates neo-colonial style policies, even after the colonies attained political independence. At this point nothing short of a long-term rescheduling of the debt payments of the developing-sector nations, creation of a mechanism for extending long-term credit on low rate of interest, and the establishment of a new monetary system to finance real economic development can solve this crisis.

If the developing countries, especially in Latin America, act courageously they can turn what is generally viewed as their greatest weakness into their greatest strength. The threat to withhold payment on their debt can be a powerful weapon if they get together and decide to take collective action. This proposal for "joint renegotiation" of the developing sector debt was voiced at the Coordinating Bureau meeting of the Non-Aligned in Managua. It must be taken up and strengthened at the summit in New Delhi. It is necessary that the developing nations are not lulled into complacency by the crumbs offered in the form of increased IMF quotas. Instead they should use every weapon to force the U.S. administration to seriously discuss the proposals for a new international economic order.

ternational economy, particularly those of the developing countries, especially in regard to investment for structural adjustment, effecting critical areas such as food, energy and industrial development.”

In conclusion, the Programme states: “It is, however, imperative that the immediate measures mentioned in this programme should be implemented wherever possible, without waiting for the convening of the conference.” The measures are recommended for “early follow-up action” to the Buenos Aires Group of 77 ministerial meeting in March and April of this year.

The “immediate measures,” covering the broad areas of financial flows, trade and commodities and energy, include such things as an increase of Official Development Assistance (ODA), a doubling “at least” of International Monetary Fund quotas, creation of additional SDRs, substantial expansion of World Bank lending, a “standstill commitment” from developed countries on further protectionist measures, various preferential trade measures, early ratification of the Common Fund Agreement, establishment of a multilateral financing facility for developing sector energy resource development, strengthening of the IMF Food Facility, and so forth.

The issue of national sovereignty is also addressed in the Action Programme. Point 9 calls for an “immediate review of the conditionality attached to the lending [of the IMF,] with a view to making it consistent with the autonomy of national decision-making processes. It should be fully responsive to the requirements of developing countries and aimed at encouraging expansion in domestic production, structural adjustment and development.”

Political unity required

As was brought out at the New Delhi Club of Life meeting, to make good on such openings requires unity within the Non-Aligned movement and developing sector more broadly—and the key to this is the large Ibero-American debtors. It is no accident that the international bankers’ primary goal in recent months has been to isolate the Western Hemisphere nations from the rest of the developing sector and from each other, and prevent Ibero-American leaders from attending the summit. This battle is still raging. Colombia’s President Belisario Betancur has announced that he will in fact go to New Delhi for the summit—in spite of dramatically stepped-up coup threats to his government. But the bid of Venezuela, (where the Club of Life is receiving major media coverage as the alternative to genocide—see excerpts, below) for membership in the Non-Aligned has been successfully sabotaged by the British Foreign office acting through its puppet, Guyana. Using the pretext of a territorial dispute, the tiny Commonwealth colony vetoed Venezuela’s application at the Non-Aligned Coordinating Bureau, thus barring the heavily indebted nation now presently resisting heavy pressure to submit to the IMF from active participation in Non-Aligned policy formulation.

On the debt crisis and the new economic order

From an article published Feb. 14, 1983 in the Indian daily Patriot:

The need for effective collective action by the Non-Aligned nations was emphasized on Sunday at a seminar on the “Debt Crisis and the New Economic Order.”

Speakers at the seminar, attended by eminent economists and intellectuals from various disciplines and political leaders felt that the IMF and the Bretton Woods system were the source of the grave economic crisis facing the world today.

The crisis can no longer be resolved by reforming the existing institutions, but by creating a new international economic order based on equity and committed to rapid development of the Third World countries.

The Non-Aligned movement must adopt a “visionary leadership role” to meet the grave problems posed by the current world economic crisis, particularly the immediate debt and payments crisis faced by the developing sector, the speakers said.

The seminar was held under the auspices of the Indian Club of Life, a group that has been formed to combat the neo-Malthusian, anti-development policies promoted since the 1970s by the supranational Club of Rome, the IMF, and its allied institutions.

Chairing the seminar, former Union Minister of Finance K. R. Ganesh warned that evidence was accumulating that the U.S. economy was sliding deep into depression.

The total debt of the developing sector is approximately \$630 billion, he pointed out. “In 1981, according to the IMF itself, 32 countries have not been able to meet their debt payments.”

Mr. Ganesh said that many proposals were being floated for reform of the IMF. “The question we must ask is—can the IMF be reformed? Isn’t there a whole ideological framework on which the IMF policies are based? One example, is the conditionalities and the monetarist prescriptions which even in the United States have failed.”

Peter Ennis, U.N. correspondent for the New York-based weekly *Executive Intelligence Review*, made a strong case for the dismantling of the entire post-war Bretton Woods monetary and financial system and called on the Non-Aligned to take the initial steps to carry this out by establishing a “debtors’ cartel” and demanding a moratoria on debt payments. “Only a general reorganization of the monetary system can pull the world out of its current economic depression. Such a reorganization is equally in the interest of the OECD nations and the developing countries. It requires that the

political power of the usurious financial powers behind the IMF be broken" Ennis stated.

"A debtors' cartel would be met initially by ferocious hostility from the banking interests but as soon as it became clear that the cartel was strong and unified a number of governments in the developed sector, including possibly the U.S. government, would enter into negotiations for a new international economic order," Ennis told the conference.

"The Bretton Woods system was an instrument of the bankers and financiers to perpetuate economic neo-colonialism. Lord Keynes designed the economic system in such a way as to deny basic economic freedoms to the newly independent developing nations," he said.

Robert McNamara and Henry Kissinger are trying to tell the developing countries that they must accept a "new Bretton Woods conference," and that the situation in the world economy will improve shortly as the U.S. economy is on the "road to recovery." Ennis warned that this was a fraud aimed at diverting the developing nations from their efforts to establish a new international monetary system to replace the IMF system.

Patriot Editor R. K. Mishra initiated the discussion by stated that "the problem is not debt but the sabotage of development in the developing sector." He cited the Indian experience both in pursuing an independent path of development and in the obstacles it has had to face from the subversive agencies such as the Ford Foundation, the World Bank and the IMF to safeguard its national sovereignty. Mishra warned that a tremendous ideological offensive "is underway to derail India and other developing countries from developing into modern nations" and took note of the environmentalist "small-is-beautiful" lobby in many aspects of national life. "Poverty is the biggest pollution we face—if we don't deal with it frontally we are not dealing with the real problems of development. The IMF policies and the policies of Pol Pot on one level are one and the same," he added.

Many speakers took special note of the economic draft put forth by India to other Non-Aligned countries, characterizing it as "inadequate as far as the current crisis is concerned." Some speakers sharply criticized what it leaves unsaid as far as the debt problem and the need for a new monetary system is concerned and said that it was not as effective as the Havana declaration.

The well-known economist Dr. Sulekh Gupta noted that Indians were familiar with the debt problem. "The Indian peasant is born, lives and dies in debt," he stated, and noted that there were several revolts against British colonialism in India on this specific issue. He said the Non-Aligned must establish their own bank to utilize the resources of the South for greater South-South cooperation.

This idea was endorsed by Dr. R. C. Dutt, who has many years of experience on economic policy and administration. He suggested that such a developing sector bank could tap the resources in the oil-exporting countries and lead to collective self-reliance among developing countries. He said

"we should turn the searchlights inwards and set out our own economies in order."

Member of Parliament R. L. Bhatia noted that the Non-Aligned countries should develop much greater cooperation amongst each other, combining their different resources and areas of expertise.

Professor A. Rahman, of the CSIR (Council for Scientific and Industrial Research), said 60 percent of research and development investment went into the military areas. He denounced the way the intellectuals of developing nations had been brainwashed "by anti-development ideas spread by the agencies of the north."

Dr. Vijay Kelkar expressed the view that the debt issue was too narrow a focus for the economic crisis faced by the world today and that even "a new Bretton Woods conference" was an inadequate response since it would not involve the socialist countries. He disagreed with the idea of a debtors' cartel characterizing many of the leading developing countries in the "debt trap" as reactionary regimes with whom India may not want to involve itself. His views were generally endorsed by fellow economist Dr. Rajiv Kumar.

Kelkar's views provoked heated discussion by several speakers who followed. Some speakers pointed out that to treat the debt problem as the localized condition of some countries who got themselves into trouble, is playing right into the trap of the International banking and financier elite and it is spokesman, Henry Kissinger, who are trying very hard to "divide and conquer" the developing sector before the Non-Aligned meeting in March. In the face of this crisis, one speaker recalled that Jawaharlal Nehru would never have responded by suggesting that fellow developing countries' difficulties were not India's problem.

Other speakers pointed out that events such as the recent massive working-class demonstrations in Argentina demanding that the government reject the IMF's policies shows that the opposition to monetarist policies is growing. India and the rest of the Non-Aligned nations' support for the debtors cartel will help to strengthen the progressive anti-imperialist forces in these countries.

Club of Life member and *New Wave* editor Ganesh Shukla warned that India is not isolated from the rest of the world. During the Carter administration's days a document was produced named Project 1980s where the policy-making organizations in the U.S. including the Ford Foundation and the Council on Foreign Relations produced a script for how to manage a contracting world economy. They coined the term "controlled disintegration" of the world economy. He emphasized that the new Bretton Woods conference idea was part of this framework and it had now been floated in India by individuals who also supported the 1966 devaluation.

Shukla said "The world is divided into a struggle between those who have been suppressed for decades and those who want to prevent development. If Latin American countries are becoming patriotic and fighting, then we should welcome this development."

On the need to replace the IMF, World Bank

The following article, from the Feb. 14 Times of India, India's "newspaper of record," was titled, "Viable Alternative to World Bank, IMF Urged."

International monetary institutions today came in for severe criticism at a seminar here for contributing to the global economic crisis and being essentially against the progress of the developing nations. The speakers at the seminar on the Debt Problem and the New International Economic Order organized by the newly formed Indian Club of Life wanted the forthcoming Non-Aligned meeting to take up the question of a viable alternative to the International Monetary Fund and the World Bank.

Among the alternatives suggested were a common bank for the Non-Aligned bloc and the OPEC group and the pursuit of a common self-reliance policy among the Third World countries which would ensure optimum progress from the limited resources available from each of the countries.

It was also pointed out that the Brandt Commission's proposal of a reform of the IMF was highly impractical, as the moving spirit behind the financial institution was political in nature and not technical. The international debt crisis was the expression of fundamental distortions built into the world economy at the 1944 founding of the Bretton Woods system, according to Mr. Peter Ennis, a United Nations correspondent for the *Executive Intelligence Review*.

While maintaining that the Bretton Woods system was highly impractical for solving the impending global economic crisis, Mr. Ennis said that the system had been born out of British brains and U.S. muscle. Likening it to a vampire sucking blood from its victims, he said that the system had been designed by Keynes to bring about "a total control over the developing countries." Documenting his assertions with the help of slides, the U.N. correspondent pointed out that countries in South America, like Brazil, Argentina, and Mexico had run up debts that even exceeded their export earnings. These three countries had in fact paid debt service to the tune of 117, 126, and 153 percent of their export earnings, he added.

He suggested that developing countries form a debtors' cartel wherein the developing countries could collectively use the threat of non-payment of their debt to break the

control of the monetarist financiers like the IMF and the World Bank. It was learned that a third of all the countries have become debt defaulters with the international financial institutions. This could well be used as a lever by the developing countries to force the OECD to sit at the negotiating table and work out the blueprints of a new international economic order which would be in the interests of all countries, developed or developing.

According to the available figures, the developing countries have already run up a massive \$630 billion debt.

Mr. Ennis refuted the possibility of additional exports plugging the balance of payments gap for the developing countries. While exports necessitated the import of certain basic infrastructure, the developing countries were ending up paying more for imports and even many of the European countries "will have to go to the IMF because they will have fantastic balance of payments deficits" unless viable alternatives are chalked out.

Indirect sabotage

Earlier, initiating the discussion, Mr. R. K. Mishra, well known journalist, looked at the problem not so much as that of debt per se but as that of the indirect "sabotage of the development process among the developing countries" because of such debt. Inherent in such a sabotaging was the rigid conditionalities that were tagged on to each loan purse.

According to Mr. Mishra, it was the World Bank that had taken over the vital industrial policy of the government immediately after Mr. Nehru's death. It had, for one thing, suggested a shift to agriculture, "an argument that we fell for" he said. Ironically it had been observed that the country had achieved a greater agricultural output in the 10 years preceding Mr. Nehru's death than in the 10 years after his death.

The concluding session of the seminar also suggested that the Non-Aligned meeting consider the question of setting up a common bank among the developing bloc and the OPEC group or establish a new monetary system which can "provide the necessary long-term, low-interest credit for the large-scale development of the developing countries." This idea had been put forward by Mr. Sulekh Gupta, who said that funds, instead of strengthening American banks, could be diverted to such a common pool.

Dr. R. C. Dutt, a retired civil servant, also voiced the need for the Non-Aligned nations to pursue "a collective self-reliance policy." However, he advocated the principle of give and take to be the dominant feature of such a policy.

Dr. Vijay Kelkar, an economist, wants the socialist bloc to be also roped into the formulation of the new economic policies of the developing group.

Earlier presiding over the deliberations, Mr. K. R. Ganesh; former union minister of finance, felt that in view of an impending global economic collapse, "an urgent choice would have to be made between the evolution of a new international economic order or face a thermonuclear devastation."

On the NATO origins of the racist Club of Rome

El Mundo, one of the two Caracas afternoon newspapers published by Miguel Angel Capriles, featured an interview with EIR's Ibero-America editor, Dennis Small, on Feb. 8, in which Small detailed the racist roots of the Club of Rome. The interview was quite unsettling for Club of Rome chairman Aurelio Peccei, who was in Caracas at the time. Small was helping organize the Feb. 23 conference of the Venezuelan chapter of the Club of Life. Below are excerpts of the interview, published under the headline, "No financial group has the right to impose debt collection by force," and a subhead, "Club of Life agrees with Capriles editorial." The interview was conducted by Héctor Collins.

No political or financial interest has the right to impose upon sovereign nations economic policies that limit their growth through the collection of foreign debt by force. Before tolerating such impositions, nations have the sovereign right to associate among themselves to declare a moratorium on that debt, and such is the case faced today by the countries of Ibero-America.

This is the view of Dennis N. Small, Ibero-American Editor of the magazine *Executive Intelligence Review*, who is in Caracas to organize the founding of the Club of Life in Venezuela at an event that will take place Feb. 23 in Parque Central, with the participation of distinguished Venezuelan personalities in politics, economics, and society.

Small fully shares the views put forward by editor Miguel Angel Capriles, president of the Capriles Chain, in a recent editorial of *El Mundo* under the title: "The Rise and Fall of an Indebtedness," which was favorably received in several Latin American countries.

[Small said] because he shares the proposal of editor Miguel Angel Capriles, the Club of Life has invited Capriles to take part in the inaugural conference of the Venezuelan chapter, so that he can elaborate further on his editorial, which raised such interest in the United States. . . .

What is the Club of Life, we asked.

"The Club of Life was born in October 1982 as an initiative of the German political leader Helga Zepp-LaRouche, and the purpose of the new institution is to counteract the negative influence of the Club of Rome and other Malthusian organisms that insist that the human race and the human individual cannot progress, and that there can be no development. The basic principles of the Club of Life, among other things, are the absolute defense of the rights of all

peoples of the world to life and its protection through economic, industrial, and social development, in order to guarantee that the enormous present financial crisis does not lead to more destruction than there already has been from the world's problems."

What is the difference between the Club of Life and the Club of Rome?

"The Club of Life," says Small, "is opposed morally and scientifically to the discredited, but widespread pessimistic ideas of the Club of Rome and other neo-Malthusian organizations. The 'economic' argument of the Club of Rome—that there are scarce resources and therefore that man has reached the limits of growth and must tighten his belt—is so ridiculous and trivial that it is almost unnecessary to offer a rebuttal. Any child," adds Small, "knows that technological progress is the motor of development and that throughout human history it has allowed for dramatic leaps in population density, or, in other words, that technology has made it possible for man to utilize constantly new natural resources to thus maintain a growing population. It is absurd to propose, as the Malthusians do, that if there are not enough hats for currently existing heads, we must start cutting off heads. . . . [As the Book of Genesis mandates:] 'Be fruitful and multiply. Fill the earth and subdue it.'

"But there is another side to the Club of Rome, less known but more relevant. It was founded in the late 1960s as a NATO ideological warfare project. Its purpose is to convince underdeveloped nations that development and industrialization are impossible and undesirable, and that they should therefore forget any national economic and social development plan and accept the deindustrialization and depopulation of their countries."

Dennis Small, continuing to talk about the Club of Rome, singles out Aurelio Peccei and Alexander King:

"In May 1967, two institutions associated with NATO, the Scientific Committee of the North Atlantic Assembly and the Institute for Foreign Policy Research, met in Deauville, France to discuss the 'post-industrial age.' The main speakers were Aurelio Peccei, now the chairman of the Club of Rome, who in 1967 was the head of the Economic Committee of the Atlantic Institute in Paris, a NATO think tank; and Zbigniew Brzezinski. The third individual who played a determining role in this meeting was Alexander King, then the scientific chief of NATO.

"One year later, Peccei and King founded the Club of Rome. Some sources insist that the true intellectual author of the project was not Peccei, but King. King, a top leader of NATO, besides being a fanatic defender of deindustrialization and depopulation, is an unabashed racist. In early 1982, King told a reporter that the most disturbing thing he was concerned about was the possibility that 'the white race could lose its hegemony colored races, because of the population explosion among the latter.'

"This is the true thinking of the founders of the genocidal Club of Rome."

French Fabians try to undercut Mitterrand

by Garance Upham Phau

On Feb. 9, French Minister of Research and Industry Jean-Pierre Chevènement announced the state plans for the nationalized industries. Investment in those sectors shall reach 22 billion francs in 1983 (approximately \$3.5 billion), a 30 percent increase over the 1982 investments of 16 billion francs. Chevènement said that those investments are to be allocated to modernize basic industries (steel, basic chemistry, construction); to help “transformation” industries (auto, refined chemistry, biotechnology); to promote new technologies, notably electronics (140 billion francs—about 23 billion dollars—is scheduled to be spent over five years in this area).

Since French President Mitterrand has turned away from the Socialist Party policy of destruction he was committed to carrying out at the time of his election last year, the party and the government have been the scene of intense factional warfare. Lately, since Mitterrand toured Africa with promises of nuclear deals, his Socialist opposition has come out in the open, to the point of sabotaging government initiatives and helping out opposition conservative parties’ chances in the upcoming elections.

This Socialist opposition, corporatist and Malthusian, poses the danger of a “new fascism,” said Jacques Cheminade, general secretary of the European Labor Party (POE), in a public statement on Feb. 12. The POE shares the philosophical outlook and excellent record in economic matters of *EIR* founder Lyndon H. LaRouche, Jr.

As Cheminade outlined, the core of plotters against the French president is made up of the leader of the Socialist-dominated trade-union federation CFDT, Edmond Maire, Finance Minister Jacques Delors, and Planning Minister Michel Rocard along with the recently fired Cooperation Minister Jean-Pierre Cot.

The intent to undermine the government was made public when Edmond Maire, the French equivalent of Lane Kirkland, emerged from a routine visit to President Mitterrand and, on the footsteps of the Elysée Palace, announced that

the Socialists would implement a tight austerity policy following the March 6 municipal elections. This announcement was seen by everyone in France as an extraordinary provocation intended to deliver the elections to the conservative opposition parties. It is certain that no such plans exist, except in the mind of Delors, who has been consistently rebuked by Prime Minister Mauroy on this issue. Maire was denounced as a liar by associates of Mitterrand.

The French E. T.

The nature of the beast became apparent when Planning Minister Michel Rocard reared his ugly head (he looks like E. T. with a modicum of plastic surgery) in an interview published in the Feb. 4-17 prestigious French Business weekly *L’Expansion*. Rocard fully endorsed Maire’s statement, praising him for his boldness. Rocard was not-so-subtly putting himself forward as able to do a better job than Mitterrand, and he put forth a futuristic vision of a society in which unions would help manage decreasing standards of living!

Cheminade especially warned that Rocard’s advocacy of corporatist planning was reminiscent of war-time practices of General Petain. “Socialism thus conceived comes down to saying that the exploitation of the workers shall be the work of the workers themselves,” said Cheminade, and “one should pay more attention to that part of Rocard’s interview where he considers that the ‘big vertical structures’ [the state, the administration, business and labor organizations, and churches—ed.] are so ‘archaic’ they would no longer be adapted to the modern world. If you put that together with his commentary on the ‘sociological disqualification of those who are too dependent on the big structures,’ what appears behind the mumbo jumbo? A leader ‘not dependent’ on constituencies who relies on non-vertical organizations (that means horizontal or corporatist), in a period of economic depression. Is there a better definition of Hitler or Mussolini?” Cheminade concludes: “We are faced with a new fascism, born as the preceding ones upon the ruins and suffering of a depression.”

The roots of the quadrumvirate

Each member of this foursome is intimately associated with the fascist policies of the Club of Rome, the International Monetary Fund, and those self-proclaimed adepts of “futurism”—a euphemism for plain old fascism.

Maire calls every so often for the dismantling of modern industrial “capitalist” society and a return to a “simpler” society where all nuclear energy facilities would be shut down and workers would “self-manage” small shops in the countryside. This he does quite regularly in the pages of the Major French daily *Le Monde*.

Jacques Delors, the present finance minister, is probably the biggest thorn in Mitterrand’s side. Delors, to put it succinctly, is on record as advocating greater powers for the IMF over developing nations as well as over the French economy

itself. He advocates harsh austerity for France and, having come increasingly under attack by the Mitterrandists, is now threatening to resign should he be unable to carry out his plan after the March elections. Delors is a long-time associate of Maire, with whom he had helped build the CFDT out of the old "Solidarist" Catholic union, the CFTC. Moreover, Delors is associated with the French "Futuribles" movement built by old-time Mussolini associate Bertrand de Jouvenel, the person the international futurist movement credits with having created the Club of Rome!

Michel Rocard, the ambitious planning minister, has long been known as the head of the anti-Mitterrand faction in the Socialist Party. He is the darling of the DSOC (Democratic Socialist Organizing Committee) crowd here, a French Jimmy Carter, with more teeth and an iron grip. Rocard is the hope of Michael Ledeen, the former State Department European "expert" now at Georgetown's CSIS, who has been linked to the Nazi International in the Italian P-2 investigation. Ledeen is an expert on and associate of the futurist movement for which, he has stated in his books, he carries hopes for a new fascism, stripped of the "nationalist and bureaucratic" content which he says hindered the Mussolinian revolution. Rocard and Delors are the favorites of right-wing French business circles who want the Communist Party out of government and a muzzling of the unions, especially the powerful Communist-run CGT federation.

Jean-Pierre Cot wrote in the Feb. 8 *Le Monde* that the Socialist Party should further distance itself from the presidency, and warned Mitterrand that, unlike previous Gaullist administrations, the President's power is not independent on the party apparatus. This is rather wishful thinking on the part of Cot, but is also a clear threat against Mitterrand's government, especially as Cot went on to examine how, in other countries, social democratic parties have, at times, brought down socialist governments, such as Helmut Schmidt's in West Germany.

Jean-Pierre Cot was fired this fall, after his involvement in a "human rights" campaign in Africa to subvert Mitterrand's policy in the region. Cot is a close friend of agronomist René Dumont, a top Club of Rome asset who has spent the past 30 years trying to undermine developing countries in North Africa (he was thrown out of Algeria), in Asia (he was expelled from Vietnam) and in Latin America. Dumont's latest book, a study of Africa, sees no hope for the continent unless the "selfish" city-based African elites are eliminated, and the natives expelled from the cities, Pol Pot-style.

Cheminade: 'The path to slavery'

"It is our conviction that those plotters must be stopped today, for we defend the present policy of the President of the Republic from that same standpoint from which we have attacked Mitterrand in the past, when his actions, along with those of Delors, Rocard, and Maire, were indeed very questionable," explained POE leader Cheminade.

Spain blackmailed by the State Department

by Katherine Kanter in Paris

EIR Paris Bureau Chief Katherine Kanter recently returned from several weeks in Spain

In Mainz, West Germany, on Oct. 29, 1982, the day after the Spanish Socialist Party's landslide electoral victory, *EIR* Contributing Editor Lyndon H. LaRouche stated that the new government was on a six-month lifeline, during which outside forces in East and West would help provoke a military takeover under conditions of internal chaos. In Madrid, during public and private mid-December meetings, LaRouche reiterated that the only way for Spain to climb out of its open coffin was to become an international spokesman for the Operation Juárez debt-cartel perspective and reorganization of the world monetary system to eliminate the IMF.

If the Spanish Socialist Workers Party (PSOE) government, backed by truly patriotic elements in the present opposition, were to adopt publicly and vociferously such a courageous policy as Felipe González intimated in his interview to Radio Caracol of Colombia in January, the potential impact among Ibero-American nations, where Spain carries a unique moral authority, could trip the balance toward the realization of a New World Economic Order.

However, in mid-January senior government officials expressed to this correspondent extreme doubt and fear concerning what they see as the "limited sovereignty" of Spain due to "geographical peculiarities" (translated as U.S. military bases), the NATO problem, and what was explicitly described as "the heavy hand of the U.S. State Department." These constraints, *EIR* was told, might go so far as to prevent the government from participating in any fashion in the New Delhi Non-Aligned summit in early March, just as flagrant intervention by the State Department yanked Spanish representatives at the pre-summit meeting in Managua, Nicaragua on Jan. 10-16 back from supporting the Mexican proposal for mediating the Central American conflict. While the Madrid government looks toward alignment with partisans of industrial development in Ibero-America, it faces continued challenges at home, centered around Basque terrorism.

Kissinger and Shultz

In 1973, Henry Kissinger made it clear to Prime Minister Carrero Blanco, that the wages for opposing State Depart-

ment policies are death. Carrero Blanco was assassinated soon thereafter, in a spectacularly professional operation whose instigators have never been officially identified or charged. It is no secret in Spain that the U.S. embassy in Madrid was aware of every single technical detail of the assassination preparations against the Prime Minister. George Shultz, a trimmer, quieter version of his predecessor in the State Department, cornered the unfortunate present interior minister, José Barrionuevo, in a closed-door tête-à-tête when Shultz arrived in Madrid on Dec. 15, 1982, to make the extraordinary statement that the United States opposes the developing special Franco-Spanish collaboration on security matters—especially counterterror intelligence—and unless that cooperation were broken up, the State Department would not be responsible for the consequences. As recompense, Shultz offered to release CIA information on the Carrero Blanco assassination and other matters which, he admitted, had previously been kept out of Spanish hands. As the local Trilateral Commission mouthpiece *Diario 16* commented on Jan. 12, the State Department has been prudently withholding information on precise movements and whereabouts of ETA Basque terrorists so that it may now dribble this information out on a drop-by-drop basis—in exchange for Spain's agreement to make a clean break with the French. Specifically, Mr. Shultz proposed that a commission be formed of highest-level Spanish security and military officials in consort with U.S. embassy officials on the Basque terrorism problem. One is reminded of the Bertrand Russell gang setting up, with British tongue-in-cheek, its "Who Killed Kennedy Commission."

While Mr. Schultz was putting on his performance in Barrionuevo's office, a campaign was set loose against the credibility of the Interior Ministry through the mediation of that shopworn British agent Joaquín Ruiz-Xímenez, just nominated to the post of *defensor del pueblo* (ombudsman), which unfortunately carries some constitutional power. Aiding Ruiz-Xímenez is Justice Minister Ledesma, his collaborator from the biggest British Fabian socialist operation of the 1960s in Spain, the club *Cuadernos Para el Diálogo*.

The gameplan erupted along the same lines as the longstanding conflict in France between that country's Interior Minister, Gaston Defferre, and the Justice Minister, a von Opel family operative (and Henry Kissinger's intimate) Robert Badinter. The kidnapping of Mikel Echeverría, son of an industrialist notorious for having paid the barbarous revolutionary tax to ETA for years, was probably a setup from the outset. It splashed all over the press the details of how morally intolerable the Basque situation has become.

In print, industrialists are admitting to paying the revolutionary tax to three or four different terrorist groups; doctors and lawyers who cannot afford bodyguards say they are fleeing the Basque area to avoid having to choose between death and the revolutionary tax. Meanwhile, Luis Olarra, a crony of Alianza Popular strongman Fraga Iribarne, boasts to high heaven about the creation of his own personal death squads

"against terrorists." Well-known political figures of both right and left are quoted as admitting to earning a share of their income from the commissions from acting as professional intermediaries in kidnap cases, and of course, the Madrid magazine *Diario 16* and the Madrid daily *El País*, speaking for the Trilateral Commission and the KGB respectively, are defending the intermediary mafia on humanitarian grounds. This is a world of madness pretending to be orderly, a world indicating beyond doubt that the Basque region as a whole has constituted for some years a virtual insurrectionary state within a state, a mere plaything of hostile foreign powers, where the rule of law no longer prevails.

Intervening into this chaos, the Interior Ministry suddenly announced that intermediaries would now be prevented from operating, and that, on the Italian model, bank accounts of kidnap victims would be frozen so that ransom money cannot feed the treasury of the ETA. José Félix Feriz, intermediary in the Echeverría case, was arrested. Feriz, however, invoked that sacred cult Masonic figure Ruiz-Xímenez, who defended him with a bolt from Mount Olympus. Justice Minister Ledesma refused to condemn the intermediary, and said that the extraordinary measures against bank accounts of private individuals were unnecessary. Feriz was released.

Meanwhile, there are reports that González is reorganizing his personal security along the lines Mitterrand has employed.

Almost simultaneously, the Justice Ministry announced that it had granted the French government's petition requiring that the ex-head of the Mando Unico de la Lucha Contra-Terrorista (Joint Counterterror Command), Manuel Ballesteros, be handed over to France to testify in the Hendaye trial on the shootout between Spanish police and ETA on French territory. These moves by Ledesma were correctly understood as a slap in the face to attempts by the Interior Ministry to pacify the mainly right-wing security forces, and to initiate a crackdown in the Basque region.

These are not marginal, purely internal policy issues. The survival of the Spanish nation hangs on defeating the Basque operation, which is run along the precise lines used by the Venetians to split off Portugal in the 15th century as a permanent oligarchical base. The Basque issue cannot be solved from within Spain alone, however, because it is the express will of London, the U.S. State Department, and allied factions in the Soviet KGB to use the Basque separatists to crack Spain's nationhood. In early February there was a fresh upsurge of terrorism both in the Basque and in other provinces, including attacks against the U.S. embassy in Madrid and the French consulate in Barcelona claimed by ETA and GRAPO respectively.

The 'nationalist coup' pipe dream

Otherwise patriotic, but extremely confused and limited individuals within security-linked and military circles have swallowed the line that, since terrorism will probably be out of hand within six months—and since Finance Minister Mig-

uel Boyer's national and international policy is in fact bankrupting the country—the only honorable alternative to Basque secession and IMF receivership is a pre-emptive nationalist coup.

This is a pipe dream. No such coup will be allowed to occur in Spain. If there is a coup, it will be run top-down by NATO elements under British orders, and an IMF military dictatorship will ensure that Spain remains creditworthy. The fantasy of a nationalist coup is fostered by elements of the local landed oligarchy in open rebellion against the implications of Felipe González's policy toward Ibero-America *should this threaten to be carried out in coordination with France.*

Can the Allende syndrome be avoided?

The answer is yes, but certain tough measures must be taken.

First, the PSOE government must crush left-extremist elements now forcing through legalization of abortion, sex education, and free contraception, moves which are creating overnight a climate of intense panic among even those sectors of the population which voted PSOE. These *agents provocateurs*, clustered around the leadership of the Socialist youth, have demanded that abortion be granted as *emergency* legislation though Spain has somehow survived as a nation for over 700 years with no such legislation.

The Socialist youth also demanded at their congress earlier this year that the government legalize marijuana and create a state monopoly for the sale of narcotics which gives one an idea of the muscle of the monetarist-IMF agents within the Socialist Party structure.

Newspapers, radio, and television have carried virtually nothing else but abortion and birth control debates for over a month now, plunging unfortunate Spaniards (who might be wondering what ever happened to the Ibero-American debt issue) straight back into the arms of "mother" every time they open their morning newspaper. The Spanish military tends to be extremely conservative, and its members are surrounded by still-more-conservative wives and mothers now whipped to fewer pitch by their Catholic family associations.

To understand the right-left polarization, the vital interests of the Spanish nation demand that one examine the connections between precisely those factions in the Church pushing the abortion issue as the only issue of relevance—the Andalusian landed oligarchy, including those British sherry families like Osborne and Terry—and the IMF barnacles clamped to the Finance Ministry and the Banco de España. Seeing how this ties into the mafia structure of British-Basque financial operations, including drug-money laundering operations, and noting intelligence reports that the U.S. State Department's Madrid embassy is funding the extremists in the abortion fight, one begins to know who is behind a military dictatorship scenario.

The central bank, the Banco de España, is also complicit in undermining Spain. Who does the bank work for?

This is no rhetorical question. The central bank, founded by Charles III on American System principles, is now the headquarters of the Friedmanite conspiracy against Spain, centered around the Servicio de Estudios, through which passed Enrique Fuentes-Quintana, architect of the economic collapse of the previous government, as well as the chief economist of Alianza Popular, Pedro Schwartz, and Finance Minister Boyer. The internal austerity policy of Boyer is creating precisely those conditions of working-class unrest into which the communist unions are moving, as the recent general strike at Gijon showed.

The Boyer policy, identical in all essential features to that of Jesuit operative Jacques Delors in France, involves rapidly running up Spain's currently manageable \$33 billion debt into something wildly unmanageable over the next six months. At that point, the country is to be handed over to IMF surveillance. Meanwhile, a wage freeze and punitive measures against "waste" by public sector employees is enraging the petty bourgeoisie into a pre-Allende "pots and pans" state of mind.

The Ministry of Industry has further announced that, given the rate of industrial collapse, energy consumption has fallen to the extent that fulfillment of the nuclear program is unnecessary. This is quite literally suicide for Spain's heavy industry. Worse, it eliminates at a stroke of the pen the only crucial export capacity Spain has toward Ibero-America and North Africa, apart from shipbuilding.

The second, major step which the government must take is to de facto and not merely de jure nationalize the Banco de España, to muzzle Boyer and the Fuentes-Quintana monetarist crowd operating through the *cajas de ahorro* (savings banks) network to bankrupt the country.

The third way to defeat the British gameplan is to reach "critical mass" in Franco-Spanish collaboration on counter-terror, since these two nations together have the international blackmail capability to buck the British. Also, only France and Spain in Europe, faced with a power vacuum in the White House and active sabotage from the State Department, have the freedom of action to light the spark of the LaRouche policy for the Third World.

At the time of writing, Thomas Enders, popularly known as the Butcher of Cambodia, where he served under Henry Kissinger in the critical 1973-74 period, and Luigi Einaudi, one of the key State Department officials responsible for the Pinochet coup in Chile, have landed in Madrid to propose that Felipe González keep Spain out of the New Delhi Non-Aligned summit in exchange for slightly less State Department bloodshed in Central America. Einaudi expressed his displeasure at the close relations between Spain and France. At the same time, it has become known that should the Spanish government decide to change one jot or tittle of the U.S.-Spanish friendship treaty up for renewal this year, and should the Spanish government maneuver on the NATO issue in this context, all support of any kind whatsoever, say authorized sources, may vanish from the U.S. side.

Who runs Peruvian terrorism?

Barbarism is overwhelming the country—thanks to the same “academics” who helped create the Khmer Rouge and Kohmeini.

Eight Peruvian journalists were stoned, hacked to death with machetes, and buried at a hamlet in the guerrilla-infested mountains surrounding Ayacucho, Peru on Jan. 27. When their well-shredded corpses were exhumed and re-interred in Lima a few days later, 10,000 people marched in the funeral procession.

Why were they killed? The first story was that the local peasants had lynched them as suspected Maoist guerrillas, as they had reportedly done a week earlier to seven real guerrillas. Few believed either story. Then, Peruvian TV and the world's wire services carried the claim of the reporter who had set up his dead comrades' trip, but had not gone with them. He said the peasants explained to him that “the Sinchis [the elite army unit set up by the U.S. Green Berets] told us that our friends only arrive by air and our enemies by land, and that we should kill those who come by land, burn their clothes, and throw their bodies to the dogs.” Until shortly before his TV statement, however, the same reporter had insisted that the Sinchis themselves had done the deed, because the journalists found evidence that the Sinchis had begun mass assassinations of young peasants.

For example, the 22 rolls of film found on the murder site by the “first” Sinchi patrol to reach it were exposed before they reached the investigating authorities—except for one shot. That showed a man wearing the century-old peasant blanket and cap costume,

but also a wristwatch and a ring. Near-starvation illiterate peasants in Peru do not have wristwatches and rings. That offers a good clue that the Sinchis—who boast of disguising themselves as peasants—killed the journalists, and suggests why.

The Sinchis were trained by the Green Berets during the Vietnam War. They, like Guatemalan president Rios Montt's counter-insurgency forces, engage in wanton violence and even cannibalism against civilians, which drives the civilians into the hands of the insurgent terrorists and creates “prolonged war.”

The Sendero Luminoso guerrillas come out of the same European oligarchic think tanks as the counter-insurgency forces. Prof. Abimeal Guzman has had direct hands-on control since the Maoists split out of the pro-Soviet Communist Party in 1962. The University of Huamanga, re-opened the year before in Ayacucho, the capital of the most excruciatingly backwards region of America, has served as Guzman's base. His student mob has had substantial control over everything at the university.

But that is only the surface. Sendero was created in Paris, by the same Sorbonne anthropology professors who trained Khomeini's Bani-Sadr and the Cambodian president under Pol Pot, Khieu Samphan. Like the feudalist butchers of Iran and Cambodia, the Senderistas preach that “the countryside shall encircle the cities.” They, too, kill teachers and other carriers of

modern culture, and they seek to starve out urban civilization.

I studied at the University of Huamanga in 1964. Among my professors was Dr. Yaranga, who had just returned from Paris armed with his doctorate in cultural anthropology. Dr. Yaranga was certainly one of the most cosmopolitan figures in backwater Ayacucho. Did he urge his students to bring modern education, culture, and medicine to the Indians? No. Yaranga taught barbaric Indian witchcraft such as healing a sick baby by wrapping it in urine-soaked sheep pelts and incanting prayers using Christian words in prayers of pseudo-Incan devil worship. And Dr. Yaranga professed to believe in the superior efficacy of this witchcraft.

A number of such agents on the faculty created the psychotic atmosphere in which Guzman recruited. The Sorbonne and London's Tavistock Institute chose Ayacucho for their nest because the relations between lords and serfs and the degradation of the peasantry there are so shocking as to foster revolutionary impulses. With the help of the ideology of 1920s Peruvian savant José Carlos Mariategui, whose Marxism was shaped in the same stinking “cultural relativist” salons of Paris as Yaranga's, well-intentioned students have been turned into the shock troops of the New Dark Ages.

Why induce in Peru the internal warfare which in Italy is called the strategy of tension? One reason is to destroy the creditability of all national institutions, including the military itself, which under President Juan Velasco (1968-75) served as a catalyst for nation-building. Another is the cocaine trade, which flourishes in precisely the same areas as the Senderistas and the corrupted military elements who are stimulating the bloodshed.

Labor puts Hernández on the hot seat

Will the commerce minister be the first to fall in Mexican Workers' Confederation drive against the IMF?

The two million-strong Mexican Workers' Confederation (CTM) has put its campaign against the International Monetary Fund into gear and picked a vulnerable target—the new commerce minister, Hector Hernández. Hernández, the man in charge of imposing the front end of the austerity the IMF has demanded of Mexico, is hitting the most sensitive area in the daily lives of the workers and peasants who make up the institutional base of the government PRI party—prices.

The official magazine of the CTM, *Cetemista*, came out blasting Hernández as soon as the Commerce Minister began in early January to carry out one of the conditionalities the IMF imposed in return for a pitifully inadequate credit line to Mexico. Dutifully obeying the IMF's dictates, the commerce minister removed price controls on all but a handful of products, and allowed substantial increases in the prices of the rest.

Cetemista did not mince words. "With notorious haste and blitheness bordering on the reckless, the officials of the commerce ministry have begun their terms [of office] with the policy of generalized freeing of prices. . . . [This action] is one of inexplicable complacency, complicity, and interest in seeing to the perpetuation of a Dark Ages economic structure."

Simultaneously, a leading CTM economist, Porfirio Camarena, opened fire on the proposal, resurrected under IMF prodding, that Mexico join the General Agreement on Trade and Tariffs (GATT). As all politically in-

formed circles in Mexico know, it was Hector Hernández, as undersecretary of commerce in the previous government, who negotiated a preliminary deal with GATT and fought for it until the moment when then-President López Portillo definitively quashed the deal in March 1980 as a peril to Mexican sovereignty.

A third tactical move against the commerce minister came when CTM president Fidel Velázquez started a parallel distribution network for basic food and consumer items, outside the normal stores. The network is to be made up of the existing government Conasupo stores, augmented by special outlets at factories, in parks, and new worker-run stores.

On Feb. 8 Hernández and his top aides met with the presidents of the congressional economic oversight commissions in what was supposed to be a closed-door session. As the journalists were shooed out, one enterprising reporter for the Centro radio chain left a tape recorder in an empty seat. The recorder picked up highly compromising exclamations from Hernández, who said that "it would be an economic illusion to think of freezing prices or of even the possibility of sustaining them during the agreed-upon time periods."

The next day, all hell broke loose. Hernández's statements were in the lead headlines of every newspaper. Velázquez and the other labor leaders were "furious," according to well-informed political columnists; a strong faction in the CTM wanted nothing

less than Hernández's resignation.

Velázquez told the press that "now there is no option for the working class other than demanding a general wage increase." But a wage increase would shake the whole structure of the IMF's plan to bleed the economy and unleash desperate social forces against the ruling institutions.

The veteran labor leader sent a message to President de la Madrid himself, warning that labor's allegiance was stretching thin. "We do not know if [Hernández's] statements came from officials above him or not," warned Velázquez. But "the commerce minister is the man responsible for this area." Even such veiled criticism of the usually untouchable figure of the President sends off shock waves here.

Making the labor movement even angrier is the official inflation figure of 10.9 percent for January, which the Bank of Mexico released in mid-February. Asked how this squared with the calculations by labor and business economists that inflation is actually a phenomenal 29 percent, Velázquez answered drily that "their facts are different from ours; ours are true."

The latest element of the IMF package under attack is interest rates, which the IMF insists must run higher than inflation. The CTM began saying in January that such a policy "promotes the establishment of a rentier economy" in which production is sacrificed to usury and speculation. The CTM leadership in Sonora has launched a campaign devoted to lowering interest rates. In the first week of February, the CTM nationally began the formation of "Committees of Civic Action" to force the Bank of Mexico to roll back the leap in mortgage rates which had just been decreed, from 11 percent up to 39 percent.

International Intelligence

PLO accepting Jordan confederation

At a pre-meeting of the Palestine National Congress in Algiers, the leaders of the eight factions that comprise the Palestine Liberation Organization were reported to have accepted a plan proposed by PLO chief Yasser Arafat to confederate with Jordan. PLO spokesman Abdo Rahman made the announcement on Feb. 19 at the conclusion of the pre-meeting, which makes decisions for the larger body of delegates which comprise the PNC, the leading body of the PLO.

The radical "rejectionist" leaders of the PLO, George Habash and Nayef Hawatmeh, have vetoed any linkage between the Palestinians and Jordan in future peace negotiations.

During Arafat's meeting with Yuri Andropov in January, Andropov became the first Soviet leader to give tacit approval to a Palestinian-Jordanian confederation. In the past, the U.S.S.R. has backed an independent Palestinian state.

The government of Egyptian President Hosni Mubarak has also played a role in bringing about the potential Palestinian-Jordan link. Following his return from a three-nation tour of France, the U.K., and the U.S., Mubarak told the press that he had discussed the prospects of creating a Jordanian-Palestinian delegation in future talks with Arab leaders. He said that Washington had pledged that if such a delegation were formed, the U.S. would help to expedite his efforts to break the stalemate between Israel and the Arabs on the Palestinian problem.

Lebanese leader calls for U.S.-Lebanon treaty

Khalil el-Khalil, Lebanon's ambassador to West Germany and a representative to the Lebanese parliament from the city of Tyre in southern Lebanon, has called upon President Amin Gemayel to "ratify a defense and security treaty with the United States," according to the French-language Lebanese daily *L'Orient le Jour*.

El-Khalil is a member of the National Liberal Party headed by former Lebanese

President Camille Chamoun, who has recently made highly critical statements about Israeli-Syrian plans to partition Lebanon.

L'Orient le Jour also reported on Feb. 8 that a top aide to President Gemayel, Wadi Haddad, came to Washington in February for discussions with top administration officials. It is not known whether El-Khalil's proposal was featured in these talks.

EIR founder Lyndon LaRouche has recommended that the United States send tens of thousands of troops to Lebanon to stabilize and help reconstruct that country.

Following the recent trip of Egyptian President Hosni Mubarak to Washington, Egypt has become more active in efforts to return sanity to Lebanon. Special Egyptian presidential adviser Osama el-Baz recently visited Lebanon and issued a statement warning that U.S. influence in the Middle East would be undermined if Israeli troops do not withdraw from Lebanon by early spring.

Italy: union heads like their new uniforms

"The Italian trade unions' leadership is behaving like the Italian generals in 1941," *EIR* founder Lyndon LaRouche commented after the large majorities of Italian labor leaders accepted fully the new corporatism proposed by Club of Rome sponsor Italian Prime Minister Fanfani. Recently, Italian trade unions accepted a 13 percent cut in the cost-of-living escalator, the last line of defense of workers' living standards, and the last issue keeping the unions together. The next step will be cuts in public spending (i.e., pensions, health insurance, education, and so forth) and "regulation" of the right to strike. Then the trade unions will be exactly what they were under Mussolini, under whom Fanfani was a professor of Fascist doctrine.

La Repubblica recently published a profile of the union leaders after the COL cut: The secretary of the metalworkers, Ottaviano del Turco, declares with a smile that with such an agreement "we have vomited up a piece of our history." He is asked: How do you feel after such an operation? "Not so bad, not so bad. You know, like the conva-

lescents, now it is getting better." CISL Secretary Pierre Carniti: "Too bad for those who still believe in the commonplaces of a generation." UIL secretary Giorgio Benvenuto, a friend of Lane Kirkland's: "I am conscious that this is the end of an era and the beginning of a new one."

These trade unionists fully accepted their new role of mentors of the new corporatism. Carniti: "The agreement is important because it indicates the ground of a common task between government and social parts to fight against inflation." Benvenuto: "The agreement on COL implies that trade unions be able to manage the crisis, able to negotiate productivity and restructuring [read: closing down] of factories. This is positive. . . . A trade union dominated by the culture of 'no, this cannot be touched, this cannot be discussed, this cannot be negotiated,' is a trade union doomed to defeat."

The enemies of Benvenuto are the factory councilors (shop stewards) who want to fight the corporatist austerity. Mafai comments that in her discussions with labor leaders: "We heard of a big desire to shup up the factory councilors, a desire to restore order. . . ."

French government airs Nazi-greenie links

In a special undercover investigation by a French investigative team shown on state Channel 1 early in February, the links between the Nazi international and the "greenie" environmentalist movement in Europe was exposed, including the connection between these groups: hard-core Nazis still living in the Argentinian border town of Posadas close to Brazil and Paraguay.

The investigation started in Spain, where interviews with the Spanish Nazi group CEDAD were made. In these interviews, leaders of CEDAD dressed in Nazi uniforms boasted of the growth of Nazism throughout Europe, and casually told the interviewer that their collaborators in Europe were members of the green/ecologist movement with whom they shared the same "back to nature" ideology. As the TV team discovered, the moving force behind the group was located somewhere at P.O. Box 279 in Pa-

sadas, owned by a front man called Amateo Schwaab. In the mid-1950s, Schwaab had written "A Dance With the Devil"—the first ecologist pamphlet.

Further interviews with Brazilian and Argentinian journalists led to the announcement that the Portuguese Braganza family-controlled Tradition, Family and Property (TFP) was a neo-Nazi organization whose main role was as above-ground protection for the underground Nazi organizations in the region—the first time ever that TFP was denounced as such.

'Colombian military will return with both boots'

The Betancur "experiment" in dirigist policies is doomed to failure, according to one "Colombia specialist" and unofficial State Department adviser in Washington. Colombia's future, he predicted, was one of the military jackboot.

In the aftermath of the near military coup in January in Colombia, which Belisario Betancur survived through sophisticated maneuvering and in appeal to the nationalist interests of his widespread following, the popular Colombian President has come under increasing attack for his determination to create new and non-oligarchic political institutions in his country. "A third party has never succeeded in Colombia, and never will," insisted the "Colombia-watcher."

Asked what would happen if Betancur insisted on challenging the two standing oligarchic parties, the expert responded, "Albaro Gómez [a fascist Conservative chieftain] would join forces with the military" and stop him. Even if that doesn't happen, the Washington tactician argued, Betancur's amnesty for the guerrilla movements will fail, and the president will yield more and more power to the military. "When the military comes back, it will be with both boots," he said.

The question of Betancur's "national government" versus a government by the worst elements of the Conservatives or Liberals, instrument of the oligarchy is fundamentally at issue. Betancur opponent and prominent fascist mouthpiece Antonio Panesso writes in the daily *El Espectador* of

Feb. 14 that " 'National' governments in Colombia have always been transitory, to cover up crises. . . . But they have always gone back to the parties, which, when all is said and done, represent reality." In response, *El Espectador's* editorial that same day offers the Betancur view: "The task of national salvation challenges us all . . . the truth is that the failure of the national experiment will not open new doors or achieve new solutions, but rather will raise the danger of our democracy changing its course and taking the shortcut of violence."

Riyadh, Paris support Iraq's war effort

Saudi Arabia and France are reported to have neared completion of an economic deal involving increased Saudi oil sales to France as a means of financing French arms sales to Iraq. The agreement was first considered during a January meeting between Iraqi Deputy Prime Minister Tareeq Aziz and French President François Mitterrand.

Two days later, on Jan. 18, Saudi King Fahd delivered a message to Iraqi President Saddam Hussein on the plan. He also informed Hussein that Saudi Arabia is using its influence with Syria to get Syrian President Hafez Assad to reopen the oil pipeline which traverses Syria and was a crucial outlet for Iraqi oil exports before the outbreak of its war with Iran. In mid-January French Foreign Minister Claude Cheysson visited Baghdad and Damascus, where he urged Syria to open the pipeline.

Iran launched its fourth effort to occupy Iraqi territory in mid-February, but was defeated by what Arab sources say was Iraq's strongest counterattack since the outbreak of the war.

Beginning in November 1982 a transatlantic effort has been under way to close a crucial channel for illegal shipments of Western arms to Iran. It began with the arrest of Ayatollah Khomeini's leading arms purchaser, Sadegh Tabatabai, in West Germany. More recently, in Dallas, Texas, a case was initiated by the U.S. government against British arms dealer Ian Smalley, who has been identified as a front man for Tabatabai.

Briefly

● **POPE JOHN PAUL**, according to Georgetown CSIS's resident Central America expert, is in no danger when he visits Guatemala in early March, because Guatemalan dictator Ríos Montt would not make the mistake of having the Pope killed on his own territory. "He's a fanatic. But Hitler was a fanatic too and Hitler would not make that kind of mistake."

● **MARIO ZAMUDIO**, a radio announcer in Sonora, Mexico, and a member of the neo-Nazi networks surging forward throughout the country in the wake of the IMF, has begun a series of radio programs devoted to rabid attacks on former President José López Portillo, calling him a thief who is responsible for Mexico's economic misery. Mario Zamudio baptized his son Adolf Hitler Zamudio.

● **CARLOS AMAYA**, the leader of the fascist PAN in Sonora, Mexico, demanded that the Mexican Congress investigate Sonora governor Samule Ocaña and Baja California Norte's governor Bob de la Madrid for "illegal enrichment," after their government expropriated Hivula Island from a group of latifundists in early February. The latifundists were planning to build casinos on the island.

● **BIRGITTE VON ROSENS**, appearing Feb. 11 on the Swedish television show "Here is Your Life," gushed about "beautiful Uncle Hermann" Göring and reminisced about her father, who was the most-publicized Odin cultist in Sweden of the early 19th century, wearing Swastikas and funding groups who lived like Stone Age tribes. Von Rosens, a close friend of Adolf Hitler and Heinrich Himmler up to the end of their lives, is 70 years old, now lives in Munich, and works with leading environmentalist-terrorist ideologues in a prisoner-release project called "Burger-initiative Haftkontakt EV" which ran campaigns in favor of hard-core terrorists like Andreas Baader of the Baader-Meinhof group.

How Volcker is manipulating the President and Congress

by Lonnie Wolfe

Congressional sources have revealed how Federal Reserve Chairman Paul Volcker and the Swiss gnomes of the Bank for International Settlements (BIS) plan to blackmail and manipulate the White House and the U.S. Congress to secure passage of bailout funding for the International Monetary Fund.

The bailout, in the form of a new 47.5 percent quota increase approved in mid-February by the IMF Interim Committee, was the subject of a series of Senate hearings the week of Feb. 14–19, featuring Volcker, Treasury Secretary Donald Regan, and Secretary of State George Shultz. Should it be approved, the United States would be forced to deposit an additional \$8 billion with the near-empty IMF.

The proposed bailout is only one feature of the BIS-IMF program for the United States. If the Swiss gnomes and IMF director Jacques de Larosière have their way, the United States will be treated like the proverbial banana republic, with its economy placed under de facto IMF dictatorship. This would mean drastic cuts in the U.S. budget, including national-security-threatening slashes in the defense budget and destructive reductions in entitlement programs. The allocation of all credit for both the domestic economy and for international lending would be strictly regulated through the Fed, acting as the IMF's domestic enforcer. This scheme was the subject of private-corridor discussions at the recent IMF Interim Committee meeting which was held in Washington, D.C.

The assessment of Volcker and his co-conspirators is that the IMF dictatorship plan must be low-keyed for the time being. The White House is not prepared to go along with it,

nor is Congress, who might provoke lynch mobs of constituents if they tried. Congressional sources say that Volcker is applying the squeeze on Congress and the White House for the minimum program—the IMF quota increase.

Volcker went to the Oval Office to meet with President Reagan on Feb. 11 the Federal Reserve chairman reportedly repeated a threat he has made several times in the past, namely that unless the administration secures the IMF quota increase and demonstrates U.S. fealty to the international financial order, Volcker will be forced to hike interest rates and destroy what remains of the economy. Conversely, Volcker played on the fantasy-ridden expectations within administration circles of a recovery, telling the President that should the quota increase be secured, the Fed would be able to keep interest rates low.

The Fed chairman is also reported to have advised the President that he should seek a compromise with Congress to cut the budget deficit, repeating that unless the deficit were reduced, he might be forced to hike interest rates with disastrous effects.

Aides close to the Democratic leadership attribute the administration's sudden compromise on a jobs bill to the Volcker threat and maneuvering by Volcker-allies such as White House Chief of Staff James Baker III. The Fed chairman meanwhile delivered rhetorically on his side of the "deal," leaking word that the Fed would continue its efforts to prevent an upward jolt in interest rates. The word rhetorical is to be stressed here—Volcker, sources on Capitol Hill say, is making no promises about interest rates.

With administration support for the quota increase se-

cured, a rigged debate was set up in Congress. The purpose of this debate, stage-managed by such BIS operatives as Sen. Bill Bradley (D-N.J.) and House Banking Committee Chairman Fernand St. Germain (D-R.I.), is to push through the quota increases and attach to it pieces of the BIS program for complete control over U.S. credit allocation under the label of provisions curbing the big U.S. banks and limiting the scope of the bailout.

Under this perverse scheme, the Congress will lead the United States toward an IMF-BIS dictatorship, pressuring the White House to go along. In order to play this game out, the players must be tightly controlled. The various congressional committees, all supervised by BIS operatives, have therefore decided to exclude testimony against the bailout from the outspoken IMF critic, Volcker's leading enemy in the United States, economist Lyndon H. LaRouche, Jr, and the National Democratic Policy Committee.

'The U.S. is like a bank'

Thus far the hearings are following the IMF-BIS script. Donald Regan and George Shultz have repeated the Volcker lie that the U.S. economy will collapse without the IMF quota increase, since the developing sector will be forced into defaulting.

Shultz, whose State Department is on record as supporting the work of the illegal creditors' cartel of private banks, the Ditchley Group, told the Senate Banking Committee that the "so-called debt bomb can be defused through emergency short-term financing leading to adjustment programs implemented in conjunction with the IMF and in cooperation with central banks. . . ."

"The United States," said the Secretary of State, "has as much a character as a bank as of a country."

Both Shultz and Regan relayed the lie that the IMF's policies save American jobs and that the quota increase was a massive "jobs bill." According to their fallacious arguments, originated by Shultz' patrons at Morgan Guaranty, IMF loans to the underdeveloped countries prop up their economies, enabling them to purchase American goods. Regan told the Senate Banking Committee that Americans stood to lose at least 500,000 jobs without the quota increase! What Shultz and Regan expected Congress to ignore the fact of the IMF conditionalities, which specifically impose brutal import cuts on debtors. U.S. exports of agricultural machinery, capital goods, and farm products have been most affected.

The administration spokesmen, while warning of the dire consequences of congressional failure to support the bailout, were careful to restrain themselves from talking about greater IMF powers over the United States, though both Shultz and Regan are known to privately endorse such ideas, according various banking sources.

Instead, it was the Congress which, following the Volcker-BIS script, treacherously screamed for greater cuts in lending to the developing sector and tighter control over U.S. credit. They spoke more like accountants for central bankers

than elected representatives of the American people. While the various senators acknowledged intense constituency opposition to the bailout, all declared their support for the IMF as an institution.

Senator John Heinz (R-Pa.), a fixture on the banking committee installed by the Morgan-allied Mellon banking interests, called the IMF quota increase essential, arguing that the new funds must "not finance a continuation of the overly expansionary economic activity of the developing sector. . . . I am drafting legislation to . . . impose discipline and limits on commercial bank lending to the developing sector." The Heinz legislation will parallel a bill drafted by Bill Bradley and Rep. Charles Schumer (D-N.Y.) that demands classification of existing bank loans, restriction of new loans, and a scheme as recommended by financier Felix Rohatyn, an exchange of short-term loans for longer-term paper guaranteed by the Federal Reserve. (See article, page 15.)

Arguing for the domestic side of the IMF's austerity demands, ranking banking committee Democrat William Proxmire (Wis.) added: "I just want to cite the comments of IMF director Jacques de Larosière, that the U.S. budget deficit is the greatest danger to international economic security."

Senator Mack Mattingly (R-Ga.), coming from the "right-wing" side of the controlled debate, demanded even stricter terms for the IMF loan conditionalities which have enforced genocide against the developing sector: "Can't we use conditionalities to reduce trade barriers and export subsidies in Third World countries. . . . We have to strengthen the hand of the free traders of the world, and we ought to strengthen those conditionalities." Senator Paul Sarbanes (D-Md.), a self-proclaimed liberal, asked Shultz in the Senate Foreign Relations Committee, "Shouldn't the IMF increase be coupled with some assurances that this situation won't happen again? What about requiring the private bank loans to governments be submitted for comment and review by the IMF?"

As this script was being played on Capitol Hill, the White House and the President were delivered another bromide, this time by Rep. Jack Kemp (R-N.Y.). This pet of the Swiss gnomes, who has been given the "true believer in supply-side economics" profile, marched into the Oval Office Feb. 14, accompanied by other true believers such as Reps. Jerry Lewis (R.-Calif.) and Mickey Edwards (R.-Okla.), to protest Reagan's capitulation to the IMF. The IMF is bankrupt, said Kemp in one of his occasional utterances of truth. No further funds should be placed in the IMF, the ex-football player demanded, until there is a commitment to create a "new Bretton Woods" monetary system, the code-word for the plans of the esteemed gentlemen in Switzerland.

Kemp's aides report that he does not think that "his" plan will be approved now and that Reagan rejected it—for the time being.

Neither the President nor the majority of the Congress really understands what is being put in place before their eyes.

George Shultz gets a chill in Peking

by Gregory F. Buhyoff

Secretary of State George Schultz was in Peking Feb. 2-5 on the second and most important leg of his recent three-nation Far East tour. Schultz's aim was to get U.S.-China relations "back on track," following an increase of tensions related to bilateral disputes and China's new "independent" foreign policy posture. Peking is now at loggerheads with U.S. policy in Africa, Central America, and the Middle East, compounding problems with continued U.S. arms sales to Taiwan and Washington's imposition of curbs on Chinese textile exports to the United States.

The mission hit rough waters even before the secretary's arrival. On Jan. 31, as Schultz was preparing to leave Tokyo for China, senior Chinese foreign ministry spokesman Hao Deqing lashed out at the United States in a way reminiscent of the coldest days of relations between the two countries. Hao declared, "Whatever its pretensions, the United States presence in the Asia-Pacific region is essentially, fundamentally hegemonic. This is equally true of its bases in the Philippines, its troops in Southeast Asia, its defense treaties with Japan, and so on, as it is for its support of the Nationalist authorities on Taiwan. . . and it is time to end it all."

In public toasts and during press conferences after parleys with top Chinese officials, Schultz's hosts invariably pointed to the "dark clouds" over U.S.-China relations because of the Taiwan issue.

Schultz arrived to play the good listener to lectures from the Chinese on Taiwan. But he did not come to Peking to allow "neuralgic" bilateral disputes, as his friend Henry Kissinger referred to them, to interfere with his designs.

Schultz's objective was to skirt such differences and concentrate on returning to the Kissingerian concept of a strategic axis against the Soviet Union. The game is to "threaten" military ties with China but never go so far as to box the Soviets into a situation characterized by limited options. The United States should never throw all its chips on the table, rather it should be "unpredictable"—using the "threat" of a U.S.-China alliance as a pressure point to bring Moscow to the negotiating table.

This was the essence of Kissinger's criticism of the "crude" and "predictable" approach to the relationship taken by Zbigniew Brzezinski and Alexander Haig, both of whom were willing to do anything for a military relationship with China, shutting off Moscow entirely.

The return to the "classical" China Card, the approach

that had its heyday during the Nixon years, is now deemed especially important by the Kissinger types because of the critical juncture of the U.S. Soviet arms reduction talks. To this extent, the Shultz mission to China and the visit of Vice-President Bush to Europe were part of the same package, designed to lure Moscow into a Kissinger-style "arms control-détente" relationship. Therefore, while Bush was in Europe dropping hints that Washington might be willing to compromise short of the President's "zero option" proposal, Shultz was in Peking to restore the original character to the U.S.-China part of the triangle.

Kissinger aired these views at a special strategy session for Shultz and other officials prior to the trip, and in print in the *Washington Post*. According to a source close to the Jan. 7 session, Shultz was counselled not to do anything that might jeopardize the arms reduction talks with the Soviet Union. Shultz was advised to avoid bilateral disagreements and focus on "parallel strategic interests" in the process of determining the substance of China's "non-aligned" policy vis-à-vis the superpowers.

Shultz did not take with him any concessions on bilateral issues as had been case on almost every diplomatic visit to China during the Carter administration and under the Haig State Department. Nor did he flaunt the possibility of imminent U.S.-China military collaboration with a high-profile offering of U.S. arms to Peking. Chinese Premier Zhao Ziyang also made it clear during the visit that no defense relationship exists between the China and the United States. However, Peking cooperated with Shultz by allowing for a "hastily arranged" meeting between Chinese Defense Minister Zhang Aiping, to keep the "threat" alive in the minds of the Soviet leadership.

Shultz reportedly took heart from the fact that hours after he left Peking, China's official Xinhua News Agency released an evaluative statement on the visit which said, amid critical rhetoric, that the U.S. and China hold "similar views" on the issues of Afghanistan, Kampuchea, and disarmament. But to interpret such a statement as a signal that China still holds to the idea of a U.S.-China strategic alliance against the Soviet Union could prove dangerous for Washington.

Kissinger tactics no longer correspond, if they ever did, to the perception of reality governing the minds of leaders in Peking. Though China strongly desires U.S. technology for its economic modernization program, for domestic political and strategic reasons it no longer considers it beneficial to line up with Washington against Moscow. China has no intention of being anybody's "card," especially at a time when it perceives the United States as declining economically and militarily. Peking is preoccupied, as it has always been, with its own self-interest, and now sees a "non-aligned" posture as most beneficial to its interests. Peking is damping its rhetoric toward both superpowers in order to keep both guessing. By threatening to lean in one direction or the other, Peking believes it can exact concessions from both.

EIR Special

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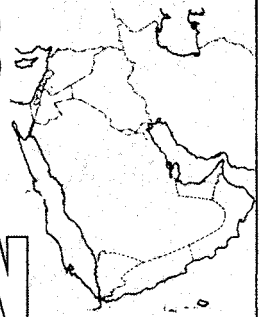
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**ANGLO-SOVIET
DESIGNS
ON THE
ARABIAN
PENINSULA**



EIR has just released a new Special Report on "**Anglo-Soviet Designs on the Arabian Peninsula.**" The report is the companion to the "**Prospects for Instability in the Arabian Gulf,**" an invaluable counterintelligence manual.

"**Anglo-Soviet Designs on the Arabian Peninsula**" looks at the prospects of a decline of U.S. influence in the Middle East. It evaluates the impact of the international global monetary crisis on the Arab oil producers of the Gulf. The role of Secretary of State George Shultz and of the Morgan banking group in squeezing additional funds from Saudi Arabia for a purported global bailout of the banking system is fully developed.

The report details evidence of increased Soviet presence in the region, and the cooperation between London and factions of the Soviet leadership to gain dominance over the Gulf states. The final section examines the potential for a "new Yalta Conference" on world energy supplies, at which the Middle East would be carved up between East and West.

Anglo-Soviet Designs on the Arabian Peninsula \$250

Prospects for Instability in the Persian Gulf \$250

The FBI is moving quickly to become a national police force

by Marilyn James

The United States is perilously close to having a British-modeled national police force under the direction of the Federal Bureau of Investigation. This is the warning put out recently to the Reagan administration and police officials by the National Anti-Drug Coalition and *Investigative Leads*, *EIR*'s biweekly law enforcement-oriented newsletter.

Two years ago, *IL* alerted its readers to the subversion plan against U.S. law enforcement. Now, according to the latest issue of *IL* (Vol. IV, No. 2), the takeover appears to be moving into its final stages, under the guiding hand of FBI Director Judge William H. Webster. Webster's moves coincide, it should be underlined, with the most severe economic crisis in U.S. history, threatened outbreaks of Socialist International-orchestrated civil disorders, and an unprecedented terrorist activation.

The private, Washington, D.C.-based Police Foundation is the "brains" behind the FBI's quiet but effective grab for control of all law enforcement functions. It is closely tied to the Berkeley (University of California) School of Criminal Justice, and to the University of Chicago School of Criminology, which together spawned the international network of pro-terrorist "radical criminologists." Patrick Murphy, the president of the Police Foundation, was censured by the International Association of Chiefs of Police at their 1981 convention for criticisms designed to undermine the American police system.

Since January 1983, the Federal Bureau of Investigation has succeeded in acquiring key areas of intelligence and anti-terrorist capabilities both federally and locally. According to reliable sources cited by *IL*, the FBI has begun training an Israeli-style counter-terror commando unit at the FBI training facility at Quantico, Virginia, to be activated no later than the onset of the 1984 Olympic Games in Los Angeles, Calif.

Other federal-level initiatives include the following:

- Joel Lisker, chief of staff at Sen. Jeremiah Denton's (R-Ala.) Subcommittee on Security and Terrorism is prepar-

ing to shore up the Bureau's legal position in seizing, through legislation, all federal counter-terror operations. It is known that Lisker, who was formerly with the Department of Justice's Internal Security Unit, has an ongoing collaborative relationship with both the FBI and the FBI-allied Anti-Defamation League of B'nai B'rith (ADL).

One of Lisker's current objects is to remove the Federal Emergency Management Agency (FEMA), from the Bureau's path. Lisker is presently using hearings before the subcommittee on the danger of a terrorist incident at the Summer Olympics in order to send FEMA the way of the Drug Enforcement Administration (DEA).

The FBI took over responsibility for DEA operations last year, over the strong protests of the National Anti-Drug Coalition and others. By common agreement among drug enforcement officials, the FBI's performance in this area has been miserable.

- Judge Webster is consolidating control over federal law enforcement training. Webster's most recent move is the takeover of the Federal Law Enforcement Training Center (FLETC) at Glynco, Georgia, through control of its new director, Charles Rinkevich. Rinkevich is a known Bureau asset, having come up through the ranks of the Police Foundation-allied U.S. Law Enforcement Assistance Administration (LEAA). Rinkevich served as director of the Atlanta Federal Task Force during that city's crisis over the pattern of murder of black children. Evidence that the murders had been committed by a Satan-worshipping drug-cult, amply documented by Roy Innis of CORE (the Congress on Racial Equality), was systematically suppressed during the investigation; eventually one individual took the entire rap. This exemplifies precisely the kind of law enforcement (and cover-up) Americans can expect with the FBI running the show.

Aside from his new FLETC post, Rinkevich will maintain his current job as coordinator of the FBI-DEA South Florida Task Force.

Local initiatives to bolster the Bureau have also been widespread:

In Los Angeles, a several-year-long campaign directed by associates of Patrick Murphy's Police Foundation and the terrorist-sponsoring Institute for Policy Studies (IPS), in conjunction with the Bureau-penetrated Olympic Organizing Committee, has succeeded in forcing Police Chief Gates to disband the Los Angeles Police Department's Public Disorders Intelligence Division (PDID). The PDID unit was the cornerstone of the LAPD's intelligence capability, and was an important collaborator with such federal agencies as the U.S. Secret Service. PDID was responsible for monitoring and countering terrorist activities, and was concentrating over the recent period in evaluating potential threats to the 1984 Summer Olympics. With the PDID out of the picture, security for the Games will be handled solely by recently retired FBI Special Agent in Charge Edgar Best, who is officially employed by the Olympics Organizing Committee. The Committee's own ties to lawyer Sidney Korshak and organized crime have been the subject of much discussion in law-enforcement circles.

The three principal actors in the successful campaign to destroy LAPD intelligence were: Riva Tooley of the Police Commission (Tooley reports directly to James Fife of the Police Foundation); Linda Valentino of the Citizens Commission on Police Repression (Valentino is a longstanding asset of IPS-operative Morton Halperin's Campaign to Stop Government Spying, run out of the Center for National Security Studies [CNSS], financed by Stuart Mott); and *Los Angeles Times* reporters Joel Sappell and David Johnston.

In New York City, police are being hit with a corruption probe combined with a wave of terrorism directed specifically against police personnel.

Intelligence sources report that one of the contributing factors to the Dec. 31, 1982 Puerto Rican terrorist FALN bombings that left three N. Y. Police Department officers maimed was the fact that several key figures in the FBI Joint Terrorist Task Force had been in Miami, Florida during the period in which the bombings occurred, investigating the Miami Police Department. According to this report, the FBI placed greater priority on investigating police "overreactions" during the recent mini-riot in Miami than on upgrading the monitoring of the Puerto Rican terrorists. It is known that the Bureau was fully aware of FALN plans for a bombing spree during the early moments of the New Year.

In mid-January 1983, NYPD was then hit with a media campaign against police corruption following a federal grand jury handing down indictments against 26 police officers on petty corruption charges. The indictments stem from a several-year-long investigation directed by the FBI. New York press is currently billing the indictments as the lead-in to a renewed Knapp Commission. The Knapp Commission in 1970-73 used the existence of police corruption to destroy the traditionalist elements in the NYPD and remodel it according to

LEAA dictates.

In Houston, Texas, it is suspected that a "civil rights" assault against the Houston Police Department is imminent. From within the Houston Police Department, the newly installed Police Commissioner is Berkeley School of Criminology graduate Lee Brown. Brown came to Houston from Atlanta where he worked closely with the FBI's Rankevich during the Atlanta child murders. Most recently, Texas State Rep. Ron Wilson sent a bill to the state legislature calling for the creation of a city police review board aimed at gathering evidence against police "abuses."

In Memphis, Tennessee, a police officer was captured by a cult and tortured to death. In an attempt to save the officer's life, police rushed the residence of this black religious cult, killing the seven fanatics. The result was the FBI stepping in to investigate the Memphis Police Department for "overkill." The criminal cult is not under FBI investigation at this time.

Open the Webster file

The guiding hand behind all of these initiatives (and others) is Judge William H. Webster, current FBI Director. Webster has had the support, since his appointment under President Jimmy Carter, of the American Civil Liberties Union (ACLU), the Institute for Policy Studies network, and Patrick Murphy's Police Foundation.

The Police Foundation, since its inception in 1970, has pushed for the federalization of law enforcement. Recently, the Foundation has played a dominant role in the President's Task Force on Violent Crime, which recommended that all federal enforcement functions be placed under the direction of the Department of Justice and that Judge Webster be appointed as overseer. It has also been reported that James Q. Wilson, Murphy's right-hand man, is playing the major role in directing drug eradication policy for the Reagan administration.

Wilson, according to the National Anti-Drug Coalition, is the kind of American Enterprise Institute "conservative" that could be the kiss of death for President Reagan's war on drugs. Among its other accomplishments, the Institute has been a major promoter of the attempt to use *Guardian Angel* and other youth-vigilante gangs as a cheap substitute for police in the crime-ridden cities.

Despite his conservative image on the one hand, and backing from pro-terrorist organizations like IPS on the other, Judge Webster is neither liberal or conservative. It is known that Webster's main allegiance is to the super-secret "Mandalay Steering Committee" of the Bohemian Grove, a West Coast center of the inner elite of Scottish Rite Freemasonry in the United States. Other members of the cult include Secretary of State George Schultz and Henry Kissinger. A useful investigative hypothesis is that the policy of this cult grouping includes the subversion of American law enforcement and the propagation of civil disorders throughout the United States.

How Admiral Rickover created America's nuclear naval force

by Robert Zubrin

Today, as those Americans concerned with national defense are faced with the vital necessity of launching a crash program to develop anti-missile beam weapon defense systems, no better precedent can be brought to mind than the course of action taken by Adm. Hyman G. Rickover in creating the nuclear navy, the mainstay of America's current strategic defense capabilities. For in building the nuclear navy, not only did Rickover have to act with ruthless unorthodoxy to defeat the same anti-technology array of "fiscal conservatives" and anglophile/world federalist disarmament buffs who currently stand in the way of a beam weapon program, but he did it in such a way as to ensure that his program would also create a civilian nuclear industry in the United States, laying a foundation for future national industrial-technological strength and the prosperity through progress that would provide a reliable basis for avoiding war.

The necessity of the nuclear submarine

At the end of World War II, the United States found itself with global military and economic commitments which could only be supported by maintaining control over the seas. Yet the advent of the atomic bomb had made large fleets of aircraft carriers, battleships, cruisers, and other surface combatants vulnerable and obsolete. Submarines were a vital alternative, but the submarines of World War II were not true submarines, because they had to spend most of their time running on the surface powered by air-breathing diesel engines, and had a maximum underwater endurance of 12 to 48 hours, powered at low speed by their electric storage batteries. The Navy needed a power source that could operate indefinitely below the water, with an effectiveness and reliability comparable to that which diesel engines provided surface vessels.

Nuclear power seemed like a hopeful solution, and so in 1946, the U.S. Navy's Bureau of Ships sent a team of engineers to the Atomic Energy Commission's laboratories at Oak Ridge, Tennessee to study nuclear technology and its possible naval applications. Because of the uncooperative

attitude of the AEC bureaucracy, Bureau of Ships Chief Earle Mills chose his most abrasive officer to head the team, Captain H. G. Rickover. A hard-driving Polish-Jewish immigrant who had graduated from the U.S. Naval Academy at Annapolis, Rickover, as head of the Electrical section of the Bureau of Ships during World War II, had earned a reputation not only as a top engineer, but also as a man who would crush any bureaucratic or procedural obstacles that stood in the way of getting a vital task done.

Deploying his Navy team at Oak Ridge like a search-and-seize task force to ferret out information, Rickover came to the conclusion, after several months' study, that the question of developing a nuclear power reactor was no longer a theoretical question but simply an engineering problem. He reported back to the Navy that the development and construction of a nuclear reactor for submarine propulsion should be made a number-one priority, and was quickly able to win over Bureau of Ships Chief Mills and, afterwards, Adm. Chester Nimitz, the Chief of Naval Operations, to his viewpoint. But the AEC opposed the project. AEC General Manager Carroll L. Wilson and J. Robert Oppenheimer, chairman of the AEC's general advisory commission, both of whom had helped draw up the State Department's Baruch Plan for containing world nuclear development, stonewalled Rickover. Wilson and Oppenheimer argued—in a manner similar to opponents of fusion energy and beam weapon engineering development today—that any move into engineering nuclear reactors was premature, and that another decade or so should be spent on research.

Wilson, who was a member of the zero-growth Club of Rome, the Trilateral Commission, and a top leader of the nuclear freeze movement, opposed Rickover's project to build a naval nuclear reactor because it would inevitably mean that civilian nuclear energy plants would follow. At the same time he was maneuvering to block Rickover. Wilson, also a member of the Order of the British Empire, was passing U.S. atomic secrets to Donald Maclean, a British national later exposed as a top-ranking KGB agent when he defected to



Moscow in 1951. As Wilson well knew, disclosing atomic secrets even to an agent of British intelligence was a violation of the MacMahon act.

The buildup of a large Soviet submarine force by 1948, followed by the detonation by the Soviets of an atomic bomb in 1949, greatly strengthened the urgency of Rickover's case. In conceding, however, Wilson demanded that the development of the naval nuclear reactor be done totally under AEC control. This Rickover would not allow, as it would have guaranteed failure, and so he deftly jujudoed the proposal, instead setting up the program under joint Navy-AEC auspices, with himself as project manager for both agencies.

Drawing on both the AEC and the Navy for engineering expertise and funds, Rickover's Naval Reactors Branch directed a huge research and development effort. A water-cooled reactor design developed by Westinghouse was selected by Rickover as the most practical, which design has since become the basis for most light water reactors in both military and civilian use today. On July 15, 1949, the contract was signed, and the project that was to lead to the *Nautilus*, the world's first nuclear submarine, was underway.

Mark I and Mark II

To maximize the rate of development of the project, Rickover decided to avoid building many scaled-down prototype reactors. Instead, only one test reactor would be built, the Mark I, which would be *identical* to the Mark II reactor that would eventually be installed in the *Nautilus*, whose hull was already under construction. The path of building the Mark I spread out over a large floor for easy access was rejected; instead, it was installed in a submarine hull built into the Mark I test site in Idaho, surrounded by a huge tank of water so that all the radiation reflection problems experienced by a submerged submarine could be simulated. And rather than cool the reactor by air, air conditioning was built into the Mark I, since that was the way the *Nautilus* would have to be cooled.

The Mark I components were placed in an old submarine and depth charged in Chesapeake Bay; those that could not take the shock were redesigned. In all respects, the operative design slogan was "Mark I equals Mark II." If Mark I functioned adequately, so would the *Nautilus*.

By the end of May 1953, the Mark I reactor was completed, and after a series of preliminary tests, reached full power on June 25. After 24 hours of smooth running, the officers on the site decided to end the test, but were overruled by Rickover, who ordered that charts be brought into the control room and a simulated great circle course to Ireland be plotted. No submarine had ever traveled more than 20 miles submerged at full speed before.

At the 60th hour, the nuclear instrumentation became erratic; then problems developed with the reactor cooling pumps. At the 65th hour, a condenser tube failed, and steam pressure fell off rapidly. But Rickover, who was facing at that time the threat of imminent forced retirement from the

Navy, refused all requests by Navy and Westinghouse officials to terminate the test. "If the plant has a limitation so serious," he said, "now is the time to find out. I accept full responsibility for any casualty."

Repairs on the faulty equipment were undertaken with the reactor running at full power. At the end of 100 tense hours, the position marker on the chart reached Fastnet. A nuclear powered submarine had, in effect, steamed non-stop across the Atlantic without surfacing.

Six months later the *Nautilus* was launched, and within a year it was breaking all records. In April 1955, the *Nautilus* traveled submerged from New York to Puerto Rico, 10 times the distance any submarine had ever traveled under water. In war games held in August of that year, the *Nautilus* demolished (in simulation) an anti-submarine task force consisting of an aircraft carrier and several destroyers; its high speed and unlimited submerged endurance made it almost invulnerable.

Congress immediately decided to order six more nuclear submarines.

The Ecole Polytechnique tradition

Rickover quickly realized that a nuclear development program of the dimensions he envisioned could not succeed by raiding manpower from the precious few nuclear engineers and scientists available to other agencies. Following in the footsteps of Lazare Carnot, whose Ecole Polytechnique trained the technologists who gave Napoleon his victories and France its prosperity, he decided that he would take responsibility for developing such an engineering cadre. As a first step, in 1949 he deployed aides to MIT and Oak Ridge National Laboratories to persuade those institutions to set up schools of nuclear engineering, and simultaneously initiated a series of courses for his Washington staff in reactor theory, physics, mathematics, nuclear engineering, and naval architecture. Special classes were even set up for the clerks and secretaries.

Thus was only the beginning. Starting in 1951, elected groups of the most talented officers and enlisted men in the Navy were put through a grueling one-year course that included the study of mathematics, general physics, heat transfer and fluid flow, electrical engineering, reactor dynamics, chemistry, materials, radiology fundamentals, core characteristics, and reactor plant systems and operations. In addition to 700 hours of classroom instruction, trainees were given six months of experience in hands-on running of Mark I and later other landlocked test reactors. The net result was creation not of trained personnel in the ordinary sense of the term but of topnotch engineering cadre, who could not only operate a nuclear reactor, but design and build one. By 1979, 7,000 officers and 40,000 enlisted men had graduated from Rickover's curriculum. Today these men represent the core of the engineering and technical cadre of the American nuclear industry.

Indeed, 60 percent of all U.S. nuclear plant operators are

Rickover graduates, a testimony to his program.

Building a nuclear submarine was one thing, but by 1952 Rickover's activities made clear to many in the anti-progress Eastern establishment what Carroll Wilson had sensed in 1947: Rickover was interested not merely in building a nuclear navy but an entire nuclear power industry. For those individuals who hoped to maintain world political control through controlling fixed energy and mineral resources, this goal was intolerable. Alarm bells went off, and the attempt to purge Rickover began, making use of the Eastern establishment's long-time hold over the Navy brass and its personnel selection and promotion system.

The attempted purge

Thus, despite the fact that in July 1952 Secretary of the Navy Dan Kimball admitted that "Rickover has accomplished the most important piece of development in the history of the Navy," during that same month Captain Rickover was once again refused promotion to the rank of rear admiral. Rickover had been a captain since 1942 and was now 53 years old. Under the Navy system, this second refusal meant automatic forced dismissal by no later than June 30, 1953.

Knowing what was at stake, Rickover fought back furiously, first mobilizing friendly journalists, then supporters in Congress. In the end the Navy had to capitulate when Rickover had his friend Sen. Henry Jackson (D-Wash.) pass a resolution through the Armed Services Committee refusing to approve any Navy promotions until Rickover was restored and promoted. But the harassment of Rickover persisted; for example, when the submarine *Nautilus* completed its historic mission under the North Pole in 1958, Rickover was not even invited to the White House reception!

Atoms for peace

Rickover's promotion and his new alliance with Congress gave him enormous stature and political clout. Thus, when budget cutters in the Eisenhower administration, working with anti-Rickover elements in the Navy, managed to kill his program for a nuclear powered aircraft carrier, Rickover fought back by proposing that the carrier reactor program, already under preliminary development by Westinghouse, be continued under AEC sponsorship as a program to develop a civilian atomic energy plant. This idea found support within the industry and the AEC, but was adamantly opposed by Navy Secretary Robert B. Anderson. Anderson, who had just rejected Rickover's plan for a naval nuclear carrier, now said that the Navy could have nothing to do with the scheme since it was strictly a civilian enterprise. Others attempted to sabotage the project by saying that it was a fine idea, but since it was to be a civilian reactor, industry should pay for the entire cost, including R&D.

News from the Soviet Union once again strengthened Rickover's hand. In August 1953, the Soviets exploded the world's first hydrogen bomb. Rickover's ally on the AEC, Thomas Murray, took advantage of the occasion to write

President Eisenhower, urging that the United States could carry out a major coup by answering the Soviet development with an announcement of a full-scale U.S. civilian nuclear energy program; atoms for peace would be the American answer to Soviet atoms for war.

While the administration was mulling over this proposal, Murray acted, delivering a historic speech in Chicago on Oct. 22, 1953. The United States must take steps to develop nuclear energy for the electric-power-hungry countries of the world, Murray said, or else the nation would not be able to count on them for the uranium ore upon which U.S. nuclear weapons and national security depended.

Finally, on Dec. 8, President Eisenhower delivered his famous "Atoms for Peace" speech to the United Nations, committing the United States to lead the way in the peaceful exploitation of nuclear power for all mankind. The development of a civilian nuclear reactor was now made a national priority, and the responsibility for getting the job done could only be given to Rickover and his team at the Naval Reactors Branch.

A group was soon assembled that consisted of Rickover's Navy team, Westinghouse, Stone and Webster, Burns and Roe, and the Duquesne Power and Light Company of Pittsburgh. Contracts were signed; and on Sept. 6, 1954, President Eisenhower used a radioactive wand to activate the bulldozer that broke ground for the construction of the nation's first nuclear power plant at Shippingport, Pennsylvania. Rickover's team worked closely with Westinghouse R&D people at the company's Bettis Labs, laying down requirements, objectives, and specifications, and continually inspecting the work at the site, ordering any equipment that did not meet specifications to be torn out and replaced at once. No compromises or excuses from contractors or vendors were tolerated, as Rickover and his staff drove the pace of construction furiously.

Despite strikes and steel shortages, the plant was completed by October 1957, and by Dec. 23, it was generating power at full capacity. Thus, Rickover and his team performed the remarkable feat of constructing the world's first civilian nuclear electric power station in just over three years, a job that today takes a much more experienced nuclear power industry some 6 to 12 years to complete. As Rickover put it, "the forces of nature work best for those who work the hardest for themselves."

Although small by current standards (60 megawatts), the Shippingport plant had an enormous impact on the development of civilian nuclear technology. Because it had no military applications (unlike the slightly earlier British reactor at Calder Hall), its design was unclassified. Hundreds of engineers from around the world attended seminars on it given by the Naval Reactors Branch, Westinghouse, and Duquesne during 1954-55, and Westinghouse made available thousands of technical reports on every aspect of the project. Shippingport thus functioned as a school in reactor technology for hundreds of engineers until well into the 1960s, and

the reactor's design has been the model for more than three fourths of all civilian nuclear reactors produced in the United States and many foreign countries since that time.

What Carroll Wilson had feared most back in the 1940s had come true: the nuclear genie was out of the bottle.

Rickover versus McNamara

In the 1960s, Rickover found his plans to expand the nuclear navy opposed by Defense Secretary Robert S. McNamara, today's nuclear freeze movement leader, who, together with his army of systems analysts, was using fraudulent cost-benefit studies to dismantle every advanced technology program sponsored by the military. To stop this wrecking operation, Rickover, a serving naval officer, took the unprecedented step of denouncing the Secretary of Defense in signed articles and congressional testimony. "At one time pagan gods ruled the world," Rickover told one congressional committee. "Now it is the cost accountants. The cost effectiveness studies have become a religion. . . . They are fog bombs. . . . Frankly, I have no more faith in the ability of social scientists to quantify military effectiveness than I do in numerologists to calculate the future." Instead of the systems analysts wasting their time studying the uselessness of high technology, "perhaps, a study of 'Witchcraft in the Pentagon' might be more germane."

In 1967, McNamara and his deputy Paul Nitze retaliated by attempting to force Rickover's retirement. However, with support of powerful congressional allies like Sen. Henry Jackson (D-Wash.) and Clinton Anderson (D-N.M.), the admiral held on to his post. Rickover also won the fight to keep all new submarines nuclear powered, but many of his planned nuclear surface vessels were either scrapped or turned into diesel-powered projects.

Towards educational reform

Perhaps nothing gives a better idea of the quality and scope of Rickover's thinking on military and scientific questions than his profound commitment to transforming American education into a rigorous curriculum capable of producing the scientists and engineers who could take America into the 21st and 22nd centuries. Rickover wrote a stream of books attacking the Deweyite deficiencies in American education which teach "adjustment to the group, personal popularity, and skill in projecting a pleasing image," and instead demanded a rigorous training in mathematics, science, history, the classics, and foreign languages that would train minds "to respect facts, reason, and logic," and be "at home in the world of ideas and abstract concepts." To those who objected that Rickover was only attacking American education because it did not produce enough graduates suitable for participation in his nuclear power development program, Rickover replied that this was precisely the point—the measure of the adequacy of a nation's education system must be determined by the degree of fitness of its graduates to participate in pushing forward the frontiers of technology of that society.

"Whenever man makes a major advance in his age-old effort to utilize the forces of nature," Rickover wrote in his book *Education and Freedom* in 1959, "he must simultaneously raise his education, his techniques, and his institutions to a higher plateau.

"From the splitting of the atom in the 1930s to the bomb of the 1940s, the the practical nuclear power plant of 1953, a vast amount of intellectual effort of a high order had to be expended. Highly trained nuclear engineers are needed to design, build, and run nuclear power plants. Still greater demands on the human mind will be made if and when we obtain energy from hydrogen fusion.

"It is obvious that the kind of American who thoroughly mastered his environment on the frontier in the muscle, wind, and water state of technology would be totally ineffective in the atomic age which is just around the corner, and the fusion age which is still a way off."

Coming at the time they did, shortly after the launching of Sputnik by the Soviet Union, Rickover's books were bombshells and played a significant role in the attempt that was made to upgrade U.S. scientific education during that period. However, the Deweyites were quick in counterattacking, denouncing Rickover's call for curriculum reform and national standards as "totalitarian" and "exceedingly destructive to our tradition of respect for the individual," to quote Lawrence Derthick, U.S. Commissioner of Education, in 1960.

Unfortunately the Deweyites won, and almost all of Rickover's attempted reforms were stopped dead or sidetracked, creating a situation where a drastic educational upgrading is even more urgent today. It is significant though that the only section of the U.S. military today that is not plagued by drug infestation is the Nuclear Navy, where the respect for the value of the human mind has allowed for the enforcement of a policy of instant dismissal for any drug use.

Rickover's mottos

Today, Rickover, perhaps somewhat cynical after being forced out of the Navy at 82, has apparently retreated somewhat from his previous Promethean outlook. Yet his accomplishments remain: a 130-ship Nuclear Navy providing America's only reliable strategic deterrent, and a well founded nuclear industry, which, if it fails, will only be for its apparent lack of ability to produce its own Rickovers. For those hesitating at the leap of scientific confidence required today to launch a program of revolutionizing America's defense through crash development of space-based beam weaponry, perhaps Rickover's best advice for the present is contained in the two mottos which for many years hung in his Washington office. The first is from Shakespeare's *Measure for Measure*: "Our doubts are traitors

And make us lose the good we oft might win,
By fearing to attempt."

The other, even more to the point, is from the Bible: "Where there is no vision, the people perish."

Conventional buildup pushed in Congress

The House Foreign Affairs Committee will convene hearings Feb. 18 on former World Bank president Robert McNamara's nuclear freeze proposal. The House committee, chaired by Rep. Clement Zablocki (D-Wis.), will hear testimony on the resolution introduced by Rep. Ed Markey (D-Mass.), a political associate of Edward Kennedy, who introduced the main resolution in the Senate.

Senators William Proxmire (D-Wis.) and Sam Nunn (D-Ga.) staged a debate early in February over who could give most support to McNamara's policy of building up conventional military forces. Such conventional forces are designed for use in "rapid deployment" interventions in the developing sector, Malvinas-style.

Although both senators strongly advocated buildup of conventional forces if a nuclear freeze is carried out, they were less enthusiastic about McNamara's proposal that the United States delay retaliation to a nuclear attack until it had been determined that the attack was "intentional!"

The nuclear freeze movement is planning a massive lobbying operation March 8, before the resolution comes to a vote in the House.

'We'll find a way to back IMF'

A top economist for the AFL-CIO says that, while the AFL-CIO might face some problems from its members in supporting an IMF quota increase, they would "find a way to back the IMF. . . . We always do."

The economist reported on Feb. 17 that the AFL-CIO is now drafting a policy statement on the bailout that will make sure not to attack the IMF too strongly. He indicated that the Federation's president, Lane Kirkland, is working with the groups in Congress supporting the Bradley-Schumer legislation (or the similar Heinz-Proxmire package), which would make U.S. banking regulations on foreign loans completely subordinate to IMF policy dictates.

"We are in a curious situation about this latest quota increase," said the economist, who collaborates with Rep. Fernand St. Germaine's aide at the House Banking Committee. "We have traditionally supported the IMF and want the IMF to be a strong institution. Normally, we would just allow the quota to go through, but now people are perceiving this as a bailout of the big banks. . . . There are people inside the unions who are saying that we should let the banks take it on the chin for their loans. Kirkland is a lot smarter than these hotheads and knows that this will not work. . . ."

"But we will have to make compromises with the demands that something be done about the banks and their lending practices. I say—and people like Kirkland say—that we should have done this a long time ago. We'll push, with others in Congress, for tightened oversight of overseas loans and guarantees that keeping a country like Brazil afloat won't further tighten credit here. There will be write-downs of some debt, but we want to see the debt exchanged for longer term debts. . . ."

The economist asserted that the AFL-CIO has been involved in discussions with top international bankers and policy planners on the creation of a "new Bretton Woods" monetary system. "Our plan is to create the kind of supranational structures that would prevent insane actions of sovereign states, like the U.S. monetary policies, from having a disruptive effect on the global economy," he said.

NASA to build world's largest computer

NASA has announced a new project it will begin in its FY84 budget, the Numerical Aerodynamic Simulation (NAS) facility at the Ames Research Center in California.

The \$100 million program, scheduled for completion in 1987, will be developed to improve the quality of computer design of aircraft, and reduce the amount of time and money now needed to test actual physical models of new aircraft in wind tunnels.

NASA scientists have estimated that to achieve more accurate computer modeling of highly complex physics problems in air-

craft design, they need a computer that can perform 1 billion operations per second. Today's computers can do about 30 million.

Therefore, NASA will extend contracts to industry to do the R&D to meet NASA's performance requirements. This will push the computer industry past the current state of the art, and will help make the industry competitive with Japanese computer firms who plan to have machines with more than a billion-operation-per-second capabilities by 1990.

Global 2000 moles provoke EPA scandal

Attacks by Congress and the news media against the administration's handling of the Environmental Protection Agency toxic waste clean-up program mark a renewed effort to Watergate the President. Five congressional subcommittees are currently investigating alleged political corruption and a potential political malfeasance in the management of the program.

Congressional ringleaders of the effort are Reps. John Dingell (D-Mich.) and James Scheuer (D-N.Y.). Both are backers of the Carter administration's *Global 2000 Report*, which predicts that by the end of the century, there will be some 400 million too many people in the world to be sustained. Senator Gary Hart (D-Colo.), also a Global 2000 advocate, demanded Feb. 11 that the Senate Permanent Investigations Subcommittee—the committee noted for witch-hunt attacks on labor leaders—begin an immediate investigation into potential criminal acts by EPA officials.

Intelligence sources say that the scandal has been fanned by a network of pro-Global 2000 moles in the White House Council on Environmental Quality, the EPA itself, and the environmental staff of the Justice Department, who trace their political lineage to the Carter administration or to the era when GOP Global 2000 backers, such as Russell Train of the World Wildlife Fund, former Attorney General William French Smith, and Fabian Republican Elliot Richardson created the U.S. government's environmentalist apparatus under Presidents Nixon and Ford.

Report attacks collapsing electricity use

Washington State's WPPSS power system is on the verge of bankruptcy and possible losses to its electricity grid, and the *New York Times* is publishing identical scenarios for the Nine Mile Point and Shoreham nuclear plants and the utility consortia in New York state which have built them. As commercial bank meetings take place in New York to decide whether to continue credit lines for plants currently under construction or to cut them off, a new report has been issued by Gibbs and Hill Engineering in New York, showing that power plant cost problems stem entirely from Paul Volcker's strangulation of credit.

The report, by Gibbs and Hill consultant Fremont Felix, shows that even using current grossly inflated costs for building power plants (\$3 billion for a 100 megawatt plant), all that is required is enough future planned expansion of industrial and agricultural electricity use to guarantee over 50 percent load-capacity utilization of the new plant. Given that expansion, such a power plant will have a net negative cost to the economy, correlating with an addition of \$4 billion to GNP every year of use.

Instead, the report says, the U.S.-Canada region now has the lowest electricity growth rate of any region in the world (the rate for the U.S. is actually negative, as are several other major regions).

Under this condition of demand collapse, WPPSS was forced by an environmentalist-Wall Street investment house coalition to abandon construction of two plants, and is now about to default on the bonds of those plants. The Feb. 17 *New York Times*, raises the prospect of similar production collapse and threat of bankruptcy for the three utilities building the Nine Mile Point nuclear plant.

Since one of those is Long Island Lighting Company, which is also fighting to get the completed \$3 billion Shoreham plant on line, the *Times* moots a "double burden" for LILCO which may shut off its credit lines.

Industry sources report that a meeting between nuclear industry representatives and

representatives of a large number of New York commercial and investment banks took place the week of Feb. 14, to assess "risk control" (financial, not physical risks); reportedly the banks were persuaded for the time being to leave nuclear-construction credit lines open for already-underway projects.

White Panthers force recall vote

With a few months remaining in her term, San Francisco Mayor Dianne Feinstein, an instrument of the city's real-estate elite, is facing an April recall election forced on the city by the White Panther Party.

The chaos being created by the recall "is what we are going to see in city after city unless a new world economic order is put into effect," declared Brian Lantz, the city's only declared candidate for mayor for the November election. Lantz, who is backed by the National Democratic Policy Committee, is proposing a specific program to rebuild the city's port facilities and provide affordable housing.

The White Panthers, a small Yippie-style organization, apparently succeeded in gathering the 35,000 petition signatures necessary to force a referendum on whether Feinstein will remain in office. The petitions were validated Feb. 9.

The Panthers claim that they want to oust Feinstein because of her recent passage of gun-control legislation. Panther spokesman Thomas Stevens claims that he strongly believes in and has practiced the right to bear arms: he served three years in San Quentin for firing what he called "warning shots" at a police officer in 1974.

In early March, as the recall drive expands, the Panthers, along with homosexuals' organizations, squatters' rights groups, and organizations linked to the IRA, will be brought into a 10,000 person demonstration against President Reagan when he visits San Francisco with Britain's Queen Elizabeth. Leaders of this demonstration include pro-euthanasia Rep. Ron Dellums (D-Calif.) and former leader of the 1968 Chicago riots Tom Hayden, currently a California state assemblyman.

Briefly

● **ROBERT MORGENTHAU**, the Manhattan D.A., keeps as his assistant a punk rock star named Irving Gotbaum who "does his thing" at a den of dope users and perverts, known as the Mudd Club. According to the *New York Post*, Morgenthau is concerned that this connection will give his office a bad name. Gotbaum is the son of public workers' union chief Victor Gotbaum. Other punks working for Morgenthau include Cyrus Vance Jr. and Bobby Kennedy Jr.

● **CYRUS VANCE's** mind has been successfully duplicated by a computer. A team of Yale University researchers headed by Dr. Janet Kolodner asserted to the *Christian Science Monitor* Feb. 17 that their artificial intelligence program, called CYRUS, contained Vance's memory and may soon be developed into "a world affairs expert system capable of offering political advice."

● **GEORGE CHAMBERLAIN**, a National Democratic Policy Committee candidate in the Feb. 13 special election in Texas's 6th congressional district, was so seriously defrauded of his vote that "it was overkill," according to a Texas Democratic official. Chamberlain, who is a nuclear engineer, officially received less than 1 percent of the vote, while several Democratic county chairman had predicted a 10-15 percent vote. Chamberlain was opposing Phil Gramm, a just-turned-Democrat supporter of Milton Friedman's austerity policies, and eight other candidates.

● **THE USDA** Office of Transportation has completed the first test shipment of cattle in an experimental rail car equipped with an on-board feeding and watering system. These feeding and watering facilities will mean that the cattle can be maintained at pre-shipment weight, which will guarantee higher prices to U.S. cattle ranchers. Researchers from Texas A&M University will collect data on the new system.

The full crimes of Ariel Sharon

Israel is a sovereign nation, which ought to be free of coercion in ordering its internal affairs. Yet, so much of the world's future at this dangerous point in history hinges on how Israeli citizens and their leaders confront the critical decisions of the months ahead—from the threat of civil strife, to the pressure to withdraw from Lebanon, to Israel's response to the growing Arab willingness to negotiate a solution to the Palestinian question—that as allies, we think it urgent that the real issues be bluntly addressed.

The call on Feb. 11 of Israeli President Yitzhak Navon for the formation of a government of national unity, although it is not likely to be implemented at this time, shows that the Sharon Affair has called into question for many Israelis the purposes and policies of their nation. "Israel is at a turning point," Navon said, plagued by political and ethnic rivalries that "are pulling the country apart."

One Israeli journalist told us that the Feb. 10 grenade attack on a "Peace Now" rally in Jerusalem had a "profoundly sobering effect on us," because for the first time it raised the specter of something most Israelis still think impossible—civil war. The bombing, carried out by provocateurs tied to ousted Defense Minister Ariel Sharon, took place right outside Prime Minister Begin's office just as the cabinet was meeting to decide Sharon's fate following the Commission of Inquiry's pronouncement that Sharon was responsible for the September massacre of Palestinians in Beirut.

The grenade attack left one person dead and nine injured. Some of our Israeli friends said that it was Sharon's way of "blackmailing" the cabinet into agreeing to let him stay on in the government as minister without portfolio.

His continued presence in the cabinet has distressed many Israelis. The daily paper *Ha'aretz* called the decision to retain Sharon a "farce" in the light of the commission's call for his removal. The *Jerusalem Post*, in an article by staff writer Yosef Goell, said that while "it is ungentlemanly to kick a man when he is down, that does not mean one should refrain from ridding Israeli public

life of someone as dangerous as Sharon."

In the view that many have expressed to us, the biggest danger Sharon poses is his ability to stir up trouble inside Israel. "Sharon doesn't have the power to make a coup, but he does have the power of forming a new political group, which would not hesitate to use weapons and to threaten Israel with civil war," said one Israeli intelligence source. "Inside the cabinet, Sharon is less dangerous than he would have been on the outside. But he still has a lot of power and can still do a lot of damage."

The power that Sharon still enjoys emanates not from his own person but from his backers in the Israeli and U.S. organized crime mafias. Sharon's immediate connection point into this unsavory crowd of underworld figures is Meshulam Riklis, who is reputed to be tied to the late organized crime kingpin Meyer Lansky. In 1948, Riklis was run out of pre-state Israel for secretly collaborating with the British, Israeli sources report. Settling in the United States, the impoverished Riklis was soon picked up by the Lansky machine and transformed, almost overnight, into a multi-millionaire through a series of financial takeovers and asset-stripping operations. In 1977, Riklis bought up Ariel Sharon and launched Sharon's political career. He also purchased for Sharon a large ranch near the Israeli town of Ashkelon.

Sharon's mafia connections do not stop with Riklis. Sharon's chief spokesman and closest adviser is Uri Dan, the official biographer of and apologist for Meyer Lansky. A former military correspondent, Dan was stripped of his security clearance credentials several years ago when he leaked sensitive military intelligence.

The Israeli underworld coordinates closely with the Lebanese and Syrian mafias around southern Lebanon's lucrative drug trade. Sharon's invasion of Lebanon last summer positioned him perfectly for overseeing the region's drug trafficking operations.

The extent to which Sharon's wings have been clipped remains unclear. However, the degree to which Israeli nationalists continue to challenge him will determine the scope of his power.

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