

EIR

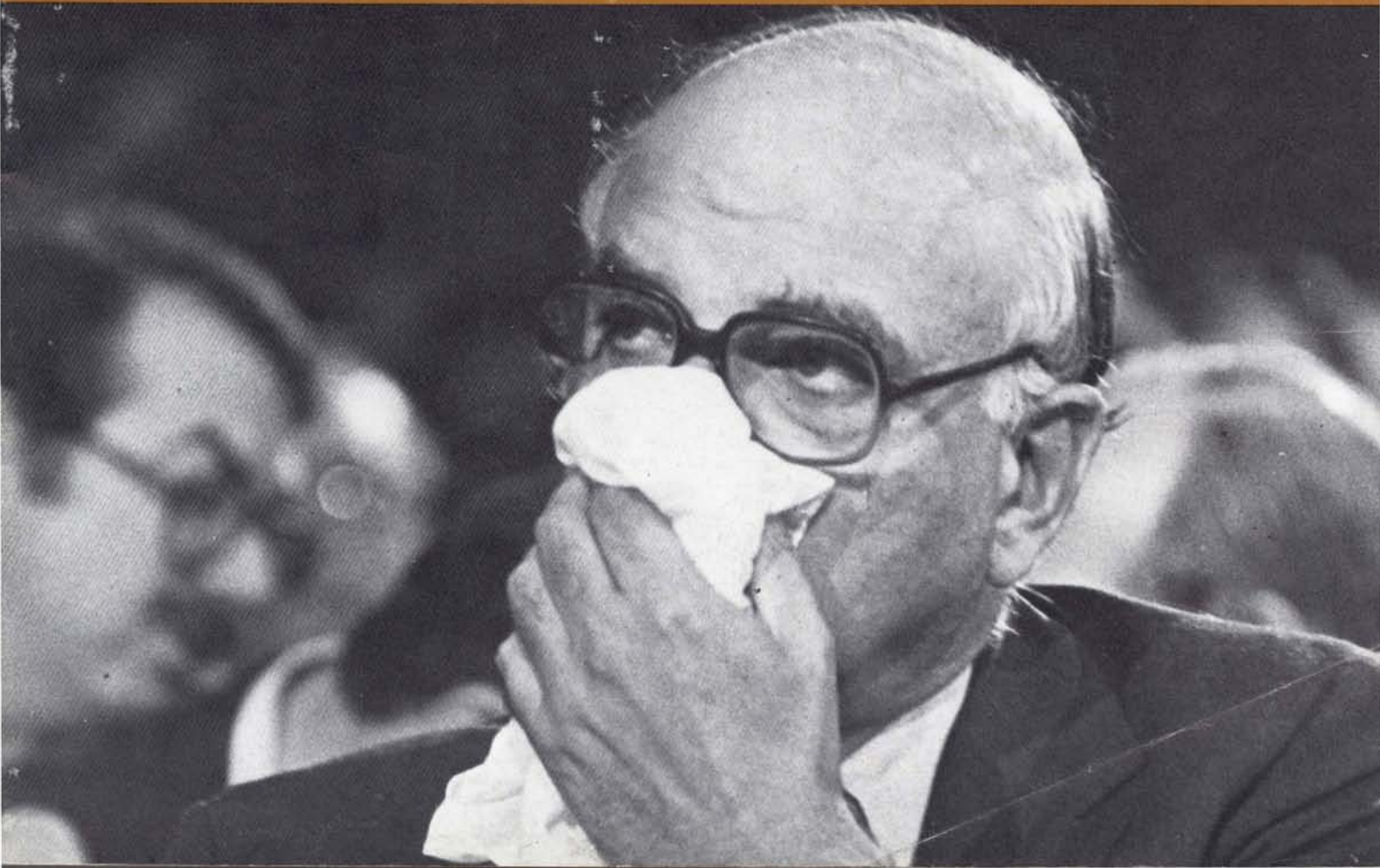
Executive Intelligence Review

November 1, 1983 • Vol. 10 No. 42

\$10.00

Lyndon LaRouche on the crisis in U.S. strategic policy
Interview: General Assembly chief Jorge Illueca
The plot to restore the Hapsburgs: a firsthand report

**Caught! Volcker's recovery
statistics proven a fraud**



THE RECOVERY IS A HOAX

EIR Quarterly Economic Report Documents Federal Reserve Statistical Fraud

The Federal Reserve Board's Industrial Production Index is exaggerating increases in output by up to 80 percent. The Bureau of Labor Statistics' Consumer price Index is lying about inflation: the real rate is two to three times the BLS figure.

In the October 1983 *EIR* Quarterly Economic Report, you will find for the first time anywhere:

- how the Federal Reserve created the 1983 recovery out of thin air by artificially depressing the second-half 1982 figures and puffing up the first-half 1983 figures.
- how devices like the Quality Adjustment Factor are used by the Fed and the Bureau of Labor Statistics to ignore up to half the increase in consumer prices since 1967.
- an independent survey of real output and inflation, based on data gathered directly from manufacturing sources.

- I. Executive Summary
- II. General Statistical Forecast
 - a) U.S. Economy as a Whole
 - b) Standard Industrial Category Sectors
- III. Status of Basic Economic Infrastructure
- IV. Status of Selected Sectors of Production
- V. Status of Monetary Crisis
 - a) General Financial Collapse
 - b) OECD Debt/Equity Ratios' Movement
 - i) U.S.A. Debt Crisis
 - ii) European Debt Crisis Skyrockets
- VI. Fraud in U.S. Government Statistical Reporting
- VII. Policy Options Available to the President
- VIII. Improvements in LaRouche-Riemann Forecasting Policy

SPECIAL OFFER TO SUBSCRIBERS ONLY

October Quarterly Report: \$250.00
(This report sells to non-subscribers for \$2,000)

For further information, call William Engdahl, Special Services, (212) 247-8820 or (800) 223-5594, x 818.

EXECUTIVE INTELLIGENCE REVIEW

Send me _____ copies of the October Quarterly Report at \$250.00 each.

Bill me for \$_____ Enclosed is \$_____

Please charge VISA Master Charge
to my Diners Club Carte Blanche

Card No. _____

Signature _____ Exp. Date _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone (____) _____
area code

Make checks payable to: EIR/Campaigner Publications, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019

Founder and Contributing Editor:
Lyndon H. LaRouche, Jr.
Editor-in-chief: *Criton Zoakos*
Editor: *Nora Hamerman*
Managing Editor: *Susan Johnson*
Features Editor: *Susan Welsh*
Assistant Managing Editor: *Mary McCourt*
Art Director: *Martha Zoller*
Contributing Editors: *Nancy Spannaus*,
Webster Tarpley, *Christopher White*
Special Services: *William Engdahl*
Director of Press Services: *Christina Huth*

INTELLIGENCE DIRECTORS:
Africa: *Douglas DeGroot*
Asia: *Uwe Parpart-Henke*
Counterintelligence: *Jeffrey Steinberg*
Economics: *David Goldman*
European Economics: *Laurent Murawiec*
Energy: *William Engdahl*
Europe: *Vivian Freyre Zoakos*
Ibero-America: *Robyn Quijano*, *Dennis Small*
Law: *Edward Spannaus*
Middle East: *Thierry Lalevée*
Military Strategy: *Steven Bardwell*
Science and Technology: *Marsha Freeman*
Soviet Union and Eastern Europe:
Rachel Douglas
United States: *Graham Lowry*

INTERNATIONAL BUREAUS:
Bogotá: *Carlos Cota Meza*
Bonn: *George Gregory*, *Rainer Apel*
Caracas: *Carlos Méndez*
Chicago: *Paul Greenberg*
Copenhagen: *Leni Thomsen*
Houston: *Harley Schlanger*
Lima: *Julio Echeverría*
Los Angeles: *Theodore Andromidas*
Mexico City: *Josefina Menéndez*
Milan: *Marco Fanini*
Monterrey: *M. Luisa de Castro*
New Delhi: *Susan Maitra*
Paris: *Katherine Kanter*, *Sophie Tanapura*
Rome: *Leonardo Servadio*, *Stefania Sacchi*
Stockholm: *Clifford Gaddy*
United Nations: *Douglas DeGroot*
Washington, D.C.: *Richard Cohen*,
Laura Chasen, *Susan Kokinda*
Wiesbaden: *Philip Golub*, *Mary Lalevée*,
Barbara Spahn

Executive Intelligence Review (ISSN 0273-6314)
is published weekly (50 issues) except for the second week
of July and first week of January by New Solidarity
International Press Service 304 W. 58th Street, New York,
N.Y. 10019 (212) 247-8820. To subscribe, call (800) 223-
5594 x 818 toll-free, outside New York State.

In Europe: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
Dotzheimerstrasse 164, 62 Wiesbaden.
Tel: (06121) 44-90-31. Executive Directors: Anno Hellenbroich,
Michael Liebig

In Mexico: EIR, Francisco Días Covarrubias 54 A-3
Colonia San Rafael, Mexico DF. Tel: 592-0424.

Japan subscription sales: O.T.O. Research Corporation,
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo
160. Tel: (03) 208-7821.

Copyright © 1983 New Solidarity International Press Service.
All rights reserved. Reproduction in whole or in part without
permission strictly prohibited. Second-class postage paid at New
York, New York and at additional mailing offices. 3 months—
\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10
Academic library rate: \$245 per year

EIR

From the Managing Editor

This week our Special Report brings you excerpts from the third-quarter 1983 issue of **EIR**'s multi-client economic report, which not only projects a further industrial decline if the policy which has allowed the Federal Reserve to undercut America's strength is not reversed, but documents how the Fed and the Commerce Department have covered up the economic collapse.

Our clients have shown particular alertness to the possibility that the Fed can use its statistical warfare capabilities in the other direction—that is, after inventing a recovery, Paul Volcker can suddenly reveal a catastrophe to be used against the President in the electoral campaign. The overriding fact is that a financial crisis may supervene, as the Soviet leadership confidently watches the Western banks and the International Monetary Fund impose policies which ensure that the world's debt overhang grows less and less repayable.

In our National section, we assemble the latest developments on the Washington, D.C. push for strategic beam-weapons defense systems, and on related scientific breakthroughs. In our International section, look for two articles that directly address the war of ideas between the oligarchic faction through the centuries and the nation-building faction. The first is a report on a recent *Mitteléuropa* conference at Duino Castle in Trieste, where—bizarre as it may sound to those uninitiated into the dynastic **Uebermensch** mentality—the revival of the Hapsburg Empire was pursued. The second is a brief reflection on Galileo Galilei, and his antagonistic relationship to the musical theorist Zarlino, whose work enabled Ludwig van Beethoven to reach the heights of composition; among the questions raised is whether one relies on "opinion" to weigh scientific (and political) accomplishments.

Next week, we plan a Special Report on "Moscow's Islamic Card in the Middle East." Not only are the Soviets not threatened by Muslim insurgencies, they are fomenting them to shatter the region and re-assemble it under their own imperial auspices, as the case of current Moscow-Teheran relations will demonstrate.

Note that **EIR** now accepts advertising. To reach our thousands of subscribers, contact advertising director Geoffrey Cohen at the address and telephone number in New York City on the masthead.

Susan Johnson

EIR Contents

Interview

8 Dr. Jorge Illueca

The president of the 38th General Assembly of the United Nations discusses the fight by the developing sector to achieve more just economic relations in the midst of a world economic crisis that is also striking the industrialized nations' economies. Dr. Illueca cites the advanced sector's failure to multilaterally negotiate on the crisis, and the threat to the national sovereignty of the heavily indebted developing sector nations.

Departments

40 Kissinger Watch

Kissinger's deal with Moscow.

41 Report from Bonn

Policy grows Kissingerized.

42 Inside Canada

"Strength needed to counter Soviets."

43 Middle East Report

The Islamic-Marxist threat.

44 Italy's War on Crime

Craxi lashes out against the magistrates.

45 Dateline Mexico

Something is rotten at SPP.

64 Editorial

The next step for defense.

Economics

4 Brazil: Congress and executive in confrontation

7 Real issues ignored at 38th United Nations session

10 State Department lets Africa starve, supports global IMF food control

13 World Trade

U.S. deficit close to \$120 billion.

14 Domestic Credit

The new liquidity crunch.

15 Agriculture

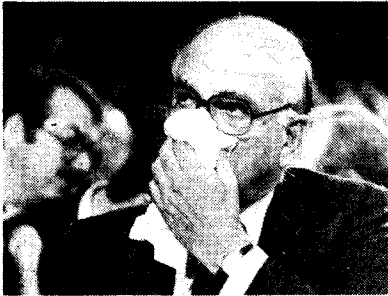
Democrats debate farm policy.

16 Andean Report

Colombia's antidrug war goes regional.

18 Business Briefs

Special Report



Federal Reserve Chairman Paul Volcker.

NSIPS/Stuart Lewis

20 Volcker caught in mammoth fraud

EIR publishes excerpts of its groundbreaking Quarterly Economic Report detailing exactly how Fed Chairman Volcker has attempted to fake a statistical recovery to cover up the industrial collapse resulting from his high-interest-rate policies.

International

28 'Bomb, bomb, talk, talk': Dr. K. in Central America

30 The Soviets spell out their missile threat

31 Shamir launches a Schachtian policy in Israel

32 The bomb explosion in Rangoon—*cui bono?*

What lies behind the political crisis in Asia.

34 *Mittleuropa* session in Trieste plots restoration of the Hapsburg Empire

A report on the politically charged conference on "The European Significance of *Mittleuropa*" at Duino Castle.

38 The Pope should not rehabilitate Galileo

In the interest of historical justice, Cincinnatus compares the intellectual achievements of the real victims of the Inquisition—such as Bishop Zarlino and Johannes Kepler—with Galileo's career attacking these very leaders for the Venetian interests.

46 International Intelligence

National

48 The crisis in U.S. strategic policy

Blind acceptance of the recovery myth in the midst of economic collapse has made it impossible for the White House to grasp the magnitude of the strategic crisis, and lead the American population. A crash beam-weapon program is essential to rebuild the main line of U.S. defense—its economic strength.

52 Kissinger stages coup in the NSC

53 Call for \$200 billion ABM defense program

54 Teller blasts press blackout of beam weapons

Documentation: What the *Times* says; what the Soviet press says.

56 Scientists demonstrate how low the cost of thermonuclear fusion energy will be

58 The desertron accelerator and the development of anti-ballistic missile defense

60 Congressional Closeup

62 National News

Brazil: Congress and executive in confrontation

by Mark Sonnenblick

The packed galleries of the Brazilian Congress kept a well-disciplined silence the evening of Oct. 19 until the Chamber had voted into oblivion the controversial wage-cutting decree on which the renegotiation of Brazil's \$100 billion debt hinges. Then there erupted the same chants of "IMF get out" and the exultant singing of the national anthem which had broken out a month before when the Chamber first showed that it intended to assert national sovereignty over the dictates of the International Monetary Fund.

The tension reflected recognition that Planning Minister Antonio Delfim Netto and the currently hegemonic faction of the government were looking for pretexts to eliminate any legal channels for blocking submission to the conditions imposed on Brazil by the IMF and the creditors. Hours before the vote, Gen. Newton Cruz, the commander of the Army in the Brasilia region, announced on television that President Figueiredo had decreed a 60-day "state of emergency" for Brasilia under which meetings could be banned, private homes searched, and mail and press censored.

Seeking to avert a head-to-head crash between Congress and the executive, some members of the ruling party had sought to negotiate the terms of the now-famous Decree Law 2045 with the opposition which forms a majority in Brazil's lower house. As decreed by President João Figueiredo on July 13

of the inflation index since the last increase. With inflation running at an annual rate of over 200 percent during the past several months and heading upward, Decree Law 2045 has sharply reduced real wages for those workers whose semi-

annual increases came up in August, September, and October. (Decree laws immediately go into effect until vetoed by Congress, which has 60 sessions to consider them.)

These cuts are on top of a statistical fraud comparable to that of the U.S. Bureau of Labor Statistics. Delfim Netto's underlings "purge" from the index what they call "accidentals," skyrocketing prices such as the increase of corn prices last month by 91 percent. Thus, the official cost of living index records a 147 percent increase for the 12 months ending September, while the real figure was 175 percent.

The regime offered to negotiate only on peripheral questions such as the legal status of strikes in the distant future, but remained faithful to IMF insistence that it "bite the bullet" on real wages. Ulysses Guimarães, president of the largest opposition party, the Brazilian Democratic Movement Party, complained that the regime refused to negotiate; talks broke down on the afternoon of the 19th.

Even the pretense of negotiations would not have been needed had not a major portion of the ruling Democratic Social Party (PDS) found the wage-cutting law intolerable. The government could then have fairly easily made sure there was no quorum until after the 60-session deadline for congressional veto of the decree ran out October 28. But 29 PDS delegates showed up; the PDS leadership could only try to save the image of party unity by having party leaderships vote for all their members, which resulted in a 29-231 formal vote defeating Decree Law 2045. The Chamber also shot down Decree Law 2036 mandating extra reductions in state-sector remuneration.

As expected, the government responded to its defeat by immediately promulgating Decree Law 2064, which also fulfills Brazil's commitment to the IMF to limit wage increases to 80 percent of the inflation index. The only difference is that 2064 was given a more equitable political cover by taking much more from the better-paid segments of the work force and less from the 72 percent of the labor force which earns barely enough to provide food for their families. State-sector wage bills must be cut to 80 percent of the inflation index. The law mandates a complete phase-out of cost of living increases by 1988. Well-informed sources claimed that the new law had been granted prior approval by the IMF and that the government would continue to dictate wages by decree until it coerced Congress to give its stamp of approval.

The regime plans "by any means necessary" to get a favorable vote on Decree Law 2064 before the Nov. 15 deadline set by the IMF for the private banks to commit themselves to new money for Brazil. "I have no doubt Decree Law 2064 will be passed before Nov. 15," a PDS leader says. "The party will 'close the question' and expel from Congress any member who does not vote for it," he explained. The unvoiced but understood threat against the opposition members is if they do not go along, the state of emergency will be extended to states such as São Paulo and Rio, stripping elected opposition governors of their power.

Observers foresee a series of nasty political confrontations between the executive and every other sector of the Brazilian polity. The regime has apparently exhausted its ability to act through persuasion and is perhaps about to embark on the dangerous path of force.

Washington acting for the IMF

Figueiredo is going into this confrontation under massive pressure from creditors and the governments of Brazil's nominal allies, such as Switzerland, Britain, and the United States.

Fritz Leutwiler, head of the Swiss National Bank and the Bank for International Settlements (BIS) declared in a Gothenburg, Sweden, address the night before Brazil's congress rejected Law 2045, "As for Brazil, a solution might be forthcoming, but there are still obstacles. The Brazilian Congress is the main one. The agreements Brazil is discussing and which have been published will not be accepted [by the Congress] in their present form; this is clear." Leutwiler cautioned, "Austerity is not easy. It may lead to political unrest and social upheaval, but still—the IMF and the BIS are the only institutions that can possibly manage the crisis."

The Thatcher government in Great Britain is seeking to enact the same bloody vengeance on Brazil that it took on Argentina. According to *EIR*'s sources, Thatcher is enraged that Brazil granted and then took away refueling rights for British planes on their way to the Malvinas, forcing expensive airborn refueling.

But it is the United States which is most aggressively pressuring Brazil on behalf of the IMF. Asked to comment

Oct. 20 on the state of emergency and the new wage-cutting decree, State Department spokesman John Hughes replied that they were an internal Brazilian matter and no business of the United States.

When Hughes was reminded that Secretary of State George Shultz had publicly expressed his support for the wage-slashing measures and that Treasury Secretary Donald Regan had said at the September IMF meeting that he "shudders to think of Brazil's future if the measures are not passed," Hughes confessed, "Well, without presuming to interfere in what is an internal matter for the Brazilians to decide on, it is true that the Secretary has expressed his confidence in the ability of the Brazilians to resolve their economic difficulties. That confidence continues." When *EIR* asked him, "The support of this administration for democracies everywhere is well known; do you make exceptions in the cases of countries which don't comply with the IMF?" Hughes responded, "That is a rather broad and sweeping question. Our record in support of democracy is well known and it speaks for itself. However, there are certain realities with which we have to deal."

The United States is itching to restore the bilateral military agreement unilaterally terminated by Brazil in 1977 in response to the Carter administration's "human rights" rights and opposition to Brazil's nuclear energy program. The United States is offering the cash-strapped Brazilian navy and air force financial aid for a strategic airbase on Trinidad Island in the South Atlantic well to the east of Rio. Brazilians are bargaining over terms of military technology transfer; other enticements may be offered during Shultz's Oct. 25 visit.

While U.S. pressures have defined the "reality" within which Brazilian economic policy is being made, the United States is losing its local friends. "For the first time in all my years of dealing with Brazil I sensed a lot of antagonism towards us from people who had never felt that way before as a result of IMF conditions and demands," a pharmaceutical executive told *EIR* on returning from São Paulo.

The oligarchic *O Estado de São Paulo* lamented that U.S. Treasury Secretary Donald Regan's repeated blunt orders that the Brazilian Congress pass 2045 had provoked "the advance of nationalism. . . . The worst thing is the corollary to this type of reaction: since the crisis wasn't created by the people who were deprived of their rights for many years, nobody should pay for it."

Which way for military hardliners?

Gossip columns in the Brazilian press claim President Figueiredo threatens to "call Pires," the army minister, to repress any civilians who successfully oppose his will. Back in July, according to the weekly *Relatorio Reservado*, Delfim Netto sought to shortcircuit congressional rejection of IMF mandates by simply eliminating Figueiredo's democratic opening and reviving the old repressive apparatus of Institutional Act No. 5.

However, the military is beset by conflicting pressures and faithful to divergent loyalties. Nobody can predict which way it will turn as the crisis deepens. The hardline nationalists now identify the creditors—more than the increasingly violent civilian population—as Brazil's number-one enemy, because of the creditors' overt contempt for national sovereignty.

Indeed, in recent weeks the drift of these ultra-hardline factions of the army (as can be gleaned from statements by retired officers) has been toward a nationalist alliance with the political opposition, rather than toward repression of dissent.

General Sylvio Frota, the right-wing army commander whose attempted 1978 coup failed to stop Figueiredo from becoming president has come back into the spotlight with indictments of the IMF.

The groundwork for an alliance between the stridently anti-communist military hardliners and their former enemies of the nationalist left is being laid by Gen. Antônio Carlos de Andrada Serpa, who was fired from the army high command in 1979 for his radical opposition to multinational corporations. Serpa declared in a Sept. 30 interview with *Jornal de Brasilia*: "I estimate that if the president were to declare a moratorium and a break with the international financial system, the nation would immediately unite behind him. I defend moratorium because I do not recognize the foreign debt. . . . This is the form of neocolonial exploitation generated by the Bretton Woods agreement" which set up the IMF.

General Serpa went on to assert that negotiations with the IMF "not only damage national sovereignty, but humiliate President Figueiredo, the Armed Forces and the Brazilian people." As a solution, General Serpa proposed "direct elections [which] can give Brazil a president with the moral authority and civic courage to do what must be done, which is to declare a moratorium as an act of Brazilian sovereignty. . . ."

The Brazilian road show

While Congress was locked in confrontation with the executive, central bank head Affonso Celso Pastore was on his first two-week tour around-the-world. During stops at Honolulu, Tokyo, Bahrain, London, and Zürich, Professor Pastore tried to convince 850 increasingly nervous private creditors to take another ride on the Brazilian renegotiations merry-go-round. Selling tickets to "Phase Two" of Brazil's renegotiations is proving more difficult for Pastore than "Phase One" was for his predecessor Carlos Geraldo Langoni from December to February. Pastore is seeking \$6.5 billion in new money from 800 banks, while Langoni set out to get \$4.4 billion from only the 160 most exposed banks.

The banks had to use funny bookkeeping and other tricks to keep Brazil's arrears, estimated by Delfim Netto at \$3.5 billion, and by *EIR* at \$7.1 billion, from burning a hole in

their Sept. 30 balance sheets. With the defeat of the wage law, that problem is likely to return with a vengeance at Christmas, when Brazil's insolvency will be too big to paper over.

Brazil's debt has become as wound up in insoluble contradictions as Argentina's. The IMF has suspended its deal with Brazil, and a laboriously negotiated new one depends on both the wage-cutting measures and on private banks and governments mustering new cash to lubricate Brazil's \$19 billion annual debt service. No creditor is willing to move without all the others agreeing. Another catch is that the banks cannot disburse overdue payments from existing loans until Brazil pays up its arrears to them.

That would require the artifice of a quick-fix \$3 billion "bridge loan," but no one is willing to put forward his money first. And the longer Brazil delays signing with the IMF, the more apparent it will be that it is violating its brand-new third letter of intent.

Although most bankers believe Pastore will be unable to raise the \$11 billion in new money he says is needed to supplement a \$8 billion trade surplus, they also recognize that the new money request was too low, and the whole exercise—even if successful—will have to be repeated again by the spring of 1984.

Pastore's biggest problems, however, are political. Pastore said he was "dismayed" by the British government's public categorical refusal to join in the \$2.5 billion in new money from government export agencies he is seeking. (The U.S. Eximbank is committed to put up \$1.5 billion of this, provided the Europeans and the Japanese all join in. The Swiss National Bank is also doing its best to sink this key component of Phase 2 by forbidding Swiss banks to lend to foreign export-import banks.)

Sir Alan Walters, Thatcher's economics adviser, suggested in an Oct. 17 Washington speech that Third World debtors should sell off their assets in order to buy up their debts from banks at a large discount. Walters's bald ultimatum brought into the open what *EIR* has been alone in reporting since March.

Appetites have been whetted by recent discoveries of gold nuggets weighing 66 and 100 pounds, and by Mining Minister Cesar Cals predictions that Brazil's 300 tons of gold reserves would be yielding \$7-\$8 billion annually by the end of the decade. And gold is only a small part of the mineral wealth locked into an undeveloped area bigger than the 48 states.

The IMF and the other creditors had frozen all deals with Brazil pending congressional sanction of Decree Law 2045. Now all the deals are off. The government is showing it is determined to exact the same pain from wage-earners by temporary decrees, but that may not satisfy the creditors. The creditors certainly are interested in reducing the consumption of Brazilian wage earners by an estimated \$17 billion annually—but only if the savings can be converted into their pound of flesh.

Real issues ignored at 38th session

by Nancy Spannaus

Only a utopian would have expected real progress at a session of the United Nations, especially one devoted to Bertrand Russell's favorite subject—disarmament. But when Indira Gandhi, prime minister of India and president of the 100-nation Non-Aligned Movement, issued a call for an informal heads of state meeting for the period of the U.N.'s General Assembly, hopes were raised that at least the issue of a new world economic order and its relationship to obtaining world peace would be at the center of deliberations.

Unfortunately, that was not the case. Mrs. Gandhi has had two informal meetings with 24 heads of state, and the empty rhetoric about "communication," "dialogue," and "understanding human needs" still dominates the environment. And while the Third World is avoiding the concrete issues of building a new monetary system for economic development, an opening has been left for the Russellites to push their primary agenda—a Malthusian attack on President Reagan's beam-weapons defense policy.

Off on the wrong foot

The election of Jorge Illueca, vice-president of Panama, as head of the General Assembly had augured well for the session. Illueca gave an interview to the Mexican daily *Excelsior* the day before the United Nations opened, in which he warned against "the tremendous pressure that the IMF exerts and . . . the tremendous internal destabilization derived from that." He also declared that "only with joint action . . . can there be a realistic and objective strategy. . . . There must be in this period global negotiations for a New International Economic Order." Yet Vice-President Illueca's opening speech on Sept. 26 did not take this issue further.

Nor did the presentation of Mrs. Gandhi herself, given on Sept. 28, advance the discussion. After beginning with a strong statement from the Non-Aligned meeting's final communiqué on the current crisis of civilization, Mrs. Gandhi assiduously avoided attacking the IMF, barely referred to her call for a global monetary conference to be held outside the IMF auspices, and failed to mention the Non-Aligned Move-

ment's firm call for the transfer of nuclear energy to the developing sector.

Her lack of aggressivity undoubtedly reflected the lack of support from both advanced sector nations and the Third World countries who attended the informal discussions of heads of state. Key to the advancement of a debtors' cartel that could negotiate a policy of capital-intensive growth for the world economy would be the linking up of the leading Ibero-American debtor countries with the Non-Aligned Movement. Not only did the major Ibero-American debtors boycott the Non-Aligned meeting last March, but only Ecuador, Peru, and Nicaragua—all relatively small debtors—attended the Sept. 27-28 meetings hosted by Mrs. Gandhi.

Egyptian President Hosni Mubarak and Ecuadorian President Osvaldo Hurtado Larrea followed up Mrs. Gandhi's concerns with forceful presentations of the depression crisis. Both angrily attacked the high interest rates which have brought on the world debt crisis, while noting that obedience to IMF conditionalities had done nothing to prevent "negative development rates of growth" or brought any "noticeable signs that the subcontinent's recovery has begun."

President Hurtado, who will be presiding over the next major meeting of Ibero-American debtor countries to be held in his capital, Quito, on Jan. 8, 1984, included a sharp attack on the U.S. banks. The top 10 brought in half of their profits in 1982 through their international operations, he noted—in other words, from usury. In language reminiscent of the Caracas Declaration of the Andean heads of state, Hurtado demanded less stringent conditions in the course of debt renegotiations, more lending by developed-sector governments—rather than international financial institutions—and lower interest rates. Both Presidents Hurtado and Mubarak, however, sidestepped the colonialist reality of the IMF, and demanded higher quota increases for that Malthusian institution, rather than its deserved demise.

President Reagan himself did not take advantage of his forum to push the beam program, and its essential contribution to ending the threat of thermonuclear war. His opposition did not avoid the issue. French President Mitterrand made a sharp attack against "space wars" and called for passage of a resolution that would ban all military uses of space. Many of the Third World leaders also felt themselves compelled to genuflect before the Andropov formula and attack the extension of war to space.

It was in this context that *EIR* founder Lyndon H. LaRouche, Jr. issued an open letter to the U.N. delegates drawing attention to "the most promising development" for world peace, President Reagan's March 23 offer of negotiations with the Soviet Union on "making ICBMs obsolete." The Soviets have so far turned down the President's generous offer, LaRouche notes. But "if the Soviets can be induced to change their views, we can get out of the current strategic mess, and create a world no longer dominated by spheres of influence, but rather by sovereign nation-states."



‘Debtor nations must coordinate their attitudes and actions’

Dr. Jorge Illueca, president of the 38th General Assembly of the United Nations Organization, gave the following interview on Oct. 7, 1983 at the United Nations' headquarters in New York to Dennis Small, Executive Intelligence Review's Ibero-American Editor and to Carlos J. Wesley of EIR and Analisis magazine of Panama.

EIR: Some have identified the lack of economic and social development as one of the principal problems of world peace today. How would you analyze the problem of the foreign debt and its relation to development at this time, and in particular the proposals of institutions like the International Monetary Fund for solving this crisis?

Illueca: In the statements that I made to the General Assembly on the day of my election, I made reference to these matters you mention, which in my judgement are vital ones. There is no doubt that the fundamental concern of humanity is its aspiration to live in peace, to be able to resolve its economic and social problems, and to be able to provide for itself the elementary satisfactions that the human being needs for a dignified existence.

In recent years there has been a great battle on the part of the developing countries, the Third World, the Group of 77, to try to establish more just economic relations between the developed and the developing countries. Nevertheless, the highly developed nations have lacked the political will to enter into global negotiations, or multilateral negotiations, to put these aspirations of humanity into practice.

I do not believe that humanity must be parceled into different worlds in order to accomplish this, because this hope for development belongs to all of humanity, not just development which reaches the poor countries but also the most highly developed countries. One may note that there are important sectors of the population [of the highly developed countries], as in the case of the agricultural sector here in the United States, which are going through a serious crisis. Thus the United Nations, in harmony with its great mission, evolved its international strategy for development during the

decade of 1980. This is an aspiration which I believe is a general one, belonging to the human race and to all communities.

Nonetheless, there is a lack of political will. Political will, in my judgment, is lacking because of the rivalries among the powers, and also because of international tensions. And, as I have already said, I see a relationship between the existence of these international tensions and the lack of action in getting global negotiations for an economic recovery in the real sense under way.

Also, it is the customary language of the United Nations to speak of a direct relationship between disarmament and development. If it is the case that something on the order of \$800 billion are spent annually for weapons even a reasonable percentage of this amount were dedicated to development programs, the needs of a great majority of human communities could be satisfied.

In my judgment, one of the priorities of the member states of the United Nations should be, on the one hand, to achieve a reduction in international tensions and, on the other hand, to try to do everything possible to bring about successful negotiations for nuclear disarmament.

Every day we see the statements of great world personalities, whom we view with much respect, involved in a battle of newspaper headlines. Where our task lies is to pressure the leaders of the two superpowers, President Reagan and President Andropov, to sit down at a table, not to repeat what one has already said and reject what the other has said, but rather to say: We have before us a serious responsibility and solutions must be negotiated. Because one must realize that nuclear war can only be won if it is prevented from ever beginning, because there is no future for humanity in that.

EIR: Several innovative options for ending the “balance of nuclear terror” under which humanity lives have been proposed. Last August, several of the most eminent scientists of the United States, the Soviet Union, and Europe met in Erice,

Italy, and in a joint communiqué declared: "We propose to establish a joint European-U.S.-U.S.S.R. investigative group for collaborative study to . . . find a way out of the present balance of terror; and, in particular, to determine if it is possible to conceive of a new defense system against nuclear destruction." Do you think that such collaboration between the superpowers could contribute to the reduction of the danger of a thermonuclear conflagration?

Illueca: Let us clarify one point of your question: There is no possible "defense" against nuclear destruction. What is decisive and necessary is to avoid the use of any nuclear weapon whatsoever. Hence the urgency that the great powers reach an accord that puts them and, as a result, the rest of humanity, out of the danger of this horrendous possibility. As for the final part of your question, I must tell you that such collaboration can not only contribute to, but is the decisive way of halting, the danger of a thermonuclear conflagration.

EIR: Is the problem of foreign debt an obstacle to the development of peoples? What connection do you see between this debt and national sovereignty?

Illueca: We know this problem very well in the developing countries, and for us the closest example is that of the region to which I belong, Latin America. In a certain way, all kinds of stimuli and incentives were offered to the countries to get into debt, including for some kinds of projects which were not even the highest priority projects for their respective populations. And in effect the loan contracts contain a series of clauses [about] which I would dare to say that, in one way or another, they interfere with the countries' sovereignty.

The indebtedness has reached such a serious level that in recent years it has become an obligatory topic at the meetings of the Group of 77, and also the meetings of the Non-Aligned countries, the Third World countries. Nor have the forums of the United Nations been free from the discussion of this topic.

You mentioned the International Monetary Fund, which was created more as an institution to help stabilize the finances of countries. But it turns out that, in the face of the gravity of the situation, its resources have not been sufficient. It is necessary then that the countries with greater financial capabilities strengthen these institutions, such as the Monetary Fund and the World Bank, and that such institutions be modernized to respond to the needs of our time.

But there is definitely a direct relationship between debt and sovereignty. The countries in need have had to enter into a series of contracts which, presumably, have met all the constitutional and legal formalities of each country. However, as the situation has deteriorated, all kinds of conflicts have arisen and situations have come to light that are not the most useful, I would say, to try to find a real solution to the problem.

I think that in Latin America, for example, an effort is being made—and this was mentioned here by President Hur-

tado of Ecuador, President Betancur of Colombia, and also at the summit which took place here at the initiative of the prime minister of India, Indira Gandhi—to stress the necessity for these countries, either at the regional or world level, above all the indebted countries, to coordinate their efforts; not so much to achieve collective negotiations, because we know that is very difficult, but at least to coordinate their attitudes and actions.

EIR: One of the problems that most affect world peace, and where it is most in danger, is in Central America. What is your opinion of the situation there, especially in view of the setting up of Condeca, the Central American Defense Council?

Illueca: Because of the very position that I presently occupy, the presidency of the Assembly, and furthermore because my country is a member of the Contadora Group, I wish to be not only objective but very prudent in what I say to you.

In the North American press itself, in very reputable dailies, we have seen in the past few days information indicating that there is indeed a very serious situation in Central America, which is worrisome because, of course, it threatens international peace and security.

Now, the fundamental mission of the United Nations is to maintain international peace and security. Part of the institutional crisis of the United Nations—and this is not to say that the United Nations is not really an organization of fundamental importance for humanity's existence—but part of this institutional crisis is due to the fact that member countries are not using the mechanisms that the founders of the U.N. created to maintain the peace. The problems, both of Central America, and the Middle East, and those of southern Africa, to cite a few, should be resolved within those mechanisms of the United Nations. But, the resolutions of the Security Council and the resolutions of the Assembly—of course those of the Council are obligatory and compulsive, and those of the Assembly are recommendations—are not being heeded.

In Central America, the mission of Contadora has been fundamentally that of presenting options to seek political solutions, negotiated solutions, not solutions which were the result of a military imposition, or a military victory. I believe that any solution on the basis of a military imposition is not lasting, that what it does is sow seeds of rancor, hatred, and resentments, which sooner or later will come to the surface. I don't want to refer to particular countries, but one only has to examine on the Central American map the history of the last 30 years to realize that situations which were the result of military impositions had no lasting effect, because they always arose again with greater intensity.

We have to appeal to all parties in the Central American conflict, in the region as well as outside the region, to make efforts to find a solution within the order of law, within the principles of the United Nations, and within the principles which here on the American continent have been considered the traditional bulwarks of democratic coexistence.

State Department lets Africa starve, supports global IMF food control

by Carol Cleary and Marcia Merry

Deliberate inaction by the United States concerning emergency food aid to Africa is creating the conditions for the IMF to act as a central agency for world food control to developing countries.

On Oct. 19, the United Nations Food and Agricultural Organization (FAO) held an emergency session of 57 nations in Rome to deal with the catastrophic shortage of food in Africa. Edouard Saouma, director general of the organization, requested of participating donor nations a 700,000-ton increase in annual shipments of cereals to Africa plus an additional \$76 million for combating animal diseases and agricultural rehabilitation. A significant number of the 150 million Africans in 22 nations are threatened by starvation under the current drought and poverty conditions. Over the past 10 years, the food supply per capita has decreased in absolute terms for the continent of Africa. The crisis results from decades of anti-development IMF and World Bank imposed loan conditionalities which prohibited agriculture improvements and other needed infrastructure projects.

The United States was represented at the Rome emergency session, not by a representative of the U.S. Department of Agriculture (USDA), but by Julia Chang Bloch, assistant administrator for the Food for Peace program of the State Department's Agency for International Development—an open opponent of population and food growth. The U.S. Secretary of Agriculture, John Block, will be chairing the general FAO session opening in early November in Rome. His press office took one and a half hours on October 19 to determine how to respond to *EIR*'s question on what the United States will do about starvation in Africa. He said guardedly that the emergency FAO session of 57 nations was only considering "recommendations . . . just discussions of ways to assist the African nations." zation plan being formulated.

An estimated 4.5 million tons of grain is needed annually in Africa from both commercially imported and food aid sources, just to maintain minimum subsistence existence. But at this time, much less is forthcoming. Last year the U.S. Food for Peace Program, administered by the State Department in conjunction with the Agriculture Department, shipped a reported 1.43 million tons—the largest amount supplied

from any one nation. This year the State Department has no plans to send more and may actually reduce the shipments to Africa because more is being sent to Bolivia, Peru, and the new emergency food shortage areas of Ibero-America.

A director of the Food for Peace program justified this "triage" approach by saying that the "theoretical and hypothetical need level does not necessarily correspond with what is realistic or productive in delivering a food aid response." In mid-October, the *Neue Zürcher Zeitung*—the Swiss newspaper which speaks for the world food trade companies, most of which are Swiss-based, and for other transnational commodities cartels—editorialized that the FAO plea for food for Africa should be ignored. They charged that food is a matter of "purchasing power," and those countries with debt must not get food aid.

Conditionalities

The USDA and the State Department have thus helped create the preconditions for making the International Monetary Fund (IMF) the enforcer, doling out food aid to desperate developing nations who meet the specified IMF conditionalities which include drastic population reduction. Next month, Resources for the Future, a New York based, bank-linked think tank, is releasing a report promoting the role of the International Monetary Fund as the instrument of world food control. The core of this plan is already in operation:

The author, a former economist for the U.S. Department of Agriculture, said, "Food is great leverage, although I don't want to be called draconian or cruel. . . . If the economic crisis deepens in the debtor countries, this will be an important political lever for international institutions like the IMF. . . ."

The WCIF

Advocates of the IMF explicitly propose ending national sovereignty over the issue of food. The International Food Policy Research Institute—another outfit funded by the Rockefeller and Ford Foundations, the World Bank, and the United Nations—said in a 1982 report, "Creation of the IMF Cereal Facility," that "in terms of global food availability, most developing countries do not need to build up large

national stocks as a hedge against bad years. Instead . . . these countries could, with adequate institutional arrangements (such as the IMF Cereal Facility, and improved food aid commitments), rely on the international market to provide much of their short crop food needs at lower long-run costs than those associated with domestic needs."

In 1981 the IMF created the World Cereals Import Facility to handle loans to member nations earmarked for food supplies. The facility functions in an *ex post facto* fashion. A member nation short of food is supposed to contract for a food purchase (wheat, rice, or some specified coarse grain) with a private company in the "free market"—meaning Cargill, Continental, Bunge, Dreyfus, André, or one of the few other world food cartel corporations—in official collaboration with the IMF. Then the IMF, if it approves the transaction, will pay the bill from the member nation's special drawing rights. The Fund is of course most likely to approve of requests from nations that have met its conditionalities involving voluntary population reduction. It will also dictate the internal farm parity prices, industrialization, and other policies of that nation. If the nation refuses to meet all the conditionalities, the IMF will simply deny the financial request, and the country's food import plans would collapse, leaving the threat of massive starvation.

The Resources for the Future report stresses that "we must use whatever leverage we can to force reduction in population growth and quickly." The debt crisis and oil shocks, the report continues, "have once and for all times ended the talk of the development of new food superpowers such as Argentina, Brazil, and Indonesia. There will be no new food superpowers and the old ones—the United States, Canada, Australia will not grow as fast as had been expected. This will mean that the global market will remain under the same political control as before. This was an important question in North-South relations. It means that the South will have less leverage, since they will not be able to rely on their own countries to supply food to them, especially the poorer nations, in times of severe shortage. If the economic crisis deepens in the debtor countries, this will be an important political lever for international institutions such as the IMF."

According to the IMF, the limiting factor thus far is *only* loan money, which is limited by the size of the IMF quotas. An IMF spokesman said Oct. 16, "Off the record, given what is going on in Africa, Asia, and Central America in terms of crop failures and food shortages . . . the Fund is anticipating increased demands on the facility."

At the top-secret July 12 U.S. agriculture "summit meeting," hosted by John Block and the USDA, Secretary of State George Schultz gave the opening address, insisting that top priority be given to the IMF demand for Congress to approve an additional \$8.4 billion increase in the U.S. contribution to the IMF.

Since 1981, \$285.9 million in SDRs has been paid out in food compensation payments by the IMF Cereals Import

Facility, for food to Malawi, Kenya, Morocco, Bangladesh, and, by special arrangement, Korea. The money paid out may never have gone to the nations at all, but straight to the grain company. Said the IMF spokesman, "We don't monitor that."

Shutting down U.S. farms

According to the advocates of the IMF Cereals Facility, what will clinch the success of IMF food control is eliminating a large number of U.S. family farms, thus making world food supplies even more scarce. The Resources for the Future spokesman complained, "We operate from 1930s perspectives about protecting small farmers. All policy resists concentration in that it continues to protect the family farmers beyond their natural life. This must be changed. . . . We should do away with parity as it is now constituted and place things on a world market basket concept." According to this advocate, "The IMF views it as very positive that the issue of the family farm is finally being forced in the United States. There is far too much credit tied up in unproductive loans to family farmers."

This point of view is already coming true in terms of the growing bankruptcy rate of the U.S. farm sector, and the lack of federal emergency measures to prevent farm foreclosures and provide needed production credits.

There are rearguard actions underway in the courts and in Congress to protect the family farmer from debt collapse, but the State Department and Agriculture Department are stonewalling. On Oct. 17 a Federal District judge in North Dakota, Bruce Van Sickle, announced plans to decide on enjoining the Farmers Home Administration from foreclosing on farm mortgages. This will affect as estimated 230,000 farmers nationwide. Earlier in October, Rep. Kika de la Garza (D-Texas), chairman of the House Agriculture Committee, officially requested Secretary Block to activate an already-authorized program of government Economic Emergency loans to hard-pressed farmers. But Block has refused.

Overall agricultural output declined 20 percent in the United States during the last year because of the combined effects of the huge payment-in-kind acreage reduction program of the USDA, the drought, and the debt crisis. This cutback in U.S. production represents a 25 percent drop in world corn output, a 20 percent drop in world soybean output, and so forth. Block plans to continue the payment-in-kind program to reduce wheat acreage in 1984, in an attempt to create similar shortages next year.

This will help fulfill the drastic prophecies of the political allies of the IMF and the food cartel companies, who seek to create and manipulate food scarcities. At the annual meeting of the Malthusian Club of Rome in Budapest this October, the American representative, Ed Pasarini, predicted, "The grain fountains of Texas and Iowa are going to be dried up . . . by the year 2000, the United States will become a net food importer."

KISSINGER'S PLOT TO TAKE OVER THE REAGAN ADMINISTRATION

The surprise naming of Henry Kissinger to head the President's Bipartisan Commission on Central America is part of a long-standing attempt to subvert the Reagan presidency. Henry Kissinger's return to official life is far more significant than the Central American appointment would suggest.

This two-part study by **EIR** Washington bureau chief Richard Cohen is essential reading for any citizen concerned with the future of the United States as a republic. Part One was written in late 1982, long before anyone else recognized the Kissinger operation. It documents the months-long process of inserting, with the friendly offices of Secretary of State George Shultz, "Kissinger's boys" throughout the administration. Part Two analyzes recent developments, including Kissinger's boast at a cocktail party in Israel, just before his nomination to the Commission, that "within two weeks I will be back in government; within a short period after that, I will be running the government."

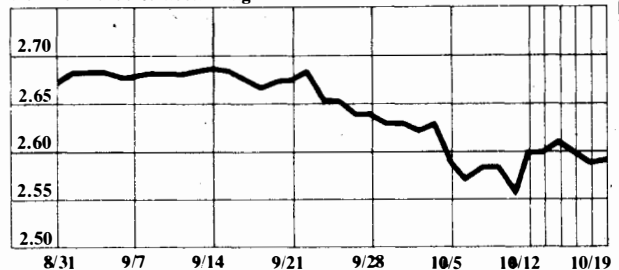
The report is available for \$250.00.

For further information, contact William Engdahl, *EIR* Special Services 304 W. 58th Street, 5th floor MC-1, New York, New York 10019 (212) 247-8820 or (800) 223-5594 X818

Currency Rates

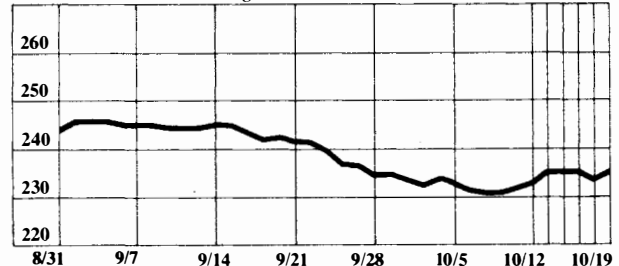
The dollar in deutschemarks

New York late afternoon fixing



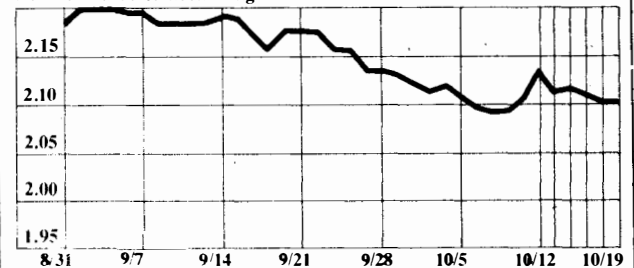
The dollar in yen

New York late afternoon fixing



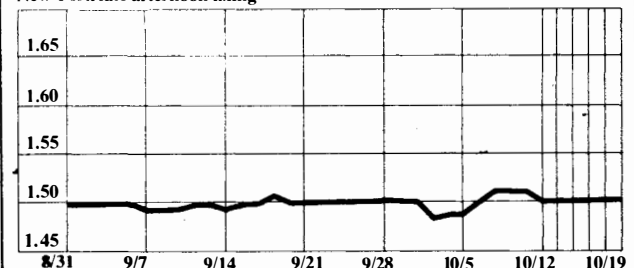
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



U.S. deficit close to \$120 billion

The level of manufactured imports at bargain prices has been systematically under-reported.

As the United States has dismantled its own ability to produce, it has attempted to compensate by importing. In the midst of the worst decline of world trade since the last war, America's trade deficit is projected to rise to \$60-\$70 billion for 1983. Major sectors of production, including automotive, electronics, and metals processing could not presently function without such imports.

This represents a much larger net inflow of manufactured goods to the United States than even the huge deficit numbers show. Since 1980, the rise in the U.S. dollar has reduced American import prices and increased American export prices by over 10 percent. Not counting the big American agricultural exports surplus, the balance of trade under 1980 terms of trade is about twice as large, equivalent to \$120 billion. This is a dramatic measure of the underlying decay of the

American economy.

World Trade continued to decline during the first half of 1983, and the collapse of the external finances of deficit nations makes it almost certain that this year will be the third year in a row in which world trade has declined—a development not seen in peacetime except for 1931-1935 (see Figure 1). Within the decline in world trade, American import volume has clearly risen, reflecting huge, temporary increases in semi-manufactured and manufactured goods (e.g., chemicals, non-ferrous metals, and auto parts) destined for consumption in consumer-related "boom" sectors of the economy. These imports more than compensate for sharp declines in petroleum and industrial materials imports, whose collapse shows the underlying state of decline in the economy.

Although data on import volume (as opposed to price) are incomplete, the partial data available demonstrate that the deceleration in the American economy's rate of decline during the past year would not have been possible without a subsidy from America's trading partners, especially the developing sector. That the United States is, in effect, living on the rest of the world's charity is not a popular or encouraging argument, but the available data show irrefutably that this is the case.

The trade balance is projected at about \$65 billion for this year, al-

though the August deficit of \$7.1 billion converts to an annual rate of more than \$85 billion.

However, the current-dollar numbers vastly underestimate import and overstate export levels, due to the extreme improvement in the terms of trade of the United States. An estimate of these terms of trade (the change in the relative prices of imports and exports) is given by the International Monetary Fund (see Figure 2).

The 1983 figure is an underestimate, given the sharp rise in the dollar's international parity. Comparing import volumes to the end of 1980, i.e., before the mid-1981 industrial collapse began, we may use the terms of trade changes to adjust the 1983 figures to their 1980 equivalents as follows:

The trade deficit, in 1983 dollars, is projected at \$165.424 billion. Adjusted for improved terms of trade, the deficit in 1980 dollars would be \$108.245 billion. Deducting the agricultural surplus to measure the industrial nature of the deficit more closely, we find that the deficit is \$120.365 billion.

This calculation projects the 1983 deficit on the basis of the May-to-August level, and then applies the changes in terms of trade since 1980 to adjust imports upwards and exports downwards. The same criterion was applied to the non-agricultural deficit, which is greater than the overall trade deficit. This gives a somewhat closer measure of the "real" level of industrial subsidy.

Figure 1
World exports
(billions of current dollars)

Year	Value of exports
1978	1,200.0
1979	1,523.6
1980	1,867.8
1981	1,837.0
1982	1,694.5
1983 (est.)	1,500.0

Figure 2
Change in U.S. terms of trade

1980	-13.2
1981	+ 3.7
1982	+ 3.7
1983 (est.)	+ 2.1

The new liquidity crunch

Contrary to the supposed improvement in cash flow, the corporate sector's situation is worsening.

The available measures of U.S. corporate liquidity show a drastic decline during the second quarter of 1983, the most recent for which statistics are available. TRW's Business Payments Index, based on that company's data base of payments information regarding 8 million business locations, shows that past due receivables increased sharply during the second quarter.

TRW reports that receivables 1 to 30 days past due in the economy as a whole jumped from 14.0 percent of the total during the first quarter, the lowest level in three years, to 15.6 percent of the total, the highest level on record. Current accounts receivable (due less than 30 days) fell from 75.9 percent of the total during the first quarter to 74.5 percent during the second quarter.

TRW's data shows that similar declines in this liquidity measure took place in the second quarter of 1981, immediately before the major drop in industrial output during 1981, and again during the second quarter of 1982, before the disastrous third quarter of 1982.

A third measure of corporate illiquidity—after the bankruptcy rate and the late payments rate—is demand for short-term credit. Through the end of August 1983, total bank credit—the sum of loans and investments—appeared to be on a 10 percent or higher trajectory of increase.

Commercial paper plus business loans from all banks, is the most comprehensive measure of growth of bank

credit. According to Merrill Lynch's statistics, in the three months prior to July 22, this measure had actually declined, at an annual rate of -0.2 percent. By the month ended Aug. 24, it had risen to a 13.3 percent annual rate of increase.

The same pattern is evident in the business loan data for all banks.

The other side of the coin is the sharp decrease in banks' rate of purchase of securities (overwhelmingly government securities). During the three months up to July 22, banks increased their securities holdings at a 28.3 percent annual rate; this reflected an annual rate of purchase of government securities of about \$100 billion in absolute terms, unprecedented in peacetime history.

The banking system, in short, financed the public deficit, with the help of the Fed. By the month ending Aug. 24, this had fallen to a negligible rate of increase, and the pattern continued through the first half of September.

The Treasury and Fed financed the uptick in the housing and auto sector, slowing the rate of decline of physical product to about half the 1982 rate of decline, through the "off-budget" agencies of the federal government and the printing press; this occurred to the extent that the federally sponsored agencies supporting the secondary mortgage market doubled their activity to reach a \$100 billion annual rate, while the Fed, through the fastest peacetime rate of credit creation in history as well as sharp reductions in reserve-requirements, enabled the

banking system to finance the Treasury's deficit at a \$100 billion annual rate.

To summarize the events of the first six months of 1982: the federal government undertook a \$100 billion p.a. subsidy to the housing market, a \$30 billion subsidy to the non-financial corporate sector through various tax breaks, a \$20 billion increase in agriculture supports, among other forms of largesse, raising the actual deficit (including the various off-budget operations) to the range of \$350 billion.

During the fourth quarter of 1982 through the present, corporations made a highly dangerous decision to improve their balance sheets, and buy themselves a six-month breathing spell, at the expense of their long-term health and the future prospects of the U.S. economy. Non-financial corporations boosted their liquid assets from \$228.6 billion at the end of the third quarter of 1982, to a level of \$275 billion at the end of the first quarter of 1983, an unprecedented \$50 billion rise in six months, bigger than any increase ever recorded during a 12-month period.

Although data are not yet available for corporate liquid assets in the second quarter, the interest (not counting principal) debt-service that corporations paid, at \$140.8 billion, was equal to 105 percent of pre-tax profits, at \$134.4 billion! The apparent improvement of corporate liquidity through self-cannibalization during the first quarter suffered a drastic reversal during the second quarter, leading to the bankruptcy wave during the end of the third quarter.

It is not surprising under the circumstances that interest rates remain above their May 1983 levels and still threaten to rise. This ensures continued worsening of the bankruptcy rate.

Democrats debate farm policy

Adapting to planned shrinkage was the majority recommendation at a session on the party's agriculture policy.

The Averell Harriman wing of the Democratic Party turned out in force on Oct. 15 in Dallas, Texas for the first of a series of meetings to draft the agricultural planks for the 1984 Democratic platform. But policy proposals from the Democratic National Committee (DNC) were strictly limited to promoting new labels for the current policies of the USDA and the international grain cartels: to stop U.S. production and make food "the oil of the 1980s," as Occidental Petroleum's Armand Hammer has suggested.

The DNC's new term, used repeatedly from the podium in Dallas, is "supply management." But American farmers have had a decade of supply management already. As a USDA spokesman told *EIR*, "PIK [the disastrous Payment in Kind program] is the best supply management program we've ever had."

The Democrats' meeting, attended by 150 people, was chaired by Texas Agricultural Commissioner Jim Hightower, a populist whose career has been heavily funded by environmentalist foundations. Hightower now heads the Democratic National Committee's Agriculture Council and has been mooted as a future Democratic Secretary of Agriculture. Hightower is an advocate of land-use reform, ostensibly in the interests of promoting conservation. But "conservation" is coming more and more into use as a means of taking control of production out of the hands of American family farmers—a group *EIR* founder and Democratic presidential candidate

Lyndon LaRouche has characterized as "the last entrepreneurs in our nation." As a spokesman at Hightower's office told *EIR*: "Farmers are not always the best people to decide what to grow on their land."

The meeting was keynoted by Sen. James Sasser (Tenn.) who called for deferments of farmers' FmHA payments and extension of agricultural emergency programs as part of his attack on Reagan administration high interest rates, which he called the primary reason for the decline in U.S. agriculture exports. But Sasser gave himself away. The Democratic Party, he said, must continue to support price support programs—in order to ensure that farmers will be able to pay off their debts.

It was former Texas congressman Bob Krueger, Jimmy Carter's ambassador to Mexico, who introduced supply management as the official theme of the day. Krueger's only criticism of PIK—along with the drought, the reason for the 50 percent loss in corn production this year—was that government grain reserves were too far away from some farmers for them to be able to take advantage of the program.

Former DNC chairman John White, who co-chaired and moderated the meeting, called the "radicalization" of farmers and rural Americans a threat to political control of the nation. White attacked the use of food as a weapon—one of Henry Kissinger's contributions to world strategic planning at the 1974 World Food Conference in Rome—but did not address the

international debt crisis that is destroying productive capability and making food a precious commodity.

Reality eventually forced its way onto the podium and into the debate when New Mexico's Gov. Tony Anaya, a member of the National Governors' Agriculture Commission, was the first official speaker to address the depth of the crisis in agriculture—and call expansion of production its solution. Anaya cited the quadrupling of agriculture debt since 1970, the loss of 100,000 family farms in recent years, and the fact that the cost of farm programs had shot up from \$2 billion in 1980 to \$25 billion after the introduction of PIK. America must increase food exports as a keystone of its foreign policy. "We don't need gunboat diplomacy in Central America," he stated. "We need to export food there."

And in contrast to the situation at most DNC-sponsored events, representatives of the LaRouche wing of the party were able to bring the international strategic crisis and the threat to the world food supply to the podium. Harley Schlanger, the National Democratic Policy Committee coordinator for the Southwest, stated that "there can be no solution to the farm crisis which does not begin by addressing the international debt crisis and the threat of global financial collapse. Henry Kissinger and his associates are planning to foreclose on entire nations in the same way that farms in the United States are being foreclosed, through seizure of assets. These policies must be defeated."

Schlanger was followed by LaRouche's agricultural adviser, Lawrence Freeman. Freeman coordinates a staff of researchers who are compiling solid statistics on the state of U.S. agriculture, in contrast to the fraudulent figures released by USDA.

Colombia's antidrug war goes regional

Andean countries gear up an antidrug offensive that could ultimately take on the behind-the-scenes financiers of Dope, Inc.

On September 30, the Venezuelan police captured the largest cocaine cache in history, with a street value estimated at more than \$700 million. The bust awakened the Venezuelan authorities to the extent of their drug problem, previously considered insignificant; it was the result of unprecedented collaboration between Colombian and Venezuelan law enforcement, and figures as part of a region-wide campaign launched by the Betancur government in Colombia to eradicate the drug trade.

On July 23-25, the heads of state of the five Andean nations had met to discuss shared economic and social problems, and went on record to condemn the illegal drug trade, "which has disrupted contemporary society and whose impact on the economy and politics demands a decisive and joint action for its eradication."

That commitment was followed, on the initiative of the Betancur government, by a series of bilateral meetings of the affected nations to work out common strategies in the war against drugs.

One such meeting was held Oct. 15 in Bogotá between Colombian and Venezuelan government representatives to plan a crackdown on clandestine airstrips, illegal flights, and other trafficking modes. The Colombians presented names of known traffickers residing in Caracas, and emphasized that Caracas has become a key transshipment point for illegal drugs going to the United States and Europe. The Venezuelans agreed, among other

things, to consider the use of paraquat against marijuana cultivation, especially along border areas with Colombia.

The participants also resolved to meet again next month in the Venezuelan port city of Maracaibo, and the Colombian government is scheduling similar meetings with authorities from Ecuador, Brazil, Peru, Honduras, and the Dominican Republic.

Within Colombia, the Betancur government has focused much of its effort on mobilizing popular support for its antidrug campaign. A series of international forums and roundtables sponsored jointly by the Colombian and U.S. governments were held last month in the three leading cities of Bogotá, Medellín and Cali to discuss everything from drug abuse to the ecological damage caused by marijuana and cocaine cultivation.

A special commission sent by Colombia's National Drug Council to inspect the U.S. and Mexican antidrug programs returned home the third week in October to recommend the use of paraquat against Colombia's marijuana fields.

Several initiatives by the Colombian justice ministry have also put dents in the mafia's machinery. As many as 50 percent of Colombia's private airplane fleets have been grounded on orders of the Ministry for their involvement in the drug trade. Hundreds of clandestine airstrips on Colombian territory have been mapped out, and preparations are underway for their elimination.

The Supreme Court's approval of a controversial extradition treaty with the United States has put teeth in what was hitherto merely paper legislation. At least 25 prominent Colombian traffickers were startled when the United States requested their extradition and the Colombian government began proceedings against them. Cocaine billionaire Pablo Escobar, believed to be one of the world's richest men, is presently hiding behind his parliamentary immunity (he is a congressional alternate), but a vote to lift that immunity is currently pending in the Colombian Congress.

One major obstacle to the Betancur administration's antidrug efforts has been extensive corruption and inefficiency within the justice system. With the appointment of Justice Minister Lara Bonilla last August, that problem is also being attacked.

In a hard-hitting presentation to the National Lawyers Congress Oct. 9, Lara charged that 23 of the 25 fugitive traffickers were still walking the streets of Colombia because "they have created a protective screen around themselves by capturing some members of the secret services." He pledged a total overhaul of his Ministry and its security dependencies.

On Oct. 19, it was announced that an international assassination plot against Lara had just been uncovered and thwarted by the Colombian security service.

The next step is going after the financial holdings of the drug mafia—in both the United States and Latin America. Responding to a question from *EIR* during his visit to the United Nations on Oct. 5, President Betancur criticized "the degree of tolerance [shown] by certain U.S. financial institutions [towards the drug trade] for the benefits derived when important sums are deposited in these banking entities."

EIR

The Real Story of Libya's Muammar Qaddafi

A comprehensive review of the forces that placed Qaddafi in power and continue to control him to this day. Includes discussion of British intelligence input, stemming from Qaddafi's training at Sandhurst and his ties to the Senussi (Muslim) Brotherhood. Heavy emphasis is placed on control over Qaddafi exercised by elements of the Italian Propaganda-2 Masonic Lodge, which coordinates capital flight, drug-running, and terrorism in Italy. Also explored in depth are "Billygate," the role of Armand Hammer, and Qaddafi's ties to fugitive financier Robert Vesco.

\$250. Order Number 81004.

The Club of Rome in the Middle East

A dossier on the role played by the Club of Rome in promoting "Islamic fundamentalists." Focusing on two organizations, the Arab Thought Forum and Islam and the West, both of which are intimately tied to the Club of Rome, the report shows how the Club uses "Islamic fundamentalism" as a political tool to promote neo-Malthusian, anti-development ideas throughout the Middle East.

\$250. Order Number 82012.

Terrorism and Guerrilla Warfare in Central America

A background report on the real sources of instability in Central America. Exclusive analysis of the sources of religious war in the region, including the Jesuit order's "left-wing" Theology of Liberation, a primary source of the Sandinista movement; and the "right wing," led by Christian fundamentalist cultist Rios Montt of Guatemala, and the Unification Church of Sun Myung Moon. The report also discusses the role of Israel as an arms supplier to both "right" and "left." The report shows that the long-term destabilization of Central America is the result of the U.S. State Department's demand for the reduction of the region's population.

\$250. Order Number 83007.

What is the Trilateral Commission?

This revised and expanded report is the most widely sold of EIR's Special Reports. The most complete anal-

ysis of the background, origins, and goals of this much-talked-about organization. Demonstrates the role of the Commission in the Carter administration's *Global 2000* and *Global Futures* reports on mass population reduction; in the ongoing Propaganda-2 Freemasonic scandal that collapsed the Italian government in 1981; and in the Federal Reserve's high-interest-rate policy. Details the Commission's influence in the Reagan administration. Includes complete membership.

\$100. Order Number 81009.

Saudi Arabia in the Year 2023

Written by EIR Contributing Editor Lyndon H. LaRouche Jr. at the request of several Arab clients, this public memorandum report outlines Mr. LaRouche's proposals for the development of Saudi Arabia over the next 40 years, as the fulcrum of an extended Arab world stretching from Morocco in the west to Iran in the east. It outlines the approach necessary to industrialize and stabilize the entire region over the next two generations. Included are proposals for irrigating present desert regions in the Saudi peninsula and the Sahel, utilizing India's scientific and technical cadre, and the basis for creating true nation-states in the region by drawing on the cultural heritage of the Arab Renaissance.

\$100. Order Number 83008.

The Hot Autumn 1983:

Separatism, Pacifism, Terrorism

The Sept. 1 shooting down of KAL flight 7 and the first assault by European radical "pacifists" and ecologists on a U.S. military installation in Germany only hours later were integral to the "Third and Final Rome" world strategy of the current Soviet leadership. The goal of this strategy is the final destruction of the military and economic power of the United States, concurrent with the dismantling of Europe's nation-states into "neutral," powerless entities. This report documents how the oligarchy of *Mittleuropa*, including the present-day Nazi International, have allied with the Russian Third Rome leadership to build and run the "peace" and separatist movements.

\$250. Order Number 83019.

EXECUTIVE INTELLIGENCE REVIEW

I would like to receive these EIR Special Reports:

Order Number(s) _____

Bill me for \$ _____ Enclosed is \$ _____

Please charge to my VISA Master Charge

Diners Club Carte Blanche

Card No. _____

Signature _____ Exp. Date _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone (_____) _____

area code

Make checks payable to:

EIR/Campaigner Publications, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019 (212) 247-8820 or (800) 223-5594 x 818

Business Briefs

Africa

Ghana forced into giant devaluation

Ghana was forced to carry out a 90 percent devaluation of its currency, the cedi—of a far more drastic magnitude than it had agreed to in negotiations with the IMF last July—nine months earlier than expected.

Ghana had negotiated a deal with the IMF that included a planned devaluation last July. But because of the political impact of weakening the currency, a devaluation down to 25 cedis to the dollar was expected to be held off for a year. The government's need to attract aid for the economically strapped country from donors and lenders at a donors' conference in Paris in November could be the motivation for reversing the postponement.

This devaluation has increased Ghana's foreign debt and ratio of debt-servicing to export earnings elevenfold. The disastrous condition of the economy has been aggravated this year by the destruction of farms and agricultural plantations by drought and bush fires, cutting both cash crops for export and local food production.

In addition to the devaluation, the IMF has demanded the elimination of government subsidies on food, petroleum products, and other consumer items.

International Finance

Regan demands Japan open capital markets

Treasury Secretary Donald Regan has issued a four-point request that Japan open its capital markets to foreign investors and allow foreign acquisition of Japanese banks. Regan made the requests in what sources called "a pretty strong tone" at a Washington meeting Oct. 12 with the Japanese ambassador to the United States, Yoshio Okawara, according to the *Japan Economic Daily*. Regan intends to ensure that Japan is taking

steps to strengthen the yen against the dollar and reducing the rapidly increasing bilateral trade imbalance favoring Japan, before President Reagan visits Japan in November. Regan is also asking that the Japanese deregulate deposit interest rates.

Sources report that the U.S. administration is blaming the relative overvaluing of the dollar and undervaluing of the yen on Japan's closed capital markets. Regan told Okawara that the U.S. Congress might block foreign attempts to acquire U.S. banks unless Japan allowed foreign acquisition of its banks. Such acquisitions are not a generally approved practice in Japan.

In response to Regan's demands, the Japanese finance ministry has asked its Committee on Financial System Research to speed up deliberations on allowing U.S. banks to purchase Japanese banks and on the establishment of a joint venture investment trust between Japan's Nomura Securities Company and Morgan Guaranty Trust of New York.

Tokyo officials are again studying how to float Japanese government bonds on the overseas capital markets, at the behest of Prime Minister Yasuhiro Nakasone. Nakasone has called for the study of flotation of the bonds to facilitate capital inflows into Japan and rectify the depreciation of the yen against the dollar.

Eastern Europe

Romania resisting IMF pressure

Romanian Deputy Finance Minister Iulian Bituleanu stated in an interview on Oct. 16 that the increases the IMF is trying to impose on Romania's oil and gas prices are "unacceptable." Romania is on a three-year standby credit "adjustment program" with the IMF, and has already raised its prices twice this year to bring them close to world market level prices, Bituleanu said. "Why should we give ourselves another shot of inflation when other countries are reducing their inflation?" he asked.

Romania has already curbed its consumption and imports due to IMF conditionalities. Import cuts and export increases have "improved" Romania's currency trade for first half of the year, according to the London *Financial Times*, and Romania is on track for a trade surplus in 1983 of \$1.6 to \$1.7 billion. Total foreign debt is expected to be below \$9 billion.

Romania has rescheduled its debt payments for the past two years and, Bituleanu stated, does not want to reschedule this year. In recent developments, the U.S. Export-Import Bank is reported ready to do business with Romania, and Canada recently renewed credit for the nuclear power plant it is building at Cernavoda. U.S. Secretary of Commerce Malcolm Baldrige visited Romania the week of Oct. 10.

Economic Policy

Vienna School gains in British cabinet

At the same time that intimates of former Foreign Secretary Lord Peter Carrington, Henry Kissinger's business partner, are taking increasing control of British foreign policy, a hardcore grouping of Vienna School monetarists committed to an all-out confrontation with the debtor countries of the developing sector is consolidating control of British financial policy.

London sources report that the monetarists' hand was strengthened by the ascension of Norman Tebbit, formerly Employment Secretary, to the position of Secretary of Commerce and Industry, to replace Cecil Parkinson who resigned Oct. 14. At the same time, the new transport minister is Nicholas Redley, formerly number three at the Treasury and a co-thinker of monetarist Treasury Secretary Nigel Lawson.

The British government is now asserting that debtor countries like Brazil must be "taught a lesson." The British press is reporting that, under the sway of this thinking, the Thatcher government is forbidding British banks from participating in the mooted international bank-consortium lending

package now being prepared for Brazil.

At the same time, Tebbit is pushing for the Thatcher government to demand that Japan "open up" its currently tightly controlled financial system. Tebbit will host a Japanese business and trade delegation to the United Kingdom in late October.

Arms Traffic

West German-Iranian connection surfaces

The former German ambassador to Iran, Gerhard Ritzel, a participant in the "mediation" of the American hostage crisis, is unofficially promoting economic and other relations between the Federal Republic and Iran and Libya. Ritzel is now employed at the federal chancellery in Bonn, responsible to German Foreign Minister Hans-Dietrich Genscher, who intervened personally to arrange the release from jail of Sadegh Tabatabai, an Iranian on trial in Germany in 1982 for possession of heroin.

The special intelligence unit at the chancellery with which Ritzel works is responsible for "operations abroad," and reportedly secretly handles relations with Iran on the question of arms. The Rheinstahl Company, the "mother company" of several arms manufacturers, is known to supply small arms of all kinds to Iran, Libya, and various groups in Lebanon, with West German government approval. Ritzel is known to use a certain Herr Floer, officially employed by Mercedes-Benz in Bonn, to deliver messages to Libya, Iran, and Somalia in particular, via Paris. Mercedes-Benz provides many facilities for the German foreign ministry, and Mercedes-Benz executives give top-level intelligence briefings to foreign ministry staff on their return to Bonn from trips to Libya and Iran.

German trade relations with Iran are once again booming. Exports to Iran are up 144 percent for the first half of 1983 compared to same period in 1982, and imports are up 76 percent over the same period. Exports in the first half of 1983 reached more than DM 4 billion, and imports from Iran were DM

874 million. In comparison, German exports to pro-Western Saudi Arabia during the same period were DM 4.5 billion, a drop of 10.8 percent compared to the same period last year. Germany sent a 300-man delegation to the recent Teheran Trade Fair.

Mercedes-Benz employees receive VIP treatment in Iran, where they are welcomed at the airport by government representatives, and do not have to go through customs. The firm has provided a number of armored cars for the use of mullahs who fear for their safety, as well as troop transporters and also military vehicles.

Agriculture

EC freezes farm subsidies

The European Commission (EC) imposed an unprecedented 10-day suspension on advance payment for farm export subsidies and producers from the Athens ministerial-level meeting on Oct. 12 that will prevent agriculture exporters from claiming 80 percent of normal export subsidies once their shipments have cleared customs. Advance payments will be halted to producers of olive oil, cotton, certain dairy products, soy beans, tobacco, wine, sugar, and other commodities.

The suspension was presented as a precautionary move to ensure that Common Agriculture Program (CAP) spending be kept within the budget, although the short suspension will not save any funds.

The BBC reported Oct. 20 that the actual plan to curtail farm spending went into effect 10 days after the freeze. Europe now faces the same threat to food production as the United States.

The EC has consistently bemoaned the costs of the CAP, but the current crisis is due to the fact that European bankers are not willing to put up the funds for the EC budget. The farm sector, which accounts for most of the budget, is being asked to cut spending because the EC will run out of money by the end of 1983. Most immediately under attack is the milk subsidy.

Briefly

● **ASEAN** members have "moved closer" to carrying out the proposed Agreement on Industrial Joint Ventures, to encourage joint manufacturing among the member nations—Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The nations' economic ministers agreed to amend a proposal to give special tariff treatment to goods produced by ventures which include companies from several member nations. Already planned projects have been delayed by lack of agreement on tariff cuts. A provision that all member countries must offer special treatment—a 50 percent tariff cut after three years—to products of any venture owned at least 51 percent by two or more ASEAN states was amended to allow countries to give special treatment at their own discretion.

● **GOLDMAN SACHS** International Corporation, the Panama-based subsidiary of Goldman Sachs, will open a branch office in Tokyo in November after being granted an official license to deal in securities in Japan.

● **CHINA** is seeking assistance from Japanese companies to develop what may be one of the largest coal deposits, in Jungar, inner Mongolia. The coal mine will be a key project in Peking's 1986-90 economic development program, according to the *Japan Economic Daily*. Planning calls for production of up to 25 million tons of steam coal per year, and the construction of two coal slurries to move the coal over 1,000 kilometers to power plants.

● **DONALD REGAN** expressed opposition to "industrial policy" for the United States in a lecture at the University of Kansas Oct. 14. Regan claimed that Honda and Sony succeeded in the automobile and transistor fields because they ignored the advice of the Japanese Ministry of Trade and Industry (MITI) that the future of these fields was poor.

Volcker caught in mammoth fraud

by David Goldman

In this Special Report we present excerpts of *EIR's* Quarterly Economic Report for October 1983, released on Oct. 18. As promised, the report documents in full the "simpleminded statistical fraud" by the Federal Reserve, Bureau of Labor Statistics, Department of Agriculture, and other governmental bodies. Physical production will fall by 4 percent overall (including agriculture) during 1983 with respect to 1982, *EIR's* staff concluded after reconstructing the actual state of industry sector-by-sector, using relatively reliable, non-governmental raw data in most cases.

The production collapse is the direct result of the high-interest-rate policies of Federal Reserve chairman Paul Volcker, which have cut off capital investment and choked world trade. Now Volcker's statisticians are trying to cover up the evidence of the crime.

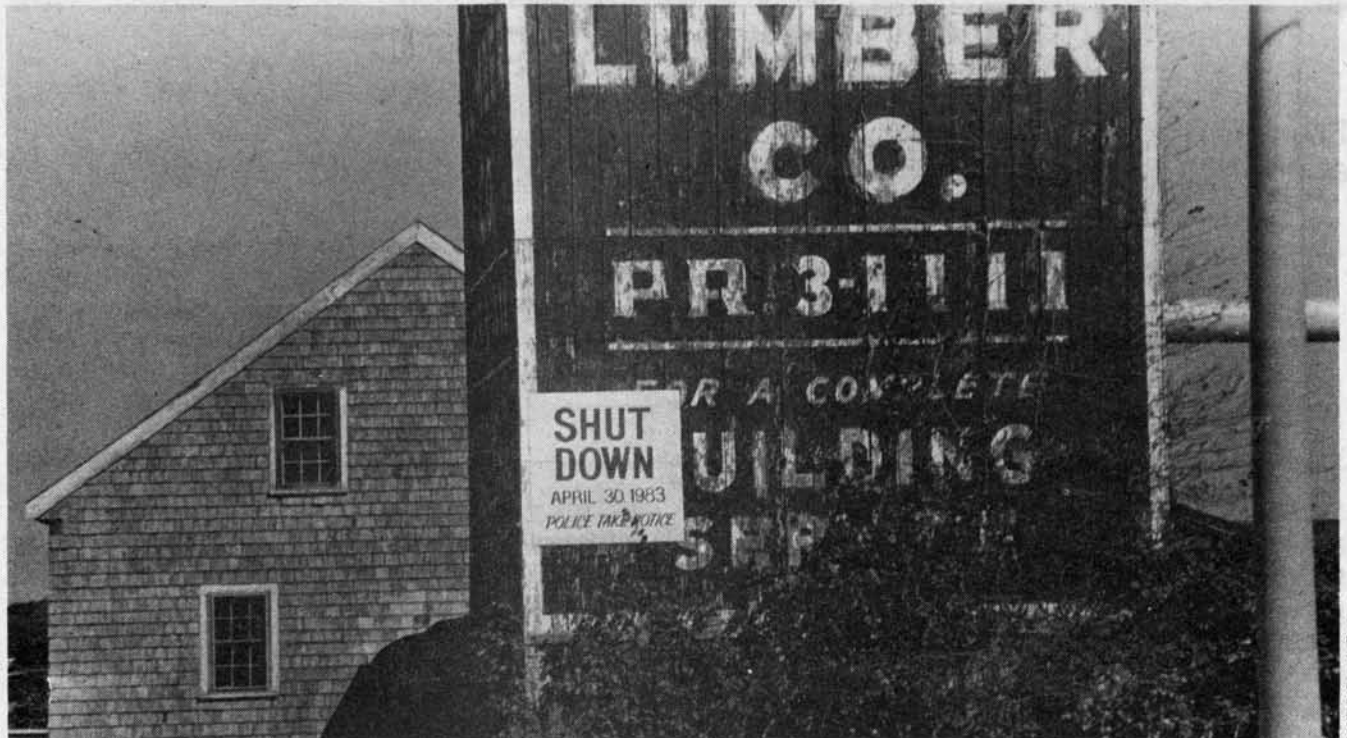
Pre-circulation of the contents of this document has already produced shock waves in Washington, where the White House reportedly has asked the Commerce Department to cross-check the Fed's index.

We publish here the Executive Summary of the Quarterly Economic Report, as well as excerpts from three key sections of the report:

- 1) The general forecast (showing the actual state of the economy and its trajectory for next year);
- 2) The Fed's fraud in the industrial production index;
- 3) The Bureau of Labor Statistics' fraudulent misrepresentation of inflation.

Not included in these excerpts is the report's exhaustive comparison of the Federal Reserve's phony index with real data, and detailed reportage of the state of all key goods-producing sectors, including agriculture, as well as America's \$120 billion per year manufactured-goods subsidy from the rest of the world. Also not included is an analysis by Lyndon H. LaRouche, Jr. on "Policy Improvements in LaRouche-Riemann Forecasting."

Excerpts from the Report's analysis of the global monetary crisis were printed in *EIR* last issue.



Some of the evidence disproving Paul Volcker's recovery statistics.

Executive summary

You, like President Reagan, have been the victim of conscious and deliberate lying by the nation's most senior monetary officials concerning the state of the nation's economy. The Federal Reserve Industrial Production Index now stands 9 percent above last year's level, just at its all-time peak level. In fact, the physical output of the nation's factories, mines, and farms will have fallen by 4 percent during 1983; excluding the agricultural disaster, the decline will still be almost 3 percent. The difference is made up by simpleminded statistical fraud by Federal Reserve statisticians, who

- turned a decline in the value of steel output into a 36 percent rise;
- turned an 11 percent rise in tire output into an 18 percent rise;
- turned a flat trend in most categories of apparel production into a 12 percent rise;
- turned a 15 percent increase in laundry-appliance output into a 34 percent rise.

Apart from a temporary, heavily financed uptick in certain consumer sectors, the entire economy continued to fall, although not at the pace of the 1982 downslide; this will resume next year as the consumer bubble deflates. *EIR* has used on-the-ground surveys, direct collection of data from industrial sources, and other reliable means to reconstruct the true picture of the American economy as of the third quarter of 19

merce Department economists, have acknowledged that the picture presented in this report is accurate. Out of fear, they

will not say publicly that Paul Volcker has no clothes.

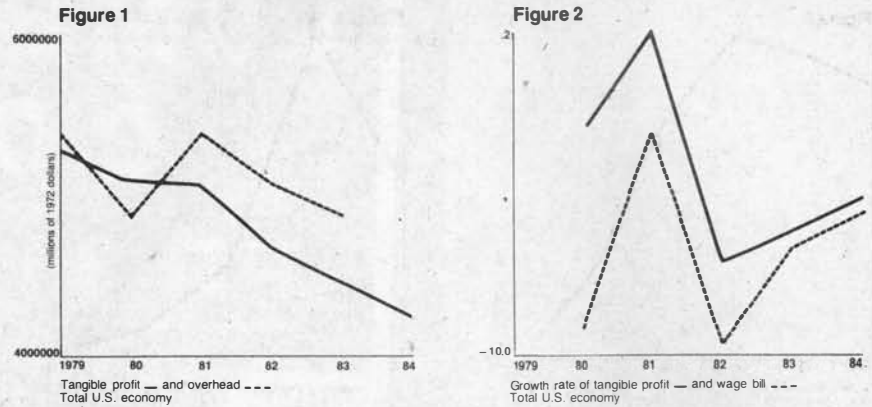
The future potential of the economy, measured by the LaRouche-Riemann model's $S'/(C + V)$ (reinvested surplus divided by real production costs) will fall by an additional 6 percent this year—not including the continued devastation of the nation's basic infrastructure and labor force.

America now faces:

- 1) A world financial crisis worse than July-September 1931, postponed until the fourth quarter of this year by financial chicanery, promises of "economic recovery," and International Monetary Fund "conditionalities" which have made the ultimate problem much worse;
- 2) A devastated agricultural sector and the prospects of the first real food shortage in American history during 19
- 3) Continued destruction of labor force skills and downwards "recycling" of formerly employed industrial labor, when the American economy depends on a mere 18 of its labor force to produce the total volume of physical requirements of the economy;
- 4) Continued decapitalization, both real and financial, of the basic industrial sectors.

This is a moment for emergency action. The fog of the 1984 presidential campaign has already surrounded the White House. This does not mean that there are not a few astute persons in the Reagan administration. It means that such relatively few wiser voices are being drowned out by a chorus of bunglers which includes Henry A. Kissinger, Secretary of State George Shultz, Federal Reserve chairman Paul Volcker, and that confused paper-salesman from Merrill Lynch,

From EIR's economic forecast



Treasury Secretary Donald Regan. The misadvisers of the President have U.S. monetary policy caught between wishful delusions of non-existent economic recovery and the pit of general financial collapse.

The minimum requirements to avoid disaster are first, to undertake an emergency reorganization of developing nations' and related bankrupt debt, through a "federalized" Federal Reserve System, and to initiate a crash program on the World War II mobilization model to develop a coherent-radiation anti-missile capability (beam-weapon defense systems). Probably such a crash effort, acting as a science driver for both the military and civilian sectors of the economy, will enable the U.S. economy to repair the damage of post-1969 anti-industrial policies. Lesser measures would come too late.

The economic forecast

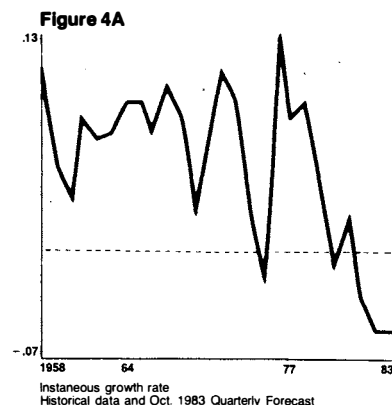
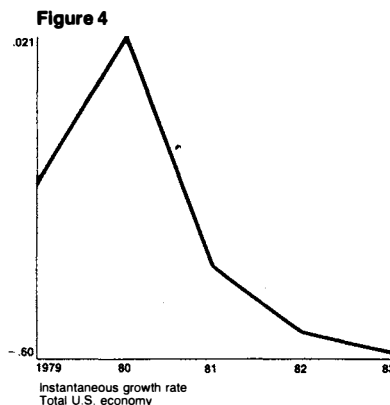
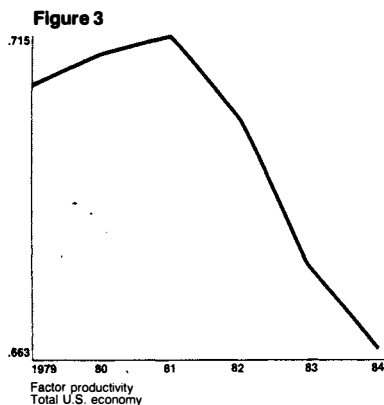
Physical output of the U.S. economy will fall by 4 percent between 1982 and 1983, LaRouche-Riemann analysis of the U.S. economy demonstrates. This startling result is obtained after stripping away the Federal Reserve's statistical fraud in the industrial production index.

Declines occurred in supposed boom sectors, including

steel (the value of whose output fell after accounting for a shift in tonnage output to the cheapest categories of flat-rolled steel) and construction (where Commerce Department figures were artificially inflated by a rise in cheap, prefabricated multi-family dwellings). Apart from automobiles, chemicals, and a handful of small sectors, where a temporary uptick occurred, every sector of the economy declined. The most devastating decline occurred in agriculture, which shows a nearly 20 percent reduction in physical output between 1982 and 1983, due to both the PIK (Payment in Kind) program and drought.

The LaRouche-Riemann model is not employed for "crystal-ball" forecasts of future economic performance. The above results are an evaluation of present economic potential under present economic policy conditions, i.e., the direction in which the economy is moving under the Federal Reserve's fiscal and monetary austerity regime. In the real world, this trend will be interrupted in one of two directions, probably by early 1984. Either the President will prevent further economic disaster by initiating a general monetary reorganization and a crash program centered around beam-weapons defense, or the world monetary crisis will produce a sudden deterioration of the American and other industrial economies.





In our Quarterly Economic Report for March 1983, we identified the following possible trajectories for the American economy:

1) Continued decline of the U.S. economy at a 10 percent annual rate in terms of output of tangible goods, assuming continued lack of credit-availability to the productive sector, and inability and unwillingness on the part of goods-producing corporations to rebuild inventories, re-hire employees, skilled workers, and production line workers, and to replace plant and equipment.

2) Continued decline of the U. S. economy at a 3 to 5 percent annual rate in terms of output of tangible goods, under conditions of a general deflation which would revive auto and housing, but leave basic industry and capital goods industries unaffected. This scenario is not considered probable, and is included less as a forecast than as a demonstration that conventional deflation mechanisms will not work under prevailing circumstances.

The total decline of agro-industrial output of 4 percent this year is in the range of the 3 to 5 percent decline forecast last April, under the assumption that the Federal Reserve would continue to float the fraudulent "recovery." The LaRouche-Riemann model, in its quarterly forecasting application, has achieved the following results since 1979:

1) forecast the timing and size of the first-half 1980 industrial downturn;

2) specified the false-start recovery of the second half of 1980, and forecast a year in advance the "double-dip" decline beginning in the second half of 1981 in both timing and size;

3) forecast in mid-1981 the 7 percent agro-industrial downturn of 1982;

4) forecast the present year's developments, as noted above, once accurate data were substituted for utterly fraudulent Federal Reserve estimates.

Figure 1 shows the production of tangible profit and the

overhead spending in the U.S. economy from 1979 to 1983-84. Tangible profit has fallen from a 1979 level of \$521 billion to \$468 billion 1972 dollars in 1982, and the fall will continue, to \$440 in 1983 and around \$420 in 1984. The continued decline is the overall result of the absence of any recovery, documented throughout this report. Overhead spending has also declined since 1979, but it has exceeded tangible profit in all years except 1980. In 1983, this gap will be a record \$39 billion 1972 dollars. Note that no prediction of overhead spending is made for 1984, since this quantity is a residual after net investment.

Figure 2 shows the rates of growth or decline of tangible profit and of wages. A modest positive growth rate for tangible profit in 1980 was not matched by tangible wages. Overall, tangible wages were declining faster than profit, until the 1982 collapse. The forecast calls for a continued decline in both categories, slowing to around a -6 percent per annum rate in 1983 and -5 percent in 1984.

Figure 3 shows the overall measure of the productive efficiency of the economy, factor productivity, or the ratio of tangible profit to the total operating costs (wages plus intermediate goods plus plant and equipment replacement). The forecast shows a continuation of the decline in factor productivity experienced in 1982 throughout 1983 and 1984.

Figure 4 shows the ratio of net reinvestment to total operating cost. This represents the instantaneous growth rate of the economy as it compares the amount spent on net expansion of labor, capital, and intermediate goods, with the totals of these categories. The forecast indicates that the potential of the economy is not only continuing to decline, but that the decline is occurring at an accelerating rates, as the shrinkage of the operating base continues (See **Figure 4a**).

The fraud of Fed statistics

The following is the anatomy of a fraud which has influenced the policies of the White House, foreign governments, U.S. businessmen, labor leaders, and ordinary citizens. It has been in place many years and has spread to many areas

of government statistics.

However, the scale of fraud dominating the output of Federal statistical agencies grew drastically during the period of supposed "economic recovery" since November 1982. The fraudulent Industrial Production Index of the Federal Reserve Board has been used to create a non-existent "recovery" of the U.S. economy, convincing the President to follow the economic dictates of Federal Reserve Board Chairman Paul Adolph Volcker, to reappoint him to another seven-year term as chairman of that Board. The use of the bogus Fed Index was the basis for Secretary of State George Shultz's promises to the developing nations that the U.S. recovery would restore their economies—if they accepted the policies of the International Monetary Fund.

All available physical evidence showed that the economy continued to decline through 1983. Electricity consumption and all categories of transportation remained lower during the first half of 1983 than during the first half of 1982.

No economic recovery, much less one concentrated in the physical production categories listed by the Federal Reserve, is physically possible without strong growth in power consumption and transportation. If the goods were being produced, where were they?

By comparing production figures supplied to us by trade associations for the specific industries to the Fed Index figures, we were able to locate the extent and magnitude of the Fed's lying for about 10 percent of all industrial output. Collateral information, including employment data and information from industry sources, enabled us to reconstruct the actual state of physical output. Below we document in depth the fraud irrefutably proven for categories of output where complete data are available, as shown in **Figure 5**.

Our work has produced two related discoveries: The first is the short-term inflation of industrial figures from the second half of 1982 to the first half of 1983 to produce the "recovery" announced by Secretary of State Shultz in September 1982

Figure 5
Fed fraud at a glance

		1982	1983			
			Jan.	Feb.	March	6 mos.
Autos	Fed index	86.6	92.8	110.2	112.5	114.3
	Actual index	69.4	70.0	79.6	92.8	88.2
Tires	Fed index	137.9	149.8	158.3	159.1	153.7
	Actual index	109.4	114.0	110.3	127.1	116.8
Synthetic rubber	Fed index	84.9	82.2	99.6	106.0	103.5
	Actual index	94.3	95.9	95.0	105.1	100.5
Raw steel	Fed index	62.1	55.4	63.0	71.4	68.4
	Actual index	58.6	52.5	53.5	67.2	63.0
Steel mill prod.	Fed index	66.6	65.1	72.4	80.2	78.1
	Actual index	71.3	65.5	65.6	85.4	76.7
Laundry appliances	Fed index	110.5	133.4	136.4	139.2	140.2
	Actual index	96.1	106.7	103.3	120.3	110.6
Cook stoves	Fed index	102.2	138.4	137.3	140.5	147.2
	Actual Index	84.4	88.7	87.7	108.9	102.6
Refrigeration equipment	Fed index	97.3	109.4	106.4	108.0	114.0
	Actual index	98.1	96.2	89.4	107.3	107.4
Hosiery	Fed index	212.5	217.3	233.5	223.5	237.9
	Actual index	122.3	120.0	121.4	132.4	130.8
Plywood	Fed index	186.0	213.2	225.5	232.0	231.1
	Actual index	133.6	143.7	146.9	190.2	163.8
Lumber	Fed index	78.4	90.7	95.7	89.3	92.6
	Actual index	74.8	85.5	86.4	91.3	88.9
Fiber boxes	Fed index	143.9	149.7	198.9	154.3	153.5
	Actual index	144.6	147.5	137.4	161.8	152.3
Petroleum refining	Fed index	122.5	112.5	109.6	110.3	115.4
	Actual index	123.5	116.4	101.9	113.0	115.8
Auto gas	Fed index	128.5	121.9	118.4	119.4	124.9
	Actual index	128.3	124.2	108.9	121.6	123.8

Source: Federal Reserve Board; EIR estimates

Figure 6
How the BLS ignores inflation

	Cost to Consumer 1967	1st Half 1983	No. of times cost rose	August 1983 consumer price index (1967-100)	Corrected consumer price index	Inflation BLS left out (%)
Transportation						
new car	\$3,212	\$10,700	3.331	202.1	333.1	131
old car	1,500	5,203	3.468	333.8	346.8	13.0
repairs	102	516	5.052	332.0	505.2	173.2
Home						
monthly installment (+ interest on 25-30 yr. mortgage)	121.74	814.17	6.668	357.6	668.8	311.2
Appliances						
monthly installment (+ interest on 2 yr. financ- ing) refrigerator	145.37	354.86	2.442	200.3	244.2	43.9
freezer	124.13	271.95	2.192	200.3	219.2	18.8
stove	117.67	243.90	2.073	122.5	207.3	84.8
dishwasher	113.48	214.12	1.887	122.5	188.7	66.2
air conditioner	111.85	236.19	2.112	124.5	211.2	86.7
dryer	95.37	184.80	1.990	142.9	199.0	56.1
washing machine	125.13	238.98	1.910	142.9	199.0	48.1
Food						
oranges/dozen	0.95	2.66	2.880	298.6	280.0	(18.6)
lettuce/head	0.27	0.84	3.296	306.4	329.6	23.2
round steak/pound	1.11	3.67	3.303	257.4	330.3	72.9
white bread/pound	0.23	0.84	3.652	224.4	365.2	140.8
milk/half gallon	0.52	1.22	2.346	247.1	234.6	(12.5)
eggs/dozen	0.66	1.02	1.543	165.3	154.3	(11.0)

and the Fed itself in December—subsequently believed by the White House in April 1983, and announced by the national news media continuously since December 1982. The second finding is that the Fed Index has systematically inflated certain items of production, especially consumer goods, since at least 1967—when the current Index was established. These two interrelated statistical manipulations have made it possible to show that industrial activity is now back to 1979 levels despite the undeniable, and unmistakable ruin of our basic heavy industries in precisely that same time period. It is this fact that labor leaders, corporate executives, and ordinary citizens have captured in describing the industrial Midwest as the “Rustbowl.”

How we discovered the fraud

In December 1982, as we prepared the Quarterly Economic Report, we determined that nothing in the present economic picture could sustain a recovery. Although pulled down by the Federal Reserve Board in July 1982, interest rates were at usurious levels for consumer credit and much producer credit, deregulation continued to cut the transportation industry to ribbons, the administration’s farm program would gut farm output, industrial corporate sectors were either

so laden with debt they would not purchase capital equipment, or were parts of conglomerate financial holding companies whose policy it was not to invest in capital equipment, and International Monetary Fund “conditionalities” were washing out U.S. exports especially to our trading partners in the Western Hemisphere.

Yet, starting in December 1982, the Federal Reserve began reporting across-the-board increases in industrial output. Our own industrial sources continued to report extremely depressed conditions. The Fed Index itself reported rises in output of production in about a dozen major industries while simultaneously reporting a drop in electrical consumption in those industries. There was clearly something wrong. One case stood out above the others: a reported ten percent increase in cement output with no corresponding increase in electrical consumption. This simply could not occur.

In August, we proceeded to gather industry data independent of the Fed, to compare against the Fed Index, as reported in the tables below; we also began to closely question the Fed itself as to how it derived its figures.

We established:

1) The Fed employs exactly four people—two economists, one statistical assistant, and one research assistant—

to compile all the data on the nation's output for the Fed Index.

2) The Fed claims to use real output data but in fact makes preliminary estimates of output from manhours worked or electricity used in each industry and then makes arbitrary adjustments by what it calls "production adjustment factors" (PAFs).

3) Those PAFs include, the "Inventory Adjustment Factor," the "Productivity Adjustment Factor," the "Quality Adjustment Factor," and others.

4) These factors are never made public and are contained only on the worksheets of those who compile the index.

5) When the Fed decides there is upturn in the "Business Cycle," it automatically engages the Productivity Adjustment Factor which increases the output per manhour—thus producing the very upturn in production to justify its determination that such an upturn is occurring.

6) The Fed borrows its fudge factors from other agencies, notably the Bureau of Labor Statistics "Quality Adjustment Factors," and the BLS in turn uses the Fed Index to compute its own Productivity Index. Given that the Fed sits on the interdepartment group on government statistics, the implication is that the statistics of some, most, or all Federal agencies are falsified.

Usury and inflation

It is lawful that the widest discrepancy between the Bureau of Labor Statistics estimate of inflation and what inflation really is should occur in the area of housing. Home prices reflect the effect of usury. Based on a Consumer Price Index number of 1967 = 100, the BLS estimates that the CPI number for home purchase and interest charges (averaged according to respective weights) is 357.6 in August of this year. However in 1967, a homeowner paid \$121.74 per month payment on the mortgage for his new home. Today, due to skyrocketing mortgage interest charges, he pays \$814.17, or

6.688 times the level of 1967. Based on the real costs of homeownership, which includes the actual interest charges a homeowner pays, the BLS Consumer Price Index number for housing should be corrected to read 668.8—the actual amount the cost of homeownership rose, since this is what the BLS claims to be measuring. How much did the Consumer Price Index for homes underreport the real inflation level for homes? If one subtracts the fraudulent BLS number from the actual corrected number, one finds that the BLS refused to report 311.2 percent of the increase in home prices since 1967 (Figure 6).

But the effects of the pestilence of usury on homeowner costs is too evident to be hidden. The usury can be directly measured in the cost of a home as the amount of interest overhead a homeowner must pay to pay off the mortgage and downpayment on a home. The interest component of the home cost is the difference between the purchase price of the home and the final price after the mortgage is paid off.

In 1949 the average purchase price of a new home was \$12,000. The final cost, when interest is included was \$17,811. The amount of interest paid was \$5,811, which is 32.6 percent of the total cost. In 1967, the average purchase price of a new home was \$24,600; the final cost was \$47,293; and the interest paid was \$22,693, or 48 percent of the total.

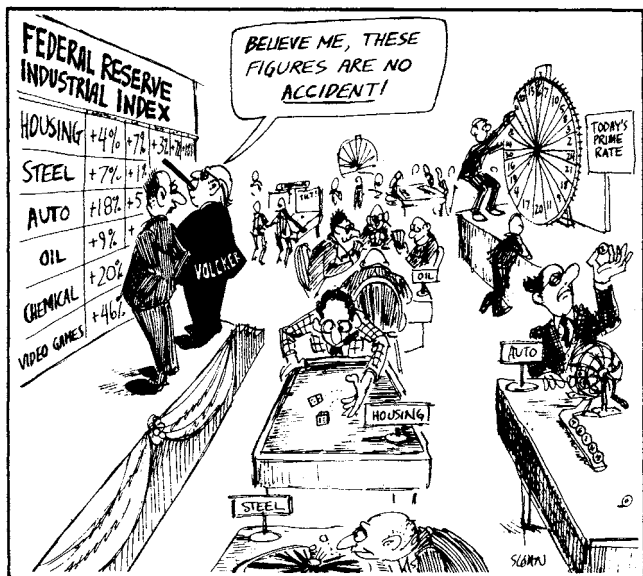
But under Volcker, usury has become the dominant governing force of the economy. In 1983, the average purchase price of a new home is \$88,200; the final price, after the mortgage is paid off, is \$261,714; and the interest amount is \$173,514. *The interest cost is a staggering two-thirds of the total!*

To put this into perspective, consider the fact that today one pays 30 times the absolute amount of interest on a house that one paid in 1949.

Against this interest cost, all other costs pale. While Paul Volcker is screaming about the need to cut wages, one must conclude that he is certainly in need of institutional confinement when one considers the cost of a home. The entire construction labor costs of an average home are \$13,000 or one-twentieth the cost of a home. Even if the construction workers were to declare that they would work for free, and their labor costs were deducted from home costs, most Americans could still not afford to buy a home.

While the BLS claims that it is taking into account interest charges, it doggedly insists on doing the opposite. Indeed, starting in 1983, the BLS changed the basis for the computation of the cost of home ownership. It eliminated the interest charge of housing altogether, and instead replaced the category of home ownership with something called "home ownership rental equivalent."

The full Quarterly Report is available to subscribers for \$250; normally it is an installment of an \$8,000 Economic Forecasting Service. Under the extraordinary circumstances, EIR feels that the widest dissemination of our exposé is in everyone's best interest.



NEW EIR REPORT NOW AVAILABLE:

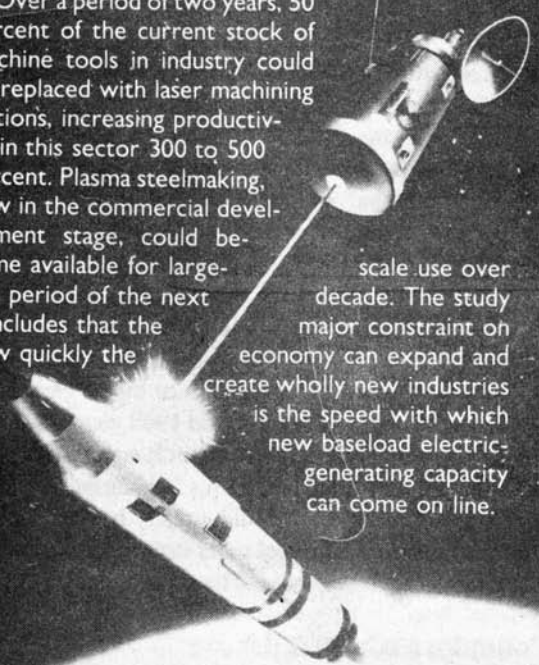
The Economic Impact of the Relativistic Beam Technology

A unique study of the impact of the new defense-related technologies—high power lasers, particle beams, and fusion—which will become available to basic industrial production as the March 23 defensive strategic doctrine proposed by President Reagan is developed. The report is a computer analysis incorporating the LaRouche-Riemann model, which examines the little-discussed revolutionary civilian economic "spinoff" effects of the new beam weapon development program.

The study reveals that with rapid introduction of new laser and related technologies into the civilian economy, the growth of the economy would be so rapid that:

- an estimated 4 million highly skilled industrial jobs could be added to the economy per year;
- the U.S. trade deficit could be eliminated in two years; and
- the rate of growth of real GNP could approach 25 percent per annum.

Over a period of two years, 50 percent of the current stock of machine tools in industry could be replaced with laser machining stations, increasing productivity in this sector 300 to 500 percent. Plasma steelmaking, now in the commercial development stage, could become available for large-scale use over the period of the next decade. The study concludes that the major constraint on how quickly the economy can expand and create wholly new industries is the speed with which new baseload electric-generating capacity can come on line.



scale use over decade. The study concludes that the major constraint on how quickly the economy can expand and create wholly new industries is the speed with which new baseload electric-generating capacity can come on line.

This EIR Special Report is available for \$250.00. Contact: William Engdahl, EIR Special Services, (212) 247-8820 or (800) 223-5594 x818

The strategic secret behind the Korean Airline massacre

"Reading this report places you in the position of the privileged person in July 1914 or August 1939 who could have been competently briefed on the essential strategic issues which might lead to the outbreak of a possible world war," writes *EIR* Editor-in-Chief Criton Zoakos.

The strategic issue dominating the world when KAL Flight 7 was shot down Sept. 1 was President Reagan's March 23, 1983 announcement that the United States was proceeding with the development of space-based laser beam weapons for anti-missile defense and his repeated invitations to the Soviet government to coordinate this development with the United States.

This report documents the lengths to which Moscow was willing to go to back up Yuri Andropov's refusal of that offer. It includes:

- *EIR* founder Lyndon H. LaRouche's open letter to Yuri Andropov, "You Have Chosen To Plunge the World Into War," written Aug. 26, the week before KAL 7 was shot down.

- The exposure of Soviet lying issued by LaRouche in the days after the KAL 7 attack and his summary of critical questions for competent intelligence evaluation of the flight.

- The results of the Aug. 20-23 conference in Erice, Italy, at which President Reagan's adviser Dr. Edward Teller obtained the agreement of a top Soviet scientist to establish commissions to study the feasibility of "a new type of defense system against nuclear destruction."

- An evaluation of the Aug. 10 Soviet threat to launch nuclear war rather than see the March 23 policy carried out.

- A description of the military chain of command involved in the KAL 7 massacre, and how it interlocks with the top civilian leadership of the U.S.S.R.

The Strategic Secret Behind the Korean Airline Massacre is available for \$250.00.

For further information call or write: William Engdahl, EIR Special Services, (212) 247-8820 or (800) 223-5594 x 818, 304 West 58th Street, fifth floor, New York, New York 10019.

'Bomb, bomb, talk, talk': Dr. K. in Central America

by Gretchen Small

Henry Kissinger is intent, it seems, on replaying in Central America the strategy which led to the awesome failures of the Vietnam War. Then dubbed "bomb-bomb, talk-talk," these days the *New York Times* calls it a "two-track" approach: "diplomatic persuasion on the one hand, and military pressure on the other."

In Kissinger's scheme, Nicaragua will get the bombs; the "talk-talk" is for the Soviet Union—just as Southeast Asia was a pawn for Kissinger in a broader game of global negotiations with the Soviet Union—and China. A repeat of Cambodia's fate, sacrificed to Pol Pot's genocide as a final "good faith" gesture to the "China Card," now faces Central America.

Systematically, Kissingerians in the administration have waged a campaign to turn the Central American battles—launched by Kissinger's liberal depopulation friends in the Carter administration—into an East-West conflict. In the spring of 1982, then-Secretary of State Alexander Haig argued that the appropriate negotiating partner for the United States in Central America was the Soviet Union. Ripping up the unwritten accords which followed the 1962 Cuban Missile Crisis, it has been more quietly argued, could "bring the Soviets to the global negotiating table," where Lord Peter Carrington's long-advocated redivision of East and West spheres of influence in a "New Yalta" could be secured.

Yuri Andropov has backed the Jesuit and Social Democratic-led "guerrilla" movements as much as necessary for a "Soviet cover" to stick without undue expenditure of effort. In an April interview with the West German equivalent of *Time* magazine, *Der Spiegel*, Andropov had openly mooted a deal along the lines of "You take Nicaragua, we take Paki-

stan." "Would the United States not care what kind of government rules in Nicaragua? Nicaragua is an enormous distance from America. We have a common border with Afghanistan, and we are defending our national interests by helping Afghanistan," Andropov told his interviewer.

Kissinger, reportedly, is promising in Washington that his "pressure" strategy can deliver a dramatic peace accord for Central America—and the Middle East—in time for the 1984 U.S. presidential elections. Alongside his own "back-channels" with the Cubans—Kissinger reportedly held "secret talks" with Cuban representatives in Panama during his one-day stop in that country. Kissinger is assuring Washington that he can get the Soviets to pressure Cuba to pressure Nicaragua to stop subversion . . . and so on.

Perhaps before Reagan puts his future in Kissinger's hands, some loyal advisers had better study how Kissinger manipulated classified information from the Paris peace talks on Vietnam to secure the confidence of the camps of both presidential contenders before the 1968 election. Kissinger has made his opposition to President Reagan's strategic posture clear in the past months; his "channels" with Central America and the Soviets could equally be used to blow up Central America at a critical point in the campaign—to build the "peace" movement behind the freezenik Democrats.

Contadora countered

Kissinger's "bomb-bomb/talk-talk" strategy for Central America, combined with dramatic promises of a Marshall Plan for security and economic assistance for all in the region who join his game, ignores the efforts of the Contadora Group

(Mexico, Panama, Venezuela, and Colombia) to lay the groundwork for peace. The Contadora Group, given the backing of Brazil, Argentina, Ecuador, and other Ibero-American nations in their efforts, argued that Ibero-America must resolve its own problems—precisely so that the area does not become another battlefield of East-West conflict.

Under Contadora's auspices, talks had begun between the Central American countries as a first step to stopping the escalation to war between Honduras and Nicaragua, and regional discussions begun on the potentialities of economic cooperation to alleviate the economic problems of Central America.

From the beginning, "New Yalta" voices argued, Contadora would fail—because the Soviets were not included in decisions in the Caribbean Basin! From the "liberal" side, the Interamerican Dialogue, a group of U.S. and Ibero-American think tankers under the leadership of Kissingerian Sol M. Linowitz, issued a report in April 1983 calling for U.S.-Soviet discussions on the Caribbean and Central America. The depopulation advocacy networks of the Nazi International and Club of Rome in Venezuela have continually argued the same point. Aristedes Calvani, a vocal leader of the wing of the ruling Christian Democratic party opposed to President Luis Herrera Campins, has attempted to undercut Venezuela's role in Contadora since its founding, arguing that the conflict is "international," not local, and requires Soviet participation in any solution.

Since Kissinger seized control of Central America policy, the possibilities of U.S. disengagement from fighting have collapsed, and are now close to nil. Overt Soviet military intervention is now on the agenda.

While Henry was in town from Oct. 10 to 17, "rebel" comando raids destroying Nicaragua's oil facilities were followed by Exxon's announcement that it will no longer rent tankers to Mexico to transport oil to Nicaragua after Lloyds of London declared that it will no longer insure them since the area is now a war-risk. Mexico, Nicaragua's sole oil supplier, began consultations with Venezuelan officials on the possibilities of Venezuela joining Mexico in assuring oil supplies to Nicaragua. Neither Venezuela nor Mexico is prepared to provide military escort for their tankers, however, and Fuerza Democratica Nicaraguense (FDN), the group claiming responsibility for the previous attacks, has already broadcast warnings that Nicaragua's "Puerto Sandino is considered a military objective. No oil tanker should risk itself by stopping there."

If the point was missed, Kissinger delivered an ultimatum to the Sandinista government during his one-day visit to the country, various sources concur: the United States is prepared to crush Nicaragua, and has troops off the Atlantic and Pacific coasts of Nicaragua, 6,000 Honduran troops in the North, and landing strips 3 kilometers from the Nicaraguan border just waiting to go—if the Nicaraguans don't "negotiate." A few days later, the *New York Times* took care to publish "leaks" from Washington sources that the attacks on

oil installments are but the first of a "new phase" of attacks on industrial and infrastructural targets in Nicaragua.

With a touch of the surreal, Assistant Secretary Langhorne Motley had proffered "negotiations" just before the Kissinger Commission landed. Returning to Washington, Motley informed the press that while no progress had been made, his visit was "productive," and "a significant step." According to one report, Motley even stated that he had informed the Nicaraguans that some of the actions of the "contras," as they are called, could be considered "counterproductive."

"The United States can choose between peace and war," Sandinista junta head Daniel Ortega responded, announcing that the junta will now seek military assistance from foreign powers, a threat to proceed with plans to obtain MIG fighters from the Soviet Union or its satellites, a move the Sandinistas had hesitated from taking under strong pressure from other Ibero-American powers in the Contadora Group. The population is now being whipped up to "fight house to house, school for school" against "imperialist troops" who are planning to invade.

Nicaragua has committed itself to bring in significant outside military forces—from the Soviets or its satrapies like Libya. Spokesmen for the contras announced that January is their target date to establish a provisional government someplace in Nicaragua—and call in not only Condeca, the recently reconstituted regional security pact of the Central American countries, minus Costa Rica and Nicaragua, but the U.S. for military aid. Under those circumstances, the possibility of Andropov sending missiles to Nicaragua, and a replay of the Cuba Missile Crisis, cannot be ruled out.

And what for El Salvador?

The New Yalta package for Central America is not limited to "restoring democracy" in Nicaragua, as the bombings of all oil supplies is politely referred to, but Kissingerian "democracy" looms for El Salvador as well.

The Kissinger Commission reported its sudden discovery that El Salvador's military is involved in death-squad activity, a fact "admitted" to Commission members by former military man, Roberto D'Aubuisson, himself accused of attempting to win elections in early 1984 by shooting up the "centrist" Christian Democratic leadership. Secretary of State Shultz will have the reactivation of the death squads in recent weeks as a major item on his agenda when he visits El Salvador, it is now reported.

Does the sudden concern for "human rights" signal the activation of proposals for the United States to place the Salvadoran government of Maganua—its own creation—into receivership, perhaps through direct U.S. occupation "to secure the elections"? The idea that three impeccable Kissingerians might head up El Salvador policy if Washington opted for the "Japan option"—direct U.S. occupation followed by elections—was suggested in an article in the winter issue of *Foreign Policy*.

The Soviets spell out their missile threat

by Rachel Douglas

As reports broke in the U.S. press that the Reagan administration was on the verge of seeking "crash program"-level funding of defensive strategic beam weapons development, Radio Moscow launched new attacks on President Reagan and the United States for "furiously preparing for space wars." In an Oct. 17 broadcast, Radio Moscow attacked White House scientific adviser George Keyworth's statement that both space and ground-based laser defenses would be tested by the end of the 1990s.

While denouncing Reagan, the Soviets threatened, in messages to NATO's European members, all-out nuclear war before the new capabilities are in place, launched by an imminent superpower missile showdown in which Europe would be vaporized. Moscow raised the pitch of these warnings with the threat to terminate arms talks with the United States, on the eve of the Soviet-backed environmentalist and "peace" movement's Oct. 16-22 "hot anti-missile week" in West Germany.

Timed with this escalation of the hot autumn, slated to bring terrorist acts against U.S. and NATO installations, Moscow sent Gen. Nikolai Chervov of the General Staff and party spokesman Leonid Zamyatin to the scene. In Hamburg on Oct. 10, Zamyatin said the stationing of American Pershing II and cruise missiles in Europe this year would mean "a qualitatively new situation, a most labile and explosive situation in Europe. . . a status of diminished security" for West Germany and a violation of the German-Soviet "détente" treaties of 1973. When the Pershings are deployed, "there would be no continuation of the Geneva talks," he added. Chervov told another Hamburg audience of a probable early end to those Soviet-American medium-range missile (INF) limitation talks in Geneva.

In an Oct. 13 statement released through Novosti press agency, Warsaw Pact Commander Marshal Viktor Kulikov spelled out the missile threat to both Europe and the United States. "After consultations with our allies," he said, "we shall deploy additional nuclear weapons to offset NATO's growing nuclear might in Europe, and we shall take corresponding measures with regard to U.S. territory. . . . The military threat to the territory of the United States and the Western European countries where new missiles will be deployed will equal the threat that the United States intends to create for the U.S.S.R. and its allies."

The Warsaw Pact consultations began on Oct. 13, when the foreign ministers of member countries convened in Sofia, Bulgaria. Its Oct. 14 communiqué identified the condition for the talks to continue: No stationing of the American weapons, period. As the ministers met, reports circulated in intelligence circles that the U.S.S.R. has already begun to move new short-range SS-21 and SS-22 missiles onto convoys for deployment in Eastern Europe—one of the "countermeasures" threatened by Moscow that will set up a hair-trigger for nuclear war.

The Soviet threats to Europe were surpassed only by the pre-war briefing given to the Soviet population in the popular weekly *Literaturnaya Gazeta* on Oct. 5. The paper told Soviet writers to move with the World War II slogan "Everything for the front, everything for victory!"—applied today against Ronald Reagan. Arkadii Sakhnin's article, called "The Second Pretender," seconded a recent speech by the Russian chauvinist head of party work in the military, General Yepishhev, in calling Reagan Adolf Hitler's successor. Sakhnin wrote, "The second plenipotentiary of imperialism to lay a claim to world domination has appeared on earth in our days."

Accusing Reagan of wanting to destroy the U.S.S.R. "just because we exist," Sakhnin concluded: "Let us recall . . . Aleksandrov's song 'Arise, Immense Country' came out on the third day of the Great Patriotic War. . . . Are we in a position to say that all Soviet writers today have oriented their creativity against the threat of war? This is the requirement of the times. Today our hearts must echo again: 'Arise, Immense Country!' This applies to every Soviet person. 'Everything for the front, everything for victory!' Under this party slogan the Soviet people labored, forgetful of their own selves. . . . Each one of us must be aware of the thought: My labor consolidates our might. . . . We are the main force called upon to halt the insanity. . . . History has not seen such a worldwide agitation by the peoples against the new American weapons. Their voice cannot be stifled. It will echo ever louder until it turns into a gigantic material force."

In *Izvestiya* on Oct. 7, the new director of Moscow's top think tank, the Institute of World Economy and International Relations (IMEMO), accused Reagan of "great power messianism." Former Ambassador to Canada A. N. Yakovlev wrote, "The messianic idea of ruling the world is characteristic of the American social structure." He quoted Yuri Andropov's statement that recent events have disproved illusions about "the possibility of evolution of the present American administration's policy for the better."

This vitriol was reserved for Reagan, while Moscow remains open to deal with the resurgent international faction of Henry Kissinger and his business associate Lord Carrington. *EIR* learned that Kissingerian Brent Scowcroft, co-author of the "build-down" arms program that would gut the U.S. land-based strategic deterrent and preclude a crash program for defensive weapons, plans a November visit to the U.S.S.R. under auspices of the Dartmouth Conference. Senators John Warner (R-Va.) and Sam Nunn (D-Ga.) are to go, too.

Shamir launches a Schachtian policy

by Judith Wyer

Following the outbreak of the economic crisis in Israel last month, Israel's new prime minister, Yitzhak Shamir, is imposing economic measures prescribed by the International Monetary Fund and by a special State Department commission devoted to Israel's economy. Shamir acted after chaos erupted with the near-collapse of the Israeli stock market on Oct. 9.

With a debt of \$21.5 billion, the highest per capita in the world, and an inflation rivaling that of the most afflicted Ibero-American economies, Israel has embarked on an unprecedented austerity program. But it appears that funds for Israel's military buildup and illegal land grabs on the West Bank will not be cut; it is Israel's civilian workforce and state sector that will be hit.

With this policy, Shamir's new government has put Israel on an economic course identical to the one Hitler's Economics Minister Hjalmar Schacht steered Germany in the 1930s.

The Israeli parliament on Oct. 18 approved the appointment of Finance Minister Yigal Orgad-Cohen, picked by Shamir to replace Yoram Aridor, who resigned last week after he sparked a feud in the Israeli cabinet over how to deal with the economic crisis. Israeli sources report that Orgad-Cohen is a ferocious advocate of austerity, and, like Shamir, an opponent of the Camp David Treaty. Orgad-Cohen's hard-line profile makes him quite amenable to the land-grab policies begun under Menachem Begin, including the illegal purchase of land on the West Bank and Israel's occupation of southern Lebanon.

Following Shamir's announcement that the Israeli shekel would be devalued by 23 percent and all subsidies on food and other basic commodities would be cut by 50 percent, the Israeli trade union federation, the Histadrut, called a protest strike. The Shamir government has ordered the stock market to remain closed for fear of a new run on bank shares and another run on the shekel. Since the announcement Oct. 11 of the initial devaluation of the shekel, its value continues to slowly drop with the persistence of capital flight.

Begin's economic policy was shaped, since 1977, by the self-avowed Schachtian economist Milton Friedman and his

University of Chicago Department of Economics, which advocates stripping Israel's large state sector and doing away with the Histadrut, in favor of a "privatized" economy. That policy has been accompanied by aggressive military expansion and an explosion of organized crime in Israel. The invasion of Lebanon, which cost \$1 million a day, has put extreme pressure on the economy, and the growing illegal drug trade in Lebanon has begun to spill over into Israel, exacerbating an already serious drug plague there.

The Lavie gameplan

The policies now being dictated to Israel by the IMF and the State Department are calculated to increase the military expansionism witness of the Likud coalition government by proposing that Israel become a gendarme not only for the Middle East but now for Africa.

One reason for the drastic shekel devaluation was to bring it into line with various dollar-pegged African currencies. This is supposed to ease the sale of Israeli arms to Africa. The IMF and a State Department Policy Planning Council, composed of Kissinger protégés Paul Boeker, Peter Rodman and Steve Bosworth, favor the build-up of Israel's arms industry to enable Israel to build a medium-range missile launching capability. It is argued that increased Israeli arms exports, already ranking seventh in the world, will net more income and solve Israel's worsening trade deficit.

Both Secretary of State Shultz and his mentor, Henry Kissinger, joined by the IMF, favor the controversial Lavie jet project, which would give Israel advanced technological knowhow to build fighter jets and missile launchers to deliver nuclear warheads. According to this scheme, the Middle East and Africa would come under Israel's nuclear umbrella. Shamir and his Defense Minister Moshe Arens are the leading Israeli advocates of the project. Shortly after the Soviet Union deployed SS-21 missiles to Syria last month, it was revealed that Shamir and Arens would ask the United States for Pershing II missiles when they visit Washington some time over the next month.

Military government in the wings?

Shamir is said to be imposing policies which Washington insiders say Begin was "not prepared to do." Begin's popular support was based on his periodic lifting of taxes and increasing subsidies right before elections. But Shamir's behavior indicates that he is not concerned in the least about early elections, which could come any time, given the shakiness of his coalition government.

Shamir's economic medicine is producing conditions under which no civilian politician can rule. Not long after the economic crisis erupted, a commentary from a former aide to Israeli Labor Party leader Yitzhak Rabin appeared in the *New York Times*, suggesting that the military would have to step in and take the reins of power. A military regime in Israel would not only enforce austerity, but facilitate the Kissinger-IMF role for Israel as a nuclear-armed regional gendarme.

The bomb explosion in Rangoon—*cui bono*?

by Ramtanu Maitra in New Delhi

The Oct. 9 bomb explosion in Rangoon that killed 15 South Korean officials who were accompanying President Chun Doo Hwan is yet another sign that the world is veering toward war.

By all counts, the Rangoon bomb explosion was unique. In recent history, one can remember no such murderous attacks ever unleashed against a visiting head of state and his cabinet ministers. Although four key Seoul ministers were killed, it is clear that the real target was President Chun himself.

The South Korean government has accused the North Koreans of committing this barbarous act, calling it a "declaration of war." Following the attempt, the Burmese authorities, who need to do a lot of explaining, arrested Korean terrorists in Burma who appeared to be involved in the atrocity. There are also reports that a ship carrying North Koreans arrived in Sri Lanka a few days before Oct. 9 and left abruptly when the Sri Lankan authorities began to inquire as to what had prompted their unannounced arrival at the island.

Pawprints have thus already been found, and judging the rapidity with which the apparent culprits are being located, the blame for the macabre killings is likely to fall on the Kim il-Sung regime. It is also clear that the North Korean administration will be only too happy to take the responsibility for the brutal massacre.

The key question is how the North Koreans, who are easily recognizable aliens in Burma, could install the bomb in the ceiling of the mausoleum? According to one newspaper report, the shrine is guarded 24 hours a day by Burmese troops, and the Burmese security officials responsible had assured the South Korean entourage that the mausoleum had passed a thorough security check. It is therefore impossible for the terrorists to have placed the bomb there without the tacit approval of some section of the Burmese security apparatus. Burmese officials have ruled out any possibility of involvement of Burmese political dissidents in the incident, since no high-level Burmese official was scheduled to be present at the mausoleum ceremony. One foreign diplomat in Rangoon has also discounted involvement of the Peking-

backed Burmese Communist Party, unless Peking had approved of the act beforehand.

The possibility that Burmese security officials were involved in the plot leads to questions of strategic significance. It is one matter to allow a killer to break through the cordon and shoot at the target; it is a matter of much graver consequence when a government, or at least a powerful section of the government, is aware of a plot to wipe out an entire foreign government leadership and permits the plan to succeed. The Burmese government had earlier shown intense interest in enhancing trade and economic relations with South Korea, and had meanwhile had little contact with the North Koreans. However, Burma can hardly be called a nation; the government effectively controls less than 30 percent of its geographic territory. All large powers have their own well-nourished political networks functioning in the country. As the superpower tensions increased, it was not unlikely that Burma was picked as the point at which to deliver a message.

To date, the Chinese foreign ministry has issued a statement on the atrocity which says: "We are very concerned about the result of the investigation into the explosion incident." In contrast, the Soviet Union, which has no diplomatic relations with South Korea, has reacted with the same tone it mustered in the aftermath of its shooting down of the KAL 007 airliner in September. The TASS report on the bombing placed Chun's title of president within quotation marks, and he was referred to as the head of the "Seoul regime."

As if to underline their approval of the Rangoon atrocity, Soviet military fighters were sent to violate Japanese air space two days after the Burma explosion, just as they did immediately after the downing of the KAL 007. Korea is the front line for Japan against the Soviet Union, and the Soviet government daily *Isvestia* on Oct. 11 takes careful note of the presence of Japanese officials in the recent annual joint American-South Korean military maneuvers, stating that this causes a "dangerous new stage in the escalation of military tension in the Pacific and Far East region."

However, Chun has carried out a foreign policy over the past year and a half that has not only ired Moscow, but also

the U.S. State Department. Contrary to the impressions held by many Asians, in very many matters South Korea does not toe the U.S. policy line. Embattled in its relationship with Peking-backed North Korea and located in close proximity to the Soviet Union, Seoul requires U.S. aid for its security, but resents U.S. meddling in its internal affairs. The State Department, however, does not expect South Korea to act independently in its own interests. It is also a well-established fact that the Carter administration in 1979 was implicitly involved in orchestrating the assassination of the then-Korean President Park Chung Hee, whose firm leadership throughout the 1960s and 1970s had turned Korea from an impoverished into an industrial nation. Along with a better standard of living, this success provided the South Koreans with a deep sense of national identity which provoked the wrath of the Carter administration. It was common knowledge that after Park was killed, the assassin sought asylum in the U.S. embassy.

Chun's foreign policy initiatives

President Chun, brought to power by the South Korean army following Park's death, picked up where Park had left off in spite of strong internal and external opposition. Soon Chun was facing a large-scale destabilization effort designed by the Carter administration's "human rights" advocates. In 1980, massive student demonstrations in Kwangju rocked the government, but Chun stood his ground and managed to survive and launch a new initiative in foreign policy.

Following the electoral victory of Ronald Reagan in November 1980, the U.S. administration temporarily abandoned the "human rights" weapon against Chun. The South Korean President became the first head of government to see President Reagan in Washington, and was apparently assured by Reagan that as long as South Korea remained a military ally of the United States, the Reagan administration would not interfere in its internal affairs. In the summer of 1982, President Chun, with a hefty entourage of economic experts, undertook a trip to the Philippines, Thailand, Singapore, Indonesia, and Malaysia in order to enhance Korea's economic links to Southeast Asia.

Chun's trip, the first of its kind ever undertaken by a South Korean president, gave him a great deal of political mileage. Although economic matters took the front seat, Chun made it clear during the trip that he considered the Soviet Union a common threat to both ASEAN and South Korea. Chun's fear of Soviet expansionism was never a secret. During his visit to Washington in February 1981, he had stressed his view that the Sino-U.S. relationship had substantially removed the Chinese threat from the region, since China is a "friend of our friend," leaving the Soviets as the main danger in the area.

More importantly, Chun's economic agreements with the ASEAN nations were considered a major achievement. Chun was aware that over the last decade and a half, the Southeast

Asian countries have become increasingly vocal in their demands for high technology. Japan, which possesses these technologies, has resisted such demands. Thus, an anti-Japan lobby has been created within these nations that is stronger than that already existing for historical reasons—although Japan has some economic ties with the ASEAN nations. Chun took advantage of the region's continuing mistrust of China and Japan, offering an economic way out.

Chun's presence was welcomed by ASEAN. South Korea, a known ally of the United States, at the same time has no past record of military ambitions in the region and therefore is acceptable to the ASEAN. South Korea also possesses an impressive range of middle-level technologies, having developed very strong capabilities in the construction industry, shipbuilding, computers, electronics, and the finished steel industry. South Korea needs basic raw materials from its neighbors—though in much less quantity than Japan—and most importantly, has shown a willingness to part with their acquired technology.

The ASEAN trip bolstered Chun's own self-assurance and boosted the country's confidence. In spite of South Korea's economic problems—the country is strapped with large debt payments and a shortage of cash, which has slowed down the growth rate to a paltry 2.5 percent in 1981-82—Chun went on a trip to Africa seeking new friends and new markets in late 1981. Again the South Korean offer to the African nations—middle-level technology for new trade and business—met with success.

It is during this period that Chun started making efforts to solve relations with the U.S.S.R. and China. Although neither of these large powers recognized South Korea, there were indications that plans were afoot to begin changing the existing relations with the East bloc nations.

It is also significant that South Korea was seeking closer ties with India, whose prime minister is the chairman of the Non-Aligned Movement. In fact, the six-nation trip Chun had started in October and which was cut short in Rangoon was to be highlighted by the first-ever visit by a South Korean head of state to India, where productive discussion on economic bilateral issues and the role the non-aligned can play to diminish superpower tension was anticipated.

The totality of Chun's initiatives showed that he was becoming an Asian leader, and in the process was developing many important friends. To those who consider Chun an "illegitimate" leader, such a prospect must have been annoying, if not downright unacceptable.

It was likely that the Rangoon incident will put Chun back in his place—at least temporarily. His key ministers, those involved in the country's remarkable economic development, have been killed. Lee Bun Suk, the dynamic foreign minister who was trying to bring South Korea into an active role within the Non-Aligned Movement, is also dead and buried. One tends to assume that, bereft of his close associates, Chun will postpone his future plans and stay home.

Mittleuropa session in Trieste plots restoration of the Hapsburg Empire

by Mark Burdman

Duino Castle, an ornate oriental-style 15th century edifice perched above the Adriatic Sea near Trieste, Italy, was the scene of a gathering of European oligarchs from Sept. 19 to 21. Hosted by Prince Raimondo Torre e Tasso, the occasion was a conference entitled "The European Significance of *Mittleuropa*." While promoting the cultural decadence of *fin de siècle* Vienna, the meeting was also a political strategy-planning session by an elite which intends to re-establish the Hapsburg Empire, redrawing the map of Europe and creating a neo-feudalist Fourth Reich in Central Europe.

One American speaker, an academic expert in 19th century Viennese culture, reported later that the event had been misrepresented to him when he was invited to attend. The conference turned out to be highly politically charged, he said. The theme emphasized by political figures and artists from both Western and Eastern Europe was "that the Hapsburg Empire was a positive concept which should be revived to transcend the problems of national boundaries in Europe today."

It is not surprising that among certain elite cultist circles in Europe, it is believed that St. John will rise and blow the final horn of the Apocalypse from the cemetery adjoining Duino Castle. Prince Raimondo, the scion of the Italian branch of the same evil family that rules over Regensburg, West Germany under the name "Thurn und Taxis," is the patron of the "universal fascists," who want to replicate on a world scale the basic policy-design of the Nazis, minus the crude excesses and what they consider to be the overly nationalistic pretensions of Adolf Hitler.

Prince Raimondo, in conjunction with the Geneva-based Centre Européen de Culture and other *Mittleuropa*-proponent organizations of universal fascism (the Coudenhove-Kalergi Foundation, UniEurope, the Associazioni Giuliani nel Mondo), brought together high priests of irrationalist trends in the past decades' culture and science—from existentialism, structuralism, and logical positivism in philosophy, to expressionism and absurdism in art, to the monetarism of Friedrich von Hayek and the Mont Pelerin Society, to systems analysis. These cultural effluvia of Hapsburg Vienna are allying with the mystical currents in Russia (including the KGB!) who are promoting Moscow as the seat of a "Third

Roman Empire," in mutual antagonism to the European Golden Renaissance and to the idea of progress in the Judeo-Christian tradition.

With at least four-to-one Soviet military superiority in the European theater, the Hapsburg dream of *Mittleuropa* is contingent on Soviet approval and therefore Soviet control.

Among the conference participants were **Otto von Hapsburg**, head of the Pan-European Union and heir to the Hapsburg crown; **Aurelio Peccei**, founder and president of the genocidalist Club of Rome International; **Sir Karl Popper**, the delphic oracle of logical positivism and enemy of progress in science; **Eugene Ionesco**, theater-of-the-absurd playwright (*The Rhinoceros*, *The Bald Soprano*) and guru of the 1968 student upsurges in Paris; **Ervin Laszlo**, systems-analyst at the United Nations UNITAR organization in New York; **Victor Weisskopf**, M.I.T. physicist and leading member of the Geneva Pugwash Conference group of "back channel" contacts to Moscow, an opponent of President Reagan's policy for anti-ballistic missile system development; **Orio Giarini**, economist for the Club of Rome and the Geneva insurance companies; and a host of aesthetes and academicians from Hungary and other East bloc countries.

Absent from the proceedings was conference mentor and Centre Européen de Culture (CEC) head Denis de Rougement, the Swiss Nazi ideologue who was prevented by sickness from presenting in person his proposal that Geneva be made the central-district of a new European-federalist empire. De Rougement's CEC had spent three years in preparing this event. Together with Venice's Société Européenne de Culture, the CEC issues the cultural and political marching orders for Europe's neo-feudal oligarchy.

The cult of *Mittleuropa*

The keynote speech at Duino was delivered, of course, by Otto von Hapsburg. He paid obeisance to "our master," Richard Coudenhove-Kalergi, the head of the 1920s fascist "Blue Shirts" movement and godfather of the European regionalist-secessionist organizations, who today get most of their funds from Libya's Colonel Muammar Qaddafi. Von Hapsburg's Pan-European Union, which Coudenhove-Kalergi founded, sits atop Europe's ethnic separatists, promoting

a "Europe of the Regions" against the modern nation-states.
Von Hapsburg continued:

The United Europe that we would like to build can well take into account also the experiences of federation that have affirmed themselves elsewhere, notably in North America, but it must take into account our own European heritage. On our continent, we have two major examples of political federation: on the one side, that of Switzerland, and the other, that of *Mittleuropa*. . . . Vienna is recognized as the primary capital of modern Europe, where Schoenberg, Berg, Webern, Hofmannsthal, Musil, Klimt, Schiele, O. Wagner, etc. have elaborated the foundations of the artistic and intellectual culture of the twentieth century.

Hugo von Hoffmannsthal, one of those mentioned, was the first writer to coin the term "Conservative Revolution," which was later picked up by the Siemens Foundation's Armin Mohler to connote the ideology of "universal fascism."

Asleep for a half-century, the notion of *Mittleuropa* acquires a new significance, born of the will to supersede the era of nationalisms and the divisions of Europe into two opposed blocs. . . . In this world, alas, where the power of destruction is always the measure of power, we must never forget that a wrong political decision could annihilate in five minutes what the economy has constructed in twenty years of arduous work. . . . In the media of mass communication, as in politics, one speaks without ceasing of West Europe and East Europe. One does not think of the fact that every natural entity possesses a center, *eine Mitte*, and that this is often what is more important. To abandon the notion of *Mitte* for Europe, is to eliminate from it its center of gravity. A Europe that is no more than East or West, is in fact a simple geographical abstraction for two zones of influence for extra-European powers. To forget Central Europe is in fact to admit an antinomy or, more or less, to recognize intellectually the establishment of a colonial system at home. To declare for Central Europe is therefore a proclamation of unity, and, at the same time, a declaration of independence for our continent. . . . *For Central Europe is a reality.*

Whoever travels with his eyes open across our continent knows that there is much in common between Trieste and Vienna, Budapest and Prague, Bratislava and Zagreb, Ljubljana and Cracow. The languages are different but the spirits find themselves along the same length of shadows. The interests are also common. . . . [*Mittleuropa* expresses the] common Christian culture, evidenced not only in the Patriarch of the West, St. Benedict, but also St. Cyril and St. Methodius or St. Stephan, which succeeds to

harmonize—in the name of Christ—the classical heritage of the Latins, the Germans, and the Slavs, without forgetting other communities—this Christ whose cross placed at the center of the sun of the Greek wisdom, finds itself in the insignia of the Pan-European Union.

While other conference participants echoed von Hapsburg's blasts against the "superpowers," hostility was directed more against the United States than the Soviet Union. America embodies the humanist ideals of scientific and economic progress, whereas the mystical "Russian soul" lurks beneath the thin veneer of official atheism in the U.S.S.R. Ionesco, the Romanian-born master of the absurd, rallied the assembled oligarchs for "defense against the terrible danger from Russia, America, Germany, and England." But privately he explained that he supports those tendencies in Russia which promote "world spiritual orthodoxy," only criticizing *secular* Russian imperial tendencies.

It was therefore no surprise to find East bloc representatives at the conference lining up at the podium to denounce the United States. Gyoergy Ranki, director of historiography of the Hungarian Academy of Sciences in Budapest, located the historical roots of *Mittleuropa* in the 19th century efforts by German economist Friedrich List to create a customs union, or *Zollverein*, in Europe. This, Ranki lied, was done to unite Europe "against the threat of economic expansionism of the United States." This is an outrageous slander, since List evolved his *Zollverein* conception directly from the American System of economics of Alexander Hamilton and Matthew Carey during an extended stay in the United States. A protégé of the Marquis de Lafayette and a collaborator with Carey, List was an ally of the American republic throughout his life.

After the Duino conference, Ranki's Hungarian Academy of Sciences co-sponsored a conference in Budapest, Hungary with Peccei's Club of Rome, in which a central theme of discussion was how to destroy the agricultural-production apparatus of the United States! Inquiries about this conference so deranged Mr. Peccei that he tried, with only partial success, to have *EIR*'s correspondents removed from the confines of the castle during the last day of the proceedings.

Czech emigré writer Antonin Liehm presented at Duino a program for using "art" to ensure the victory of mystical currents in the Soviet Union and Eastern Europe:

The essence of the Soviet system consists in the fact that the state is a well-ordered symmetry, in harmony with all the rest. There must be ideological order everywhere, in art and culture too. But exactly the contrary characterizes art. *Art means anarchy, disgust with order, individualism, irrationalism. Art is something preventing the system from working.* The political system asks for non-art. . . . Art is dangerous in

itself, in its own nature. You never know what a poet really means.

Alfons Dalma, director of Austrian radio in Rome, told this correspondent that support for *Mittleuropa* can be found in Moscow "not among the bureaucracy but among the artistic circles." Dalma's appeal to the conference was to regard Pope John Paul II as the high-priest of *Mittleuropa*, and insisted that the Pope's September visit to Vienna was a launching-point for a new phase of Holy See advocacy of such an idea. "The symptoms are favorable for a renewal. . . . The Pope chose St. Stephan's since it represents the architecture of *Mittleuropa* Gothic, the same architecture as churches in Buda outside Budapest, in Cracow, in Prague, in Zagheb. . . . What does the Pope offer the Soviets? He offers them a stable Central Europe, which can be an intermediary between the East and the West."

Vienna's Cardinal König is known as the crucial liaison to Moscow for the Roman Catholic Church. Less well known is that he has recently authored a book claiming that the roots of St. Augustine's theology can be found in the worship of the eastern god Mithra, whose priests used to bathe themselves in the blood from bull-castration rites!

The only thing that the town of Duino is famous for aside from Prince Raimondo's castle and cemetery is a shrine and monument *to the god Mithra!* Coincidence?

What would the Pope think if he saw the insides of the minds of the discussants at Duino Castle?

'The Austrian mind'

The Viennese cultural matrix is not merely reactionary; it has consequences that are genocidal. Take ultra-monetarist von Hayek, who said in an interview with *EIR* (Jan. 18, 1983) that he hopes to see a crash of the world monetary system before he dies. Duino Castle speaker William Johnston, an American academic and author of *The Viennese Mind*, quoted from von Hayek's speech accepting the Nobel Prize:

I rather prefer a non-complete but real knowledge to a science which is probably wrong. . . . *If man is not able to distinguish the good from the bad, he must know that science cannot be reached.*

The root of this idea, Johnston explained, is a popular Viennese medical conception known as "therapeutic nihilism":

. . . observing an illness without any direct attempt to treat the illness. . . . The thinking is that it is better to give no drugs at all than the wrong medicine. . . . Hayek prefers *not to intervene with a treatment that can alleviate suffering but cannot save life.* Ivan Illich, also from Austria, has written of the *Limits of Medicine*, and has endorsed this "therapeutic nihilist" approach, saying that nature must find its own cure. . . .

Observe abuses with no attempt to cure them. . . . Generally speaking, the Hapsburg bureaucrat could recognize abuses, but could not solve them. *Hayek criticized Anglo-American attempts to study social problems which could only cause more damage, provoked by the intervention of man.* It was a puristic view.

The chief opponent today of the cultural pessimism the Mitteleuropaer exude is American political economist Lyndon LaRouche. Duino participants Hapsburg, Peccei, Popper, and Laszlo were forced to tailor their arguments to try to win the battlefield away from LaRouche.

But wasn't this idea the root of modern theories of "useless eaters," euthanasia, and other forms of genocidal practice, Johnston was asked?

That cannot be denied, but this was not only true for medicine and economics. It was a viewpoint characteristic of Viennese culture across the board, from the critiques of Karl Kraus to the writings of Grillparzer. One can only *analyze, not change. It is a way of thinking totally different than the America way of thinking. In this sense, the Austrian mind and the American mind can be considered to be at opposing poles.*

As the sense of identity is destroyed, the potentials of brainwashing and social-engineering take over. Another conference speaker, Andre Haynal, Vice-President of the European Federation of Psychoanalysis based in Geneva, quoted from Sigmund Freud's tome on the theme that "The Mother is the Homeland of Everybody." Says Freud: "*The need for an illusion is a biological fact.*"

It is a culture of pessimism, stated Trieste University professor Claudio Magris:

Reality is invented. . . . Imperial Vienna is regime of variegated qualities in which the substance is lacking, the substantial void of all that invented reality. . . . Life is absurd, a mere game of refined social existence. . . . *Fin de siècle* Vienna is camouflaged under the aesthetics of the aristocracy, to confuse the real and the false.

Mitteleuropäer vs. LaRouche

The chief opponent today of the cultural pessimism which the *Mitteleuropäer* exude is American political economist Lyndon LaRouche, Jr., who has been engaged in heated polemics with Duino participants like Hapsburg, Peccei, Popper, and Laszlo for years. They have pored hatefully over LaRouche's writings on the need to revive classical culture, to begin musical composition where Beethoven left off, to base scientific inquiry on the concept of negentropic development, the principles of Plato's *Timaeus*, to analyze economic processes from the vantage point of the mathematics of Bernhard Riemann.

At the Duino conference, they were forced to tailor their cultural arguments to try to win the battlefield away from LaRouche. Take Karl Popper, who several years ago came out with a published attack on Plato shortly after LaRouche had issued major articles on the importance of *The Timaeus*. At Duino, Sir Karl denounced Sigmund Freud and modernist composer Arnold Schoenberg for, respectively, fomenting irrationalism and undermining the great classical musicians like Bach, Beethoven, Mozart, and Schubert. But, he insisted, all presumptions to understanding the science of creativity are false, since "science and all our knowledge is at best conjectural."

After Popper spoke, Laszlo announced that the roots of Sir Karl's conclusions lay in . . . *The Timaeus*! A study of Riemann's geometry, he said, would help one to come closer to the truth.

Other speakers undertook to defend the notion of the primacy of *entropy*, proclaiming the "science" of the irrational. Jean-Pierre Ritter, of the Swiss ambassadorial corps based in Bern, devoted his speech to the "philosophical implications" of the works of Ludwig Boltzmann, who, according to Ritter, "developed and systematized the notion of entropy, a concept of thermodynamics designating the degradation of energy, which then took on a more general import in coming to designate all degradation of a form of order."

Whatever the relation of Boltzmann's actual ideas to Ritter's accounting of them, the presentation aroused a curious moment of mystery in the conference, since in 1906, Boltzmann committed suicide "here in Duino," Ritter announced! At which point, Prince Raimondo called out cheerfully, "But not in this castle, I can assure you!" To which Ritter replied, "Maybe you can enlighten us as to the details"—and the matter stopped there.

Linking Boltzmann's ideas to those of Club of Rome, mystic-scientist Ilya Prigogine and France's Edgar Morin, Ritter strove to "transpose the notion of entropy to the domain of the social sciences." Negentropy, said Ritter, is:

. . . a partial system that grows only at the price of growing entropy of the system as a whole. . . . A local concentration of negentropy therefore signifies a growth of global entropy. . . . The irreversible tend-

ency to equalization leads the universe toward a state of equilibrium which is "thermodynamic death." . . . *This perspective of an ineluctable slow death of our universe by an irreversible equalization, which, in the end, renders all phenomena of whatever sort impossible, has profoundly influenced the modern philosophy of the sciences.*

Economics for a 'Dark Age'

The practical consequences for economics of the Viennese program were elaborated at a postscript-event to the Duino Castle conference, at the Trieste Centre for Theoretical Physics. The Centre was established in 1964 with Torre Tasso patronage, and is headed by Club of Rome member Abdus Salam, a leader of the gnostic Ahmadiyya sect. The Geneva Association for the Study of Insurance Economics, headed by Geneva's Orio Giarini, and the Institute for Insurance Studies of Trieste co-sponsored a speech on Sept. 22 at the Centre, by Walter Weisskopf on "Reflections on Uncertainty." In it he attempted to co-opt the "uncertainty principle" of Vienna physicist Werner Heisenberg to create an economic model reflecting the assumed irrationality of both man and the marketplace. Weisskopf declared "no economist has ever referred to a comparison between economics and physics," which is a bald-faced lie, given Lyndon LaRouche's work since 1952 in elaborating the consequences for economics of Riemann's theories in physics.

Of course the insurance company sponsors of the conference loved this performance, since the more "uncertainty" there is, the more people need insurance! "Truth is a statistic," intoned Geneva insurance association representative F. Padoa, who noted the "failure of economic forecasts" because of their inability to understand "risk and uncertainty."

Sr. Giarini concluded:

We don't live in a typical industrial revolution. . . . We are a service economy. This is *not* the economy of the last century. . . . We can't rely on the classical economists. We have the condition of service, the economy of services. . . . *Lawyers, insurers, and priests can be thought of as increasing wealth today. These can become activities which lead to an increase of value.*

Giarini and his mafia friends had no desire to let the audience, many of whom were students at the Trieste Centre from countries of the developing sector, hear any challenge to this Hapsburgian economics. When *EIR* correspondent Galliano Speri rose to demand to know how much insurance would be needed to help the developing sector victims of the genocide caused by the policies of Giarini and his friends, the session was abruptly closed down.

The Pope should not rehabilitate Galileo

by Cincinnatus

Friends around Rome send word that there's a campaign being run out of a place called the Pontifical Academy of Science, to have the Pope—that is John Paul II—rehabilitate a fellow you probably heard something about, Galileo Galilei—Galileo for short. The short of the point is that some Jesuits, who were supposed to be Galileo's closest friends up to that time, cooked up a crazy charge against him, and had him tried and condemned by the Inquisition. They didn't burn him alive, like they had a fellow called Giordano Bruno a few years earlier, but they made life pretty miserable for him. The trial was a real stinker, almost as bad as one of those ABSCAM frame-ups we had in the United States a short while back.

Naturally, I'm pretty strong on justice, even if it takes a few centuries to get around to clearing a fellow's name even after he's long dead. It doesn't do the fellow much good, but it does get the chicken-bone out of our throat. Just the same, I think the Pope shouldn't clear Galileo's name in exactly the way those Nuclear Freeze fellows over at the Pontifical Academy are proposing. I don't go up and down the line with Giordano Bruno on theology and science, but he was burned alive purely and simply as a political favor by the Vatican to those Venetian fellows controlling the Hapsburgs at the time. To clean up Galileo's name and leave the injustice to Giordano Bruno hanging seems like rotten politics to me, and I don't think it's the right thing to try to push the Pope into doing. I'm not against the Pope's repudiating the nasty business the Jesuits did back then, but if fair is fair, the thing to do is to make a clean sweep, and denounce the whole business, or just let it lie.

Some friends of mine in Italy have looked into this Galileo, and have come up with some evidence that the fellow was pretty much a faker. Of course, the Jesuits were worse. The Jesuits really went out on a limb, insisting that a piece of fakery cooked up in Egypt, by a fellow called Ptolemy Soter, was rock-bottom Christian theology. The fact is, that Church canon law on the subject was laid down by Cardinal Nicholas of Cusa during the time of Pope Pius II more than a century before Galileo's trial. By Cusa's lights, Kepler's astronomy was the brand that fit in with Christian theology, and what the Jesuits defended was heathen nonsense and fakery. In an honest court, Galileo would have walked out, scot-free, and

no doubt about it. Just the same, Galileo was a bit of a faker himself, like his father before him. He's not the kind of fellow we ought to go about praising as a hero to school-children.

The upshot of the problem is that Galileo had done his published work as part of a campaign against one of his father's former music-students, Johannes Kepler. To help this along, Galileo pretended to discover things he didn't discover at all. Not the kind of fellow I'd want my grandchildren to admire in school. A nasty tribe, the Galileis. I want to tell you a few facts about the fellow Galileo's father tried to destroy, a fellow named Gioseffo Zarlino, who lived from 1517 until 1590, the fellow who is directly responsible for making the music of Bach, Mozart, and Beethoven possible.

There are a few of us, mostly musicians, who have been doing work on Zarlino for some years now. The main work is being done by a friend, a musician, in Italy, who sent along a progress-report a few days back.

The Inquisition against Zarlino

This Zarlino was born in 1517 in Chioggia, an island near Venice, and died in Venice in 1590, where most of the manuscripts still surviving from his work are kept. He was the only theoretician of music in modern history, that is, the only one who ever wrote a worked-out treatment of all the fundamentals on the subject. Beethoven got hold of some of Zarlino's writings toward the end of his own life, and you can trace the results in some of Beethoven's last compositions. Everything we know about the fundamentals of music today we have from Zarlino and his followers. So, you could say his work was pretty important. Naturally, Zarlino's work didn't come out of blue sky. Our friend from Italy has traced out most of the background.

During the fifteenth century, music reached a good level, particularly in Italy. Erasmus sent to Italy many Flemish musicians, then the most advanced in Europe. For example, Josquin des Prez was Maestro di Cappella at the Sforza castle in Milan during the period Luca Pacioli and Leonardo da Vinci were collaborating at the same castle. This Josquin des Prez, who was the greatest composer of his time, was the teacher

of another famous musician of that time, Adrianus Willaert, the music-teacher of Zarlino.

Don't think everything was fine and dandy, with all the smart folks sitting around enjoying Leonardo da Vinci singing, or hearing the music of the Flemish composers. The crowd which owned the Hapsburgs wanted no part of this music, and spent most of the sixteenth century pushing the Inquisition to stamp it out. Our friend from Italy reports on this fight.

Following the Dante tradition Adrianus Willaert considered music to be a science, and studied the laws of music as something coherent with the laws which control the physical universe. Their compositions were based on the development of counterpoint; the very complicated canons and fugues which they composed were a celebration of the discovery of new laws.

This didn't please the big mucky-mucks of that time—the ones called the “black nobility”—one bit. These fellows like to keep people pretty stupid, and this Flemish school of music wasn't helping to keep people stupid. They especially didn't like the idea of people getting into their heads that the universe was lawful in a way that affected every part of society's practice, down to painting and music. These “black nobility” were the “music mafia” of their time, and they also ran the Inquisition. So, things became rather tough for Zarlino.

The Black Oligarchs' Inquisition had to destroy counterpoint and scientific coherence in music. Since they had control of most cultural institutions, they were able to create two factions against Zarlino, a “right wing” and a “left wing.” We could say that the “left, Fabian wing” was the one made up of Claudio Monteverdi, which called themselves the “Chromatisti.” This included Luca Marenzio, Cipriano de Rore, and a notorious fellow, Prince Gesualdo da Venosa, notorious for murdering his wife. The “right, conservative wing” was composed of a group of “intellectuals” gathering in Florence at the house of Count Giovanni de' Bardi. The name for this right-wing crowd was “Camerata de' Bardi.” The leader of the musicians among this group was the father of Galileo Galilei, Vincenzo Galilei, who headed up a group that included such famous names of that time as Jacopo Peri, Giulio Caccini, Emilio de' Cavalieri, and a collection of poets including Ottaviano Rinuccini and Gabriello Chiabrera.

You could pass over some of the names—unless you're inclined to check out the research yourself. The important names from what our friend calls the “right-wing faction” are Vincenzo Galileo and the official philosopher of the group, a fellow called Girolamo Mai, with his sidekick, Jacopo Corsi. This crowd concentrated on attacking coun-

terpoint, trying to have it outlawed from music. They insisted that they were going back to classical Greek music! Their argument—which is a downright lie, by the way—was that classical Greek music was *monodic*, as a single singing voice with some accompaniment, like Jenny Brass and that half-drunken piano-player of hers down at the local saloon.

It is our good luck—depending on how you look at it—that some sensible Benedictine monk seems to have thought one of Vincenzo Galilei's two song-settings of parts of Dante too ugly to be the cause of future suffering. Anyhow, it seems to be lost. The famous part of Vincenzo's work was his attack against Zarlino's proof that the musical scales had to be well-tempered. The other crowd, Zarlino's “left-wing” enemies around Monteverdi, used different tricks. Our friend reports:

The “left-wing,” which was considered “modern” did not attack counterpoint. They attacked the traditional rules of the Flemish musical theory. This “left-wing” composed madrigals for four or five voices, relying more and more on hedonistic effects, and resorting to introduction of arbitrary dissonances to cause these effects, as in modern jazz music. They were called “Chromatisti” because they used all the chromatic intervals arbitrarily, without coherence, only for producing sensual effects, like Franz Liszt and Richard Wagner during the last century.

Zarlino had something to say about these “Chromatisti.” According to our friend, Zarlino attacked this nonsense in the Third Book of his (1573) “Istitutioni Harmoniche,” and quotes a translation he has done from the book, which I won't go into here. I wind this up with the business between Zarlino and Vincenzo Galilei. After Galilei had put out his “right-wing” attack against the work of Zarlino, Zarlino attacked Galilei by name:

He said that even though Galilei had once been his own music-pupil the results had been very bad, because Galilei had learned almost nothing. Galilei erupted, and published his notorious “Discorso intorno alle opere di Gioseffo Zarlino” (Discourse on Zarlino's Works). It was a smear-job of no musical-theoretical interest by comparison with the known musical theory of the time.

Maybe Vincenzo's boy, Galileo, learned a thing or two from the father's public embarrassment caused by that attack on Zarlino. Galileo never attacked Kepler's work directly. He was careful to be sneaky. I admit Galileo was treated pretty unfairly by the Jesuit fellows he was working for against Kepler. Just the same, we ought not to give Galileo much sympathy. When a fellow makes a living running errands, doing dirty work for a bunch of gangsters, it's hard for us to be indignant if the fellow runs up to us to say those gangsters he's been working for are treating him unfairly.

Kissinger's deal with Moscow

If Henry Kissinger succeeds in repeating his 1968 manipulation of the U.S. presidential election process (as documented in Seymour Hersh's recent book), it will not be a case of history repeating itself as farce. It will be a great national tragedy from which the United States may never recover.

A minority faction within the U.S. intelligence establishment has amassed evidence that Herr Kissinger has extracted a political deal with his business associate Lord Peter Carrington and Soviet boss Yuri Andropov to deliver a Middle East and Central America "peace" at a moment appropriate to ensure that President Reagan's re-election bid is not foiled by a last-minute foreign policy "surprise." Several sources inform me that this deal is being presented to President Reagan with strong words of endorsement from both James Baker III and Michael Deaver. Henry is already reportedly dusting off a spot on his mantle for a Nobel Peace Prize which he hopes to win for ending the Nicaragua conflict.

If President Reagan decides to go along with the Kissinger-Carrington concoction, this will have been the most adept piece of treason ever delivered to his London and Moscow bosses by the "man who brought down Nixon" and launched the office of the President down the slide into the disasters of the Trilateral Commission-owned Carter White House.

Needless to say, the price for Kissinger's piece of election season handiwork is undisputed control over all U.S. foreign policy and a fat position—probably his old office on the top floor of Foggy Bottom—for Herr Professor following a Reagan reelection. If the script follows the Kissinger

stamp, then Henry is already presumably in the middle of negotiations with all of the Manatt-Kirkland approved Democratic Party frontrunners testing their willingness to sign Henry to a top position if he were to "deep-six" Reagan's re-election.

The basics of the scenarios are as follows:

In the Middle East, through the mediation of his personal agent, incoming National Security Director Robert McFarlane, Kissinger set in motion a deal with Moscow, Damascus, and Tel Aviv that would bring "peace" to Lebanon at the price of the extermination of the Arafat moderate leadership of the Palestinian Liberation Organization and the Christian Falange, including Lebanese President Amin Gemayel (said to be on Kissinger's personal hate list for nearly a decade), and the permanent partitioning of that once sovereign nation into a least three separatist entities—a Syrian-Shi'ite-run north, a Druze canton extending from the Chouf mountains to the Golan Heights, and an Israeli-run southern buffer zone. Such an arrangement would ostensibly curtail further Soviet visible inroads and put an end to the U.S. Marine casualties.

In Central America, sources on the ground have already confirmed that during Kissinger's recent Commission-sponsored trip to Managua, he presented the Sandinistas with the choice of either obliteration under the accelerated weight of Contra activities, or a big piece of a Latin American Marshall Plan that will be a cornerstone of the Kissinger Commission's recommendations. The Commission proposals will reportedly urge that the Marshall Plan funds be drawn from the overall defense appropriations, that these funds be used as a slush fund for what is more appropriately called "ye olde bailout" of the New York and

London banks. Kissinger is reportedly hoping that the diversion of funds from the Pentagon will slow down dramatically the pace of the administration's strategic ABM defense program.

At the heart of Henry's Central America move, Kissinger is claiming a promise from Moscow that the Soviets will put pressure on both Cuba and Nicaragua to cut off all activities in the Central American region, particularly El Salvador.

Andropov's raison d'être?

Henry is an "enemy of the Soviet Union [sic] but he is a known entity and therefore the only Reagan linked figure who Moscow will seriously deal with."

My sources say that Moscow decided to place renewed weight on both the peace-freeze movements in the United States and Europe and Soviet agent-of-influence Kissinger in their ongoing efforts to soften up the West for a "big shoe" missile crisis showdown by the spring-summer of next year.

And finally, during the first week of October, as a gesture of good faith to the Kremlin in the aftermath of the KAL incident—against which even fair Henry had to raise his voice in protest—Herr Kissinger personally launched a series of administration leaks and *New York Times* front page stories claiming that the Soviet pilot who shot down Flight 007 did not know that he was firing on a civilian aircraft. According to my intelligence sources, after the sources of all the leaks of that report were checked, 85 percent of the stories were traced directly back to Kissinger or Kissinger intimates. The remaining 15 percent of the stories were traced to a Soviet correspondent for a Moscow-owned publication based at the London bureau.

Policy grows Kissingerized

The U.S. State Department gave the green light to Genscher's public Eastward turn.

The past month has seen a drastic shift in German foreign policy, as shown by the 11 hours of discussions between Foreign Minister Hans-Dietrich Genscher and his Soviet "colleague" Andrei Gromyko in Vienna over the weekend of Oct. 15-16, which produced a new agreement concerning "consultations on long-term policy aims" between their two ministries on the planning staff level.

Genscher shed some light on this agreement when telling the press with amusement, on his return to Bonn, that Gromyko responded to his proposal by saying: "But this does not mean the coordination of the foreign policies of our two governments, does it? How would the world public take that?"

Note too that the head of the planning staff in Genscher's ministry, Konrad Seitz, is a Kissinger-bred diplomat. Trained at the Fletcher School at Tufts University, he attended Kissinger's "Strategic Seminars" at Harvard. Seitz will fly to Moscow the third week in October to start the consultations.

There are other profound changes, too: the West German ambassador to Moscow, Andreas Meyer-Landrut, who has the reputation of being "the key expert on the Soviets" among Bonn diplomats, will replace the highest-ranking undersecretary in the foreign ministry, Bernt von Staden, who is considered "the key expert on the Americans." Von Staden won this reputation as Bonn's ambassador to Washington from 1973 to 1980.

Meyer-Landrut will be replaced in Moscow by Hansjörg Kastl, who served until recently as Genscher's man at the Madrid CSCE talks, the Pugwash-inspired "Conference on Security and Cooperation in Europe" which includes all the East European countries and the U.S.S.R. Kastl is said to have won "respect among the Soviets, if not even trust" in Madrid.

The meeting between Genscher and Gromyko in Vienna resolved on "mutual interest on either side in continued economic cooperation," translated by Genscher as meaning that "economic cooperation will have to continue beyond the stationing of the missiles." West Germany's minister of economics, Otto Graf Lambsdorff, will travel to Moscow for talks on new projects and extended cooperation on Nov. 16-17.

Alois Mertes, another undersecretary in the Genscher ministry, had previously noted that "German-Soviet economic cooperation was developing and expanding even during the period of the Cold War and during the Berlin Crisis of 1958." In other words: a deal between Bonn and Moscow. The deal is closely coordinated between Genscher and Kissinger via George Shultz, whom the West German foreign minister had consulted and whose support for the deal with Gromyko he had received before he went to Vienna.

The range and possible contents of Lambsdorff's talks was indicated by Otto Wolff von Amerongen, the most

important mouthpiece of German industrial interests in the East. Amerongen, who is a member of the Trilateral Commission and of the oligarchic Bilderberg Society, as well as the only European on the board of directors at Exxon Corp., gave the keynote address to a gathering of the German Society for East European Studies in West Berlin on Oct. 13.

Amerongen spoke of "new prospects for economic cooperation with the Soviet Union" and mentioned "joint ventures in the field of energy, finance, and agricultural development," referring to the "good experiences made with similar cooperation projects in the 1920s"—the Rapallo Policy co-launched by his father—and listing two advantages which he said made the Soviet Union especially attractive to German industry:

First, the fact that Siberia "possesses most of the world's raw materials which just have to be explored"; and second, the "fact" that the Soviet as well as the other governments in the East bloc "have shown their ability to guarantee adjustments in their economic policy," which he said enabled them to "meet credit liabilities better than most of the Third World countries."

At the same time, Amerongen accused the United States of "misusing trade and commerce as an instrument for carrying out East-West conflicts in foreign policy"—referring to U.S. attempts to apply sanctions against the Euro-Soviet natural gas pipeline project.

Amerongen, the acting president of the influential "Eastern Policy Committee of German Industry," is also said to be one of Kissinger's best friends in West Germany. The outline he gave for a pro-Soviet future of German industry provides the economic underpinning for Genscher's "back-channel" diplomacy with Moscow.

'Strength needed to counter Soviets'

A Canadian military strategist supports the development of anti-missile beam-weapon defensive systems.

The following is an interview by *EIR* of Col. Brian MacDonald, executive director of the the Canadian Institute for Strategic Studies (CISS), on Western strategy. Correspondent Gerald Pyenson talked with Colonel MacDonald on Sept. 9. CISS is a private think tank that advises the Ottawa government.

EIR: How do you view the Soviets' downing of the Korean airliner?

MacDonald: I guess our view would be that that particular action is not inconsistent with the sort of actions that the Soviet Union has carried out before. A country that can put 110,000 combat troops into Afghanistan, and essentially deport 4½ million refugees from that country, a country that has been caught using chemical and biological weapons in Southeast Asia, is a country that can quite easily put a missile into an unarmed passenger jet. . . .

EIR: What should the Western response be?

MacDonald: I think that the particular responses that have been chosen have been very moderate responses, and have certainly given an advantage to the United States in the ongoing propaganda battle between East and West, particularly with respect to the internal publics of the Western democracies. It would seem for example that the barbarity of the Soviet actions, coupled with the very moderate response from the West and the increasing public revulsion, has enhanced the prospects for improved

defense financial allocations in the West, and it has damaged the political credibility of the disarmament movements.

EIR: That doesn't seem to have been caught up to in the press here in Canada. For instance, the *Montreal Gazette* today had an editorial calling for the United States to adopt Andropov's policy of banning "killer satellites." We are looking at this move by Andropov as part of an attempt to obstruct the beam-weapons policy of President Reagan, and we think that the development of those weapons would be extremely important for the Western Alliance.

MacDonald: Our view would be consistent with that.

EIR: Do you think that Canada is going to eventually support the beam-weapons policy?

MacDonald: We think that Canada should be prepared to take a position in the development of all aspects of space technology. One of our great concerns is that Canada may become increasingly irrelevant to its own defense. We have the participation in NORAD [North Atlantic Air Defense] and to this point, on a financial basis, have paid a sum that is appropriate to our economic power. But we certainly, at this stage, do not seem to be taking any great position with respect to the development of space technology, and what is happening, of course, is that in NORAD the Canadian officers are gradually being frozen out of participation in the activities of aero-

space command. We view that as being, in the long run, damaging to Canadian interests.

EIR: Do you view the Soviets as in a mode of preparing for confrontation? . . .

MacDonald: My view is, of course, that the Soviet Union is an expansionary superpower, that its world aims have not changed, that the doctrine of Marxist expansion is as firmly held to at this point as it ever was; that they are, however, strategically extremely cautious, and I suppose, if one wanted to look at what their de facto—I hate to use the term strategic "tactics"—one could almost talk of their loose-change approach of pouncing upon an area of weakness and attempting to incorporate that into their sphere of influence. But where there is a strong resistance on the part of the West, they cautiously watch that particular aspect. The pattern, in my view, has consistently been to move against weakness, and to stay pat in the face of strength.

EIR: As a Canadian, how do you assess President Reagan's public response to the KAL shootdown?

MacDonald: I viewed the speech as being extraordinarily moderate and sensible. There was the opportunity given to the Soviet Union to explain its actions, to take steps that would be consistent with the actions of a civilized state, and there was the employment of symbolic sanctions to indicate the West's disapproval. There was no backing away from arms-control negotiations, but the one caveat I would insert is that we must be very cautious that the arms-control agreement is not a disadvantageous agreement. Beyond that, the emphasis upon adequate commitment of financial resources to defense is something that is very, very sensible, and we have been urging such a policy for the Canadian economy for some time.

The Islamic-Marxist threat

New radical pressures against Saudi Arabia coincide with an effort to grab its investment resources.

Roger Garaudy, a former French Communist who is now a born-again Muslim, made an appearance at Georgetown University, on Oct. 18, to deliver a lecture on "Islamic Marxism." Garaudy, who is associated with a Franco-Swiss neo-Nazi backed network of Muslim radicals, is said to be the frontrunner of an effort to convert U.S.-based Arabs and Iranians to Islamic Marxism.

Garaudy's visit, which also reportedly included appearances at the Smithsonian Institution and George Washington University, is only the beginning of a new Islamic-Marxist crusade in the United States.

Under the sponsorship of the terrorist-linked Detroit Palestinian lawyer Abdeen Jabara, another delegation is expected in the United States soon. Backed up with Libyan funding, the delegation will be led by the Melkite priest Hilarion Capucci, a gunrunner to Palestinian guerrillas; George Hawi, the head of the Lebanese Communist Party; and Abdullah Saade, the head of the neo-fascist Syrian Parti Populaire (PPS).

Lebanese sources say that the aim of these Islamic-Marxist zealots is to bring the radical U.S.-based Arab and Iranian networks together in a bid to challenge the Saudi royal family in an Islamic-Marxist jihad. Jabara is well known for his militant opposition to the Saudi royal family.

There is a group of operatives working with Jabara and certain inter-

ests at Georgetown's Center for Contemporary Arab Studies who, along with their sponsors, have been identified by the *EIR* in a report series: "Prospects for Instability in the Arabian Gulf," "Anglo-American Designs on the Arabian Peninsula," and the soon-to-be-released "How the Soviet Union is Playing the Muslim Card."

Among those involved are the Washington-based Institute for Policy Studies and allied Middle East Research and Information Project. Those, in turn, are under the control of certain KGB-connected British intelligence operations including the American Friends Services Committee, the Holland-based Transnational Institute, and the Bertrand Russell Peace Foundation.

It is precisely this apparatus which played a substantial role in installing the Khomeini dictatorship, which has recently increased its threats against Saudi Arabia and neighboring oil-exporting states.

But these networks represent only the tool for ousting or destabilizing the Saudi regime. The beneficiaries of such a scheme are neither Islamic or Marxists, but are to be found instead in the banking houses of New York, London, and Zürich.

Whether by overthrow or through terrorizing Saudi King Fahd, these bankers are said to be ready to grab Saudi Arabia's estimated \$150 billion deposited abroad to help bail out the

debt-strapped monetary system. U.S. Treasury Secretary Donald Regan will visit Saudi Arabia and its neighbors at the end of the month to request greater investment in the United States. With reduced oil income, Riyadh has been less willing to hand over the cash.

The Soviets are well aware of new opportunities to make good its bid to extend its influence into the Persian Gulf, playing the same Islamic-Marxist card.

Not long after becoming the first Soviet of Muslim descent to be named to the Politburo last year, Geidar Ali Reza Aliyev publicly stated that there is no contradiction between Islam and Marxism. About that same time, Garaudy is reported to have made his conversion. Recently, the Syrian-born Maarouf Dawalibi, a Saudi courtier, has been proselytizing for Islamic-Marxism. He was seen at the Geneva U.N. conference on Palestine in September making efforts to convert Palestinians into his Islamic-Marxist movement.

There are a number of ardent Islamic-Marxist zealots within Ayatollah Khomeini's inner circle, including Ayatollah Khoini. The East German-trained Khoini was the ringleader of the captors of the U.S. hostages and the leader of the Iranian pilgrims to Mecca, where he has attempted to stir up anti-Saudi violence. It is the so-called leftists such as Khoini who are pushing for "kamikaze" attacks on Saudi oil installations.

Since the beginning of October, there have been new indications that the Saudis are in trouble. There are signs that a similar human rights campaign like the one the Carter administration used to undermine the Shah of Iran may be thrown at Saudi Arabia. One signal was an unusual front page *New York Times* article Oct. 17 on Saudi mistreatment of U.S. prisoners there.

Craxi lashes out against magistrates

The target of his reforms are the officials who "violate the rights" of mafiosi and terrorists.

While the head of the Christian Democratic Party, Italy's "elder statesman" Aldo Moro, was being held captive by the Red Brigades in 1978, then parliamentarian Bettino Craxi and former senator Antonio Landolfi had repeated secret contacts with the leftist professors Franco Piperno and Lanfranco Pace. The Socialist Party politicians were trying to save Moro's life, they later reported to the magistrates investigating the crime.

But more than one doubt remained, and others arose when the several terrorists who had turned state's evidence testified that Piperno is an active member of the Red Brigades and one of the leaders of terrorism.

Today no one dares to interrogate the new prime minister, Bettino Craxi, whose dizzying ascent to the top of the Italian government dates precisely from the death of Moro in May 1978. The magistrates, however, cannot avoid jailing such leaders of Craxi's Socialist Party (PSI) such as ex-Senator Pittella (the chairman of the Health Committee of the Senate!) or indicting figures like former PSI secretary Mancini, his sidekick Landolfi (who financed Piperno's magazine praising the Moro kidnapping), and others.

Craxi has never hidden his annoyance about the magistrates' activities. The minute he got into power he passed a law limiting the power of the magistracy. From Oct. 7 on, the Public Ministry which represents the state in the preliminary investigative phase of the case, can no longer issue arrest

warrants except in exceptional cases.

While Craxi is launching his reforms, uncontested by any party either in the government or in the opposition, the "reddest" investigations of recent years are getting bogged down and buried:

1) The case of the outlawed Propaganda-2 Freemasonic lodge. As soon as Craxi became prime minister, the lodge's Venerable Grand Master Licio Gelli escaped from his prison in Geneva, Switzerland. Parliament's P-2 commission has lost some of its key figures and has sprouted masons.

2) The Bulgarian connection. Judges Palermo and Martella, conducting their probes from northern Italy and Sardinia respectively, had uncovered an incredible drugs-for-arms smuggling operation going on with the complicity of Western and East bloc secret services, or sectors thereof. The killer Ali Agca is a product of that network. But no sooner had Agca admitted that he was backed by Eastern intelligence networks than a "leper" campaign was initiated by the press to discredit his statements, and to accuse him of lying to protect the CIA.

3) The Moro case. The sentence of Judge Abate, recently handed down for the killers of Moro after a lengthy trial, explains nothing. The links of the Red Brigades with dozens of secret services are admitted, but the thesis of a "palace plot" is excluded categorically. All the less do Henry Kissinger's threats to Moro in 1974 have any "relevance to the trial." Perhaps Abate forgot that after Kissinger's threats to

public persons like Ali Bhutto, Carro Blanco, and Salvador Allende, they all wound up assassinated?

4) The probes into terrorism. Of the various "brains" behind Italian terror, Piperno and Pace are at large, their colleague Scalzone conveniently "escaped," and Prof. Toni Negri has become the star of private television. Judges like Pietro Calogero, who first accused Negri of masterminding the Moro murder, have been covered with insults and abandoned by the state. Judges Alessandrini, Galli, and Chinnici, all killed by terrorists, are spinning in their graves.

The most serious episode is the passage of the judicial reform: the public minister is being punished precisely because he represents the state, the state which intervenes, without respect for persons. All the norms of the mini-reform go in the direction dictated by Craxi, which is against the judges: the concentration of the prime minister's power, discipline for the magistrates, the abolition of the term "preventive incarceration," etc. The target is always the judge who allegedly does not respect citizen's rights—the laws of terrorists and mafiosi.

Most serious is the fact that no one has protested Craxi's coup against the magistracy. Practically speaking, only the Milanese judge Armando Spataro reacted, maintaining firmly that "we magistrates express the aspirations of people, the millions of citizens who want a clean-up" in the face of a "massive attack on all the judges, an attack that recalls that of the parties and single politicians and power groups when the magistrates hit their not-so-clean interests."

Is it any wonder if the head of the neo-fascist MSI, Almirante, says he wants to support Craxi and that he wants a Socialist as the next President of the Republic?

Something is rotten at SPP

The planning minister adds to his staff the creator of Mexico's most feared terrorist gang.

The scene: an august gathering of international businessmen at Mexico's premier resort, Cancún, to hear about the wonders of Mexico under the thumb of the IMF. Sponsor: *Fortune* magazine. Speaker: German von Bertrab Edman, just appointed Coordinator of Special Programs for the Ministry of Planning and the Budget (SPP). Subject: how Mexico's low wages and cheap raw materials make Mexico an ideal laboratory for "an export model" of growth.

What SPP minister Salinas de Gortari knew but the businessmen did not is that they were listening to the creator of Mexico's bloodiest terrorist gang of the 1970s, the 23rd of September Communist League.

The connection highlights a recent phenomenon, the penetration of terrorist-tinged anti-industrial ideology into the highest echelons of government.

Von Bertrab comes out of the Society of Jesus. German in origin, he appeared in Monterrey in 1964 offering courses at the Monterrey Institute of Technology and Advanced Studies (ITESM). Together with two other Jesuits, Fathers Obeso and Rabago, he organized brainwashing courses based on "theological reflection" and on the method of "action/reflection of the here and now," via the University Cultural Organization (OCU). It is not known if Salinas de Gortari, whose oligarchic family was established in a nearby town, first came into contact with von Bertrab at this early time.

At the OCU, von Bertrab's most

promising student was the "mystic" Ignacio Olivares, an ultra-rightwinger who later converted to ultra-leftism and to whom Hiraes Morán, an ex-member of the League, dedicated his book, entitled *The 23rd of September Communist League, Its Origins and its Breakup*.

Under von Bertrab's tutelage a still more radical faction emerged from the "Christian-Marxist dialog" the German Jesuit had underway—one calling for armed struggle. This group was headed by Ignacio Salas Obregón, who was to become one of the principal leaders of the League shortly thereafter.

Simultaneously, the Jesuits entered the economics department of the Autonomous University of Nuevo Leon, with the thesis of the "evil university factory." From this emerged two groups: the Committee of Revolutionary Students and the Committee of Revolutionary Workers, whose networks served as protection for the Liga 23rd terrorists.

Von Bertrab was expelled from the Autonomous University together with another group of Jesuits when Eugenio Garza Sada, head of the Monterrey group, decided that the Jesuit influence had become a "Frankenstein monster." A year later, in 1973, the real power of the Jesuits became evident when Garza Sada was assassinated by the 23rd of September, at the very moment when he was ready to ratify a labor-business alliance in response to the urgings of then-President Luís Echeverría.

After leaving Monterrey, von Bertrab gave up the cloth and got married, but did not abandon his "organizing" activities. In Mexico City he met up with the Sánchez Aguilar brothers, leaders of the moribund Social Democratic Party, who had been among his foremost students in Monterrey. He "advised" them to create the consulting company called Sintemex, a cover for maintaining links to the U.S. State Department.

Von Bertrab's next nest was the Mexican Institute of Public Opinion (IMOP), another joint venture with the Sánchez Aguilar brothers. Here he applied his Jesuitic experience in carrying out fraudulent surveys intended to psychologically manipulate the population.

One of the last times we heard of German von Bertrab, he was managing a branch of the private Banamex banking conglomerate in Mexico City. It is likely that with the bank nationalization of 1982, von Bertrab was out of a job and had to turn to his influential friends, or perhaps even to blackmail, to insinuate himself into the government.

The affinity between von Bertrab and Salinas de Gortari is deep. The activity of the original 23rd of September League was aimed at destroying Mexico's institutions, particularly the presidency, and at sabotaging Mexico's industrialization efforts. Salinas de Gortari, the highest ranking protégé in Mexico of Philadelphia's Wharton School, is carrying out Wharton blueprints today for undermining the presidency and for de-industrialization.

His chief advisers in the assault are a Club of Rome team headed by his undersecretary, Manuel Camacho. As in so many other countries, Club of Rome circles seem to be interlocked with terrorist ones.

International Intelligence

Guyanese president says IMF comes first

According to presidential decree, all laws in Guyana will now be judged from the standpoint of the country's agreement with the IMF. Those that violate the IMF dictates will just have to be adjusted.

A second presidential decree, justified on the basis of cutting government spending to meet the IMF requirements, orders that in any household where more than one person is employed by the government, only the household member earning the highest salary will be retained at his job; the rest will be fired—in a country where 80 percent of the economy is in the hands of the government.

The implications for family life in Guyana, where prostitution and drugs are thriving under the IMF's drugs-for-export economy, are straightforward: If a husband in the family earns \$450 a month, and his wife, \$500, the husband can quit his job—or leave his family. Sons and daughters will similarly be forced out of their homes if they wish to eat, under circumstances in which it is impossible to establish "independent" households.

Sikh terrorism adds to India-Pakistan tensions

Both the Indian and Pakistani armies went on alert on both sides of the Punjab border, after Sikh terrorists who want an independent "Khalistan" state threw hand grenades into Hindu temples in the Indian Punjab the weekend of Oct. 15, causing several deaths. Prime Minister Indira Gandhi was quoted by the BBC and others as blaming Pakistan for the actions of the Sikhs.

In Pakistan, various outlets have accused India of fostering the disturbances, accusing India of annexationist designs.

The situation in both countries is deteriorating, with military pressures mounting. The government has reportedly ordered eight companies of security forces to the Indian capital of New Delhi, in anticipation of vi-

olence there. Also, fearing a recurrence of the massacres of Bengalis which occurred last winter, India is constructing a barbed wire wall between Bangladesh and India, to prevent refugees from going to India.

Some sources inside Pakistan say that the Zia will not last more than a few months longer.

German labor set up for a radical turn

"We might well have up to four million unemployed this winter . . . and I don't know if we can keep control over the workers, then," Hermann Rappe, the chairman of the West German chemical workers, said in mid-October. He harshly criticized the metalworkers' union for "driving the whole labor movement towards the extreme left, and there is nothing we [the conservative unions] can do against it. In the end, we will have to swim with the stream, whether we like it or not."

The statement referred to the national congress of the metalworkers (IGM), which concluded in Munich on Oct. 15. While the Kohl government was announcing further austerity measures, the IGM delegates called for "labor resistance against capital and the government," and labeled the Kohl administration "comparable to Hitler."

The shift toward anarcho-syndicalism was also indicated by the fact that Stuttgart radical Franz Steinkuehler was elected deputy chairman of the union. Steinkuehler had just authorized his metalworkers' district of Baden-Württemberg to print and distribute 400,000 leaflets containing "the most complete and accurate map of all nuclear weapon sites in South-West Germany." The leaflet called upon workers to join the "peace movement" blockades of U.S. Army barracks during the mid-October "hot action week" of the peace movement.

Of West Germany's 8 million organized workers, 2.6 million are in the IGM. Outgoing chairman Eugen Loderer, who warned the metalworkers against "alliances with communists and anarchists," was booed by the majority of the delegates.

French general: 'Leave Germany to Soviets'

One of the reputed fathers of France's nuclear *force de frappe*, retired general François Gallois, used an interview with the Spanish publication *La Vanguardia* in mid-October to announce that he would have no objection to the Soviet Union's taking over West Germany!

Answering a question by the interviewer as to what France would do in case of a Soviet attack on West Germany, Gallois said: "We should not move one finger. Stay quiet. Let some time pass by to let the Soviets solve the German problem, while we are protecting France."

"I prefer to have the Soviet Army at the French borders, rather than risk the destruction of France," Gallois continued. Asked wouldn't this mean the end of NATO, he said that "One would have to leave Germany to the Soviets. There would be no other choice. And I also think that the military concepts of the Alliance are quite outmoded."

Andropov biographer: 'panic' over beam weapons

In his new book, *Andropov*, Russian emigré Ilya Zemtsov (now director of the Israeli Research Institute of Contemporary Society in Jerusalem) makes a remarkable statement: The only time that Yuri Andropov could not maintain his "peace-loving" facade was "when the American President announced a new nuclear strategy based on the development of laser weaponry."

After giving a detailed analysis of how Andropov—while attempting to act like a "liberal" at all times—controls the Western "peace movement" and aims at splitting Western Europe from the United States, Zemtsov describes the response to the March 23 initiative: "Andropov answered Reagan calmly, as always, but notes of panic could be clearly detected in his speech. He called the American President's actions and policies 'deceitful,' 'irresponsible,' 'crazy' and

'mad,' and used phrases reminiscent of the days of the cold war like 'unpardonable distortions,' 'illegal ploys,' 'deliberate lies,' and 'ceaseless rhetoric.' (*Pravda*, March, 27 1983)".

"It was on this occasion that the world could see the true Andropov exactly as he has always been and will always remain: a politician of the Soviet school, brazen, insolent, guided by no consideration other than the party doctrine and the interests of the Soviet state. . . . He avoids provoking the free world to a point at which it would be forced to resort to arms, but keeps strengthening the Soviet army to be ready for the opportune moment to destroy with impunity the existing relative balance of power in the world. It was precisely this policy design which received an unexpected setback when President Reagan announced his 15- to 20-year plan to set up work on laser weaponry for intercepting and destroying missiles in flight. . . . Hence Andropov's untypically unrestrained and hysterical reaction to Reagan's speech during a routine interview with a *Pravda* correspondent."

Zemtsov, who worked for several years as "court sociologist" in Soviet Azerbaijan under G.A. Aliyev (later promoted by Andropov to be First Deputy Prime Minister), considers Andropov the devil incarnate, because "he could smile at you or kill you with the same effort"—as when he was ambassador to Hungary, for example, he indulged in a rousing celebration with the Hungarian leadership, complete with gypsy music and scotch, a day or so before they were all put in jail with Andropov's help.

Soviets launch new Afghanistan offensive

Soviet forces in Afghanistan have launched a new series of offensives in at least seven provinces beginning Oct. 12. The offensives are reported to be extremely brutal—particularly the bombing by MiGs of the town of Istalef, which resulted in the destruction of 40 percent of the homes and much of the crops and infrastructure as well.

A European source told *EIR* that the Soviets' objectives were: "Drive out the non-combatant populations from the valleys where the 'Afghan resistance' operates; remove manpower from crop cultivation, so there will be less and less food to use; and increase the refugee burden on Pakistan."

Peronist candidate wants Argentine non-alignment

Italo Luder, the presidential candidate of Argentina's Peronist party, outlined his thinking on foreign policy on Oct. 18 to the Venezuelan newspaper *El Nacional*.

Luder emphasized that if elected he would follow Juan Perón's conception of a "third position" in foreign policy, with special emphasis on non-alignment. The idea of "ideological frontiers" has been rejected by Peronism, he said, adding that his government would seek "feasible associations to defend our interests." He promised to "recreate a relationship with all the governments of Ibero-America," something he said that the military junta had simply forgotten about. Luder pointed out that during the Malvinas war, Argentina had received the support of both the Non-Aligned movement and the Ibero-American governments, while the "Western, Christian" governments supported Great Britain. The military junta, he explained, had always denigrated the Ibero-American and Non-Aligned nations, even going to the extreme of calling them "tribal nations" at one point.

The Peronist candidate called on the nations of the advanced sector to recreate with the developing nations "a different kind of economic relationship. . . . Otherwise the crisis will be produced in the very centers of world economic power," adding that to change the current economic order "is in the interests of all sectors."

Most important, said Luder, is to leave behind the "doctrine of national security . . . because it has only been used by some autocratic governments on their own territory, converting the armed forces into an army of occupation."

Briefly

● **SAMUEL OCANA**, governor of the Mexican state of Sonora, managed a political coup during the state of the state address (*informe*) he gave on Oct. 13. Neighboring governor Antonio Toledo Corro of Sinaloa had refused to allow Sinaloa water to flow into Sonora—effectively sabotaging the Northwest Water Plan (PLHINO). When Ocana called on Toledo, in the middle of the *informe*, to agree to send excess water to Sonora for Sonoran peasants to be able to irrigate land, the applause was so intense and prolonged that Toledo was obliged to acquiesce on the spot.

● **OLOF PALME** became the first Swedish head of state to meet with the Pope in 450 years. It is said that the two talked about the blood-relationship between the old Polish Jagellonian dynasty and the Swedish nobility.

● **FRANÇOIS MITTERRAND**, visiting Belgium in mid-October, had this to say about the uproar over the deployment of American missiles in Western Europe: "I too am against the euromissiles" but, presently "Pacifism is in the West, and the euromissiles are in the East."

● **JORGE DIAZ SERRANO**, the former chief of Mexico's state oil company Pemex who is now under indictment on corruption charges, has confessed that his inspiration in politics was the Malthusian doomsday warnings of none other than Robert Strange McNamara.

● **PROMETHEUS BOUND** was performed before an audience of 70, ranging from students to diplomats, in Stockholm as part of a two-day conference of the Club of Life on Oct. 15-16. A theater professional remarked that he did not know of any previous performance of Aeschylus's great drama in Sweden.

The crisis in U.S. strategic policy

by Lyndon H. LaRouche, Jr.

The majority perception among influential strategic planners around Washington, D.C. is that the Soviet leadership will be forced to turn to serious negotiations with President Ronald Reagan once the Pershing II missiles begin to be installed in Europe later this year. The minority view shares more or less exactly my contrary perception of the situation. The Soviet leadership is presently escalating a thought-out plan toward thermonuclear, global showdown with the United States, and will merely accelerate its drive toward confrontation once the first missiles are installed.

The problem is, that by spring 1984, the minority's view will be fully confirmed and the majority's view shown to be profoundly mistaken, not only as an assessment, but also as a method of assessment. The problem is, that there exists no fallback option in place for the case that the minority's view is corroborated by early developments.

These differences within the community of official and private circles responsible for giving military and political strategic counsel to the President are compounded by the voices of the politicians whispering into the President's ear from the other side. "Mr. President, we're in an election period. Let's not have any crises. We have to keep up the perception that there's an economic upswing, or we're going to lose the election to John Glenn. You've got to duck that 'warmonger' image, Mr. President. I know you're no warmonger, but public opinion"—holding up a copy of the *New York Times*—"thinks you are." The State Department is an inexhaustible source of disinformation on crisis spots in various parts of the world, and so are the circles of Henry A. Kissinger. There is a strong tendency around the Executive

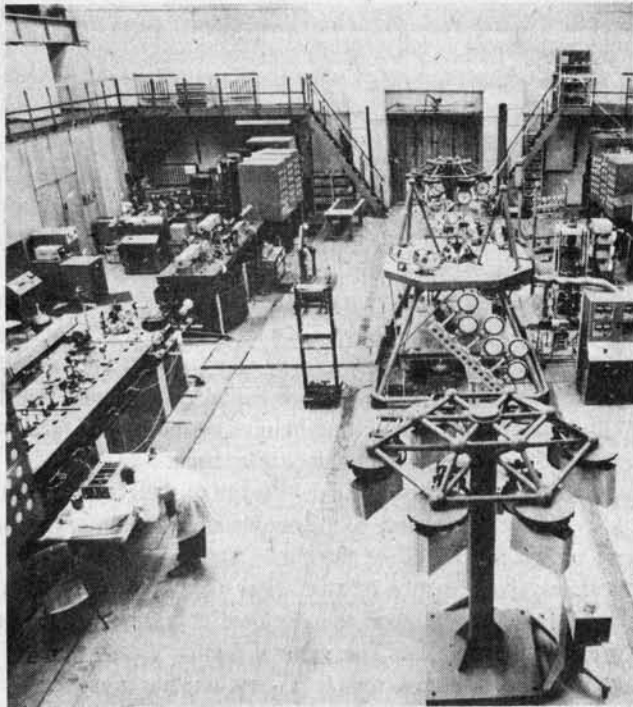
Branch to believe only what one wishes to believe.

"Gee, fellas, wouldn't it be grand if the perception of an economic upswing could be kept up through November 1984!" "Prosperity is just around the corner, Mr. President." "If Andropov would come through and start negotiating seriously before spring, that would make the President really look good with the press. They couldn't call him a 'warmonger' then."

The majority of the intelligence community, or so it seems, is busy telling the White House what the election-campaigners wish to hear.

Meanwhile, President Reagan's former policies are becoming a shambles. His earlier unequivocal commitment to the sovereign integrity of Lebanon has been discarded during recent negotiations with Syria and Israeli circles. Soviet SS-21s have been placed openly on the territory of the Soviet puppet, Syria. The Arab Gulf states, abandoned by the United States, have agreed to dump Iraq's President Saddam Hussein and to pay Iran a demanded \$50 billions in "reparations"—à la outgoing President Jimmy Carter. If that deal goes through, and Lebanon is carved up as now scheduled, the Arab world west of Egypt will disintegrate under movements funded in part by that \$50 billion in reparations, before the end of 1984.

It is worse; Soviet-backed Qaddafi is moving step-by-step to destroy every targeted nation of northern Africa. Chad is virtually gone—a process aided by Soviet pressure on the French government. The destruction of Sudan is already under way, threatening the existence of Egypt. Cameroon, Niger, Ghana, and Nigeria are targets of early destruction by



The Soviet laser program is given top priority.

aid of Qaddafi's forces. Tunisia, Algeria, and Morocco are targeted by Qaddafi and Iran's Savama, all steered from powerful bankers of the Nazi International based in Switzerland, and collaborating with Moscow.

In West Germany, there is presently scheduled a November vote in the German parliament, on whether Germany shall permit the United States to station Pershing IIs in Germany. The proposed vote, arranged by Christian-Democratic parliamentary leader Rainer Barzel, is presently estimated to carry. The Social-Democrats are solidly behind the vote to stop the stationing, together with their Nazi-tinged Green Party allies, and a significant minority of the Christian-Democrats, including Kurt Biedenkopf, are now campaigning to vote against the stationing. This would mean the beginning of the "Finlandization" of Germany, the Netherlands, and so forth, the launching of an escalating process of break-up of the Atlantic Alliance.

In Iran, the majority of the U.S. intelligence community greatly underestimates Soviet control over that country, since U.S. circles count as Soviet only those circles bearing plain and simple Soviet-agent labels. The Soviets however have a working arrangement with the Switzerland-based Nazi International, which controls the hard core of "Islamic fundamentalist" organizations from the terrorism scheduled for the 1984 Los Angeles Olympics, through the Middle East, into the Philippines island of Mindanao. Through the cover of a so-called "democratic anti-Zia coalition" in Pakistan, both Soviet and Khomeini agents are preparing to break up Pakistan, and to carve out a new Soviet puppet state, Baluchistan, to serve as a Soviet warm-water port on the Indian Ocean.

In that region of the world, the Soviet Union has learned that it is not necessary to control forces ideologically. Often, it is sufficient merely to buy them, aided by Soviet circles operating part of the international black market in drug trafficking. Soviet penetration of Burma is partly based on this, giving Moscow effective control over so-called Maoist communist organizations of the subcontinent and Southeast Asia, as well as official communist parties.

One of the deadliest confrontations is shaping up in the Far East, where Washington's deluded, if slightly diminished confidence in the "China Card" is relevant. Since Kissinger's activities of 1972-75, the United States no longer has strategic credibility among any of the nations of eastern Asia's rim, especially in China itself. China may dislike both the Soviet Union and the United States, but China is determined to maneuver in whichever way seems best suited to the cause of China's survival during any conflict between the superpowers. The Philippines is crumbling—largely a result of recent years of bungling by the U.S. State Department—placing the entire region in jeopardy. Meanwhile, the United States has pulled most of the Seventh Fleet out of the Far East, to chase guerrillas in Central America. The Republic of Korea is the principal next target of Moscow in that part of the world after the Philippines.

In the Western Hemisphere, the Soviet Union has no projected strategic interest in assuming the costly liability of subsidizing a "new Cuba" in Central America, but it serves Soviet interests elsewhere to have as much as possible of the U.S. Navy tied down in an escalating "new Vietnam" in that part of the world. Since Henry Kissinger, Al Haig, and Lane Kirkland have lured the President into wasting scarce U.S. capabilities—and credibility—in Central America, and since present U.S. policy is turning Latin America against the United States, it would be uncharacteristic of Moscow not to exploit the mess which the United States has created for itself in that part of the world. It helps keep U.S. capabilities down in the Middle East, in Africa, and the Far East.

Meanwhile, in Moscow itself, the Soviet leadership is operating presently on the perception that present Soviet military superiority, the deepening economic depression of nations under the Bretton Woods System, an imminent, 1931-style international financial collapse, and pressures of the 1984 election campaign will hamstring the Reagan administration so much during the coming six to nine months that the White House will be unable to react effectively to any added element of strategic crisis. This is Moscow's perceived historic "window of opportunity." A strategic confrontation now, it is calculated in those quarters, will force the Reagan administration to make a strategically decisive backdown under Soviet globally distributed confrontation. This would not mean the Red Army's conducting a victory march up and down Constitution Mall. It would mean that Soviet world-hegemony would be unchallengeable for the foreseeable decades to come.

Between the State Department and Kissinger, and Volck-

er coming in from the sidelines, Moscow's calculations are well prepared, and for the moment unshakeable. Since August, the Soviets have been unfurling, step by step, a series of actions—first in one part of the globe, then another, a calculated buildup toward an eyeball-to-eyeball showdown with the United States, including the targeting of the territorial United States with warheads from extended-range SS-20s and from submarines stationed off both the Atlantic and Pacific coasts. Perhaps some thermonuclear pranks in the Caribbean might be tossed in just to make the pot boil more energetically.

Will we submit? Will we consent to be virtually conquered? It is not in our nature to do so. Germans are now accustomed to being conquered, as are, more or less, most of the cultures of Western Europe. Americans? I think not. On this point, the Soviet leadership has miscalculated badly. I think we are headed for early thermonuclear war, if the White House continues to heed the counsels of those representing the evident majority view. Unless we take dramatic steps now which prompt Moscow to rethink its ongoing march toward thermonuclear confrontation, Moscow will drive us to the point of thermonuclear war, and that perhaps—even probably—before the 1984 elections.

The political problem

The obvious political flaw in the White House today is that it is attempting to adapt to what advisers tell it is “public opinion,” rather than to employ the extraordinary powers of the White House to shape public opinion. The key to understanding this is the evidence of the White House's blind faith in the fraudulent statistics which report a “1983 U.S. economic upswing” in progress. The White House demonstrated, by its swallowing that hoax, that it has lost contact with the real people around the country.

There is a deepening economic depression, with the highest rate of bankruptcies since 1933. The people out there experience this depression. It is the oppressive, frightening reality of their daily lives. What do such people feel when they look into the television tube and watch the President of the United States tell them that a remarkable economic recovery has begun? Gradually, they simply don't believe anything the man says on any subject. The President's blindness to economic realities is turning him into a “new Herbert Hoover,” much to the delight of the stage-managers for the frontrunning Democratic candidates.

Had the President said, or would he say, instead, “I've been lied to. You've been lied to. There is no economic upswing. We are in the worst economic depression since the 1930s, and we are threatened with the biggest international financial collapse in history. We can overcome these problems, but I need your support,” the wide reaction would be: “At last, someone in charge is facing the truth!”

The people, generally, are totally ignorant of national policies. They know policies only as the effects of policy strikes them in their personal lives. If persons in whom they

have confidence tell them one policy is good and another bad, the people will usually accept such recommendations, without any understanding of what they are actually supporting or opposing. The usual voter's argument is of the form, “So-and-so is an authority I trust, and I have to go along with what he says.” The people today mostly believe what they read in the newspaper or see on the television tube. They don't know what it is they believe on subjects of national policy, international affairs, and so forth. What they know is their concern to “get by” in life with personal affairs, family affairs—and hoping for a pension. The rest, the things which occur outside their immediate experience, they simply don't understand. On matters which they do not understand, they believe usually whatever they are told to believe by the “authorities” in whom they have chosen to place their trust.

However, as Lincoln said, you can fool all of the people some of the time, some of the people all of the time, but not all of the people all of the time. Sooner or later, wrong policies lead the nation into a disaster which touches directly, and frighteningly, upon the personal conditions of life of most of the citizens. The general feeling among growing numbers of the people then is “Everything has gone wrong.” Authority is then suspect. All those authorities who assured them that this would work out, that that would work out, are now potentially discredited.

Being ordinary everyday people, not exactly full-time professional heroes, the people seek some authority who will lead them in political combat against the authorities who have misled them. They look upwards, toward the higher-ranking circles of power, seeking someone “in authority” who will “come over to our side” on the issues which frighten them sorely. In our republic, such hopeful looks are directed first to the office of President, either for him or against him. If the President will but come over to their side, they will rally behind him, and burn every newspaper which slanders him for so doing.

This same White House insensitivity to reality is otherwise shown in White House policy toward Latin America. United States policy is destroying Mexico. It is threatening to destroy very quickly every nation of South America. Since the spring of 1982, there has been a growing sense of being betrayed by the United States, spreading even among Washington's formerly fast friends in the continent. They are angry with Washington, and justly so. We are turning loose the flock of vultures gathering around Henry Kissinger to loot those nations, one by one, to collapse their economies, to drive the people into misery, and to unleash out of misery the forces of social chaos by which those nations might be torn apart internally, and so destroyed. How would we feel against any foreign government which did that to the United States?

President Reagan is not to be singled out for this blame. Jimmy Carter was the worst President the United States ever had, at least since Pierce and Buchanan. It's the Harriman Democrats and the Morgan liberal Republicans who have been committed to looting most of the world for the sake of

a gang of New York, London, and Swiss bankers. The problem is that election-minded circles around the White House believe that it is important to win support for the President's re-election away from Mondale and Glenn. The fear is that Kissinger's cronies will take a section of the liberal Republicans over to a Mondale or Glenn candidacy. The word on the subject from the orbit of the White House is: "If Mondale were elected, this would be a disaster for the nation." One cannot disagree with that; however, is it wisdom to alienate the American people with a deepening depression before the election; is it wisdom to avoid facing up to the fact that we face the worst strategic crisis in more than a century—probably before the November 1984 elections?

The White House's inability to perceive the monstrous proportions of the strategic crisis now in progress flows largely from the White House's blindness to the realities of the economic situation. This blindness causes it to block out insight into what increasing numbers of ordinary citizens feel as the economy comes tumbling down upon their unprotected heads. It blocks out, therefore, the fact that those frightened, abused people are waiting for signs of leadership out of the depression from someone in charge. White House perception is: "If there is a depression, we shall lose the re-election. We must never allow ourselves to believe that it would ever happen."

By now, the White House is aware that we are on the verge of an international financial collapse. Therefore, it has turned U.S. economic policy over to Fed chairman Paul Volcker—almost lock, stock, and barrel. It is the wishful hope that Volcker's measures will at least stop a chain-reaction collapse of U.S. banks. "Forget what happens in the rest of the world. Volcker will hold the banks together for the election-period! Give Volcker whatever he needs!" What Volcker will do to the United States is more or less an exact copy of what Nazi Economics Minister Hjalmar Schacht did to Germany, but the White House does not wish to think such things through. "We can't have a banking collapse in the middle of the election campaign." There is another way, but that way—my way—would alienate the voting block controlled by Henry Kissinger's banker friends. So, the nation goes.

If it continues to go the way it is going now, either the United States will knuckle under to a Soviet confrontation during as early as the first half of 1984, or we shall be at the edge of thermonuclear war. Fritz Mondale prefers to be a Nuclear Freeze coward; President Reagan's circles are not cowards—they are merely confused by the pressures of a re-election campaign. The President doesn't wish to rock the boat during an election campaign. He probably won't unless the Soviets directly force him to.

The solution

Dr. Edward Teller pointed toward the basic solution to our strategic crisis during a recent public address in Texas. We must use the President's March 23, 1983 promulgation

of a new U.S. strategic doctrine as the pivotal feature of a "crash program," like that launched during the 1939-43 period. We must ensure that the new technologies spill over rapidly and massively into the civilian economy, to generate a—this time—real economic upswing. As Dr. Teller assured that audience, the first generation of the new ballistic-missile defense systems are in reach, much closer because of recent breakthroughs in these technologies. As he said then, these breakthroughs will have unprecedented effects on technological progress in the civilian economy.

Only such an immediate crash program approach to beam weapons development could simultaneously spark a genuine economic recovery and forewarn the Soviet leadership against continuing on the present course of thermonuclear confrontation.

Globally, our main line of defense is not military, but economic. Western Europe—including West Germany—is in the process of being a Finlandized buffer state for the Soviet bloc for many contributing reasons—including John J. McCloy's blunders in the postwar occupation, blunders now coming home to roost. The immediate and most powerful reason is the collapse of Germany's export-market to nearly every part of the world except the Soviet bloc and Khomeini's Iran. The same general problem shapes the policies of Western continental Europe as a whole. The recent worsening of the conflicts with Japan earlier created by Henry A. Kissinger is essentially a reflection of the United States' part in blocking Japan from markets in the developing sector. The deepening, potentially catastrophic rift between the United States and Latin America as a whole is a result of the United States' tailing after the policies of a handful of foolish, rapacious New York and California bankers, and U.S. support for the insane policies of the International Monetary Fund—which is virtually a mere errand-boy for the Swiss bankers and Venice-centered complex of insurance cartels. Our foreign economic policy has been "Support the IMF—and lose the world!"

Almost with the stroke of a pen, the President of the United States could collapse the power and policies of the bankrupt Bretton Woods monetary system, and create a new international monetary order based on a new issue of Treasury gold-reserve-denominated currency notes, pegged at at least \$750 an ounce for gold. The debts could be reorganized, and the internal debt-crisis of the U.S. banks stabilized. This would open up Latin America immediately for a high-technology boom, a boom which would spread to other parts of the world.

Such monetary-reform action to stop the present depression is of equal strategic importance with the crash-program implementation of the President's strategic doctrine of March 23, 1983.

It must be done now, before the full impact of the thermonuclear confrontation hits. If we wait, we risk the alternatives of becoming virtually Soviet puppets or going to thermonuclear war to prevent that.

Kissinger stages coup in the NSC

by Freyda Greenberg

The removal on Oct. 13 of Judge William Clark from his post as National Security Adviser to the President, rather than having anything to do with replacing Interior Secretary James Watt, is the culmination of a systematic drive by Henry Kissinger and allies to re-establish control over U.S. policy-making. That Clark's replacement, Robert McFarlane, is described by a personal associate to be "a 150 percent Kissinger symp" is one important part of the story. The shakeup at the NSC, however, was accompanied by coordinated personnel shifts in other quarters.

The central policy issue, for which Clark's NSC had been a relative bastion of support, is the strategic defense doctrine elaborated by President Reagan last March. It is Henry Kissinger and associates and his most prominent international ally and business partner, former British Foreign Minister Lord Peter Carrington, who have led the opposition to that policy—moving instead to seize the policy-making apparatus of Western powers to support a "New Yalta" policy of accommodation with the Soviet Union and continued strategic decline of the United States.

Concurrent with Clark's ouster were not only additional "reassignments" of like-minded personnel within the Reagan administration, but a parallel process was underway in the United Kingdom, where the circle of Thatcher government advisers associated with the British political-scientific tradition of Winston Churchill were also being removed.

Lord Carrington is now expected to be appointed secretary general of NATO in the next days—his return to official power delayed for months because of opposition to his appeasement designs. Carrington and Kissinger have argued strenuously especially since the Korean Airlines massacre that the Soviet Union is not on a rampage for world imperial domination. It is reported that Carrington and company are seeking a deal with the Soviets especially on Asia and Middle East policy, both areas that have been victimized by Henry Kissinger's influence in the past, an influence renewed during the last year.

In September 1983, *EIR* published a special report, "The Kissinger Plot to Take Over the Reagan Administration," in which Washington bureau chief Richard Cohen documents a

"wave of operations by Kissinger and his associates to usurp control over Reagan's foreign and international economic policy, for which the July 1982 appointment of George P. Shultz as Secretary of State was the essential precondition." Cohen describes newly-appointed National Security Adviser Robert McFarlane as an important player in this plot—holding a place for Kissinger policy in the Reagan administration, first as counselor in the State Department and then in the number two position at the NSC.

Who is Robert McFarlane?

This past July 22, McFarlane replaced Phillip Habib as Special Envoy to the Middle East following a meeting with Reagan, Defense Secretary Weinberger, and Lebanese President Gemayel. Since his appointment, McFarlane, in the true spirit of Kissingerian shuttle diplomacy, has effectively hung Gemayel out to dry while giving portions of Lebanon not already controlled by Israel to the increasingly bellicose Syrian regime. It is anticipated that the machinations of McFarlane, Carrington, et al. will quite deliberately lead to a fifth Middle East war.

According to the *EIR* report, McFarlane's relations with Kissinger go back at least to 1967. At that time, following service in Vietnam, McFarlane studied "international relations" on an Olmstead Scholarship at the Swiss Institut des Hautes Etudes in Geneva. Upon his return, McFarlane joined the NSC staff under then-director Henry Kissinger, representing the Marine Corps, through the Joint Chiefs of Staff, as their liaison on the Middle East and South Asia. In 1973, McFarlane graduated from Executive Counsel to the President (Nixon) for Legislative Affairs to become NSC adviser Kissinger's executive assistant—a role held by Al Haig before him. In the Ford administration, McFarlane served in the same executive assistant role under Kissinger-surrogate Brent Scowcroft.

The same source who characterized McFarlane as "150 percent Kissinger" reports that McFarlane pushed strongly for Kissinger's appointment as Secretary of State during the Reagan transition. McFarlane moved from his counselor's position at State over to the number-two position at the National Security Council after President Reagan chose then-Deputy Secretary of State William Clark to replace Richard Allen as head of the NSC.

Another important connection to Middle East policy goes back to McFarlane's stint from 1979 to 1981 on the professional staff of the Senate Armed Services Committee. From this post he headed the notorious Jimmy Carter whitewash investigation of the ill-fated April 1980 hostage rescue mission in Iran. The committee's report completely covered-up collaboration by the Carter State Department and the National Security Council with the Khomeini regime—a collaboration that has since been confirmed in various locations including a July 25, 1983 *Time* magazine article revealing Carter administration sales of arms to Khomeini during the hostage siege.

Call for \$200 billion ABM defense program

by Paul Gallagher

Pressure is mounting from the Defense Department, Joint Chiefs of Staff, and presidential science and national security advisers for President Reagan to announce an all-out effort to develop beam-weapon anti-missile defenses.

The only things which could stop the United States from reaching the 1988 target of a relatively primitive but effective ABM system, *EIR* founder Lyndon LaRouche said on Oct. 20, would be either a U.S. capitulation to the present Soviet escalation toward an early thermonuclear confrontation, or an actual thermonuclear war. "Unless President Reagan backs down to Soviet confrontation—which I do not think is his temperament," LaRouche stated, "the President is going to have to reshape his timetables very soon on the basis of developments which I believe he does not presently expect will actually occur during 1984. After the first of the year some time, the Soviets are going to hit the United States very hard with threats of first strike against the United States itself, and by major geopolitical operations in various parts of the world. . . . The President will be forced to choose between capitulation and accelerating U.S. defenses. My reading of the President's character is that he will choose the latter, no matter how big a shake-up that may mean inside the administration or in his election-campaign policy."

The Fletcher Report

On Oct. 17, following low-keyed leaks in daily newspapers around the country, the aerospace journal *Aviation Week*, with the aid of Pentagon sources, published the first full outline of the reports by the Fletcher Commission on science and strategy of anti-missile defenses.

According to *Aviation Week*, the President is advised to set up a centralized ABM program under the coordination of the Joint Chiefs and Secretary of Defense. He is told that the United States can proceed immediately to *demonstration* of the key ABM technologies: neutral particle beam by 1985; ground-based free electron laser, whose beam would be refocused by mirrors in space, by 1985; ground-based "excimer" lasers with high-frequency radiation by 1986; high-power chemical laser with low-frequency (infrared) radiation by 1987; full-power, focused x-ray laser beam by 1988; and

the technologies to see, point at, and track missiles as targets, with great accuracy at long ranges, by 1988.

Furthermore, the reports present the President with "early deployment options" to build actual anti-missile defenses using these technologies throughout the 1990s. The cost of "early deployment" is slugged at \$27 billion over five years beginning with fiscal 1985, and another \$150-\$160 billion during the 1990s.

Much more could be spent, if a true crash program is mounted to conquer the most revolutionary technologies in human history—directed energy and particle beams and fusion power processes—and end the reign of terror of the nuclear ICBM. LaRouche and other leading advocates of such a crash program estimate that up to \$500 billion could be spent at no net cost to the economy, because technological breakthroughs would "spin off" to revolutionize the entire U.S. industrial economy.

According to *Aviation Week's* sources, the Presidential commission reports confirm Dr. Edward Teller's judgment: "Current technology levels can provide an effective counter to current Soviet ICBMs in some important contingencies, [but] the effectiveness of near term deployment of systems based on present technologies alone could be eroded by Soviet technology advances. "The long-term technology. . . holds particular promise for highly effective and robust counters to Soviet countermeasures"

At his Oct. 19 press conference, the President responded to a reporter who asked, "Wouldn't this lead to a new defensive arms race, instead of an offensive arms race?" "Would that be so bad?" said Reagan. "If both sides had these defensive weapons, no one would start any wars, would they? I think that's the idea."

When White House spokesman Larry Speakes was questioned two days earlier about the *Aviation Week* account, he referred to the March 23 speech, reiterating that Reagan "expressed his long-range goal to decrease our reliance on the threat of nuclear retaliation. . . . The studies now being completed identify steps that could be taken to prepare for such a shift in emphasis." But, Speakes qualified, "We have not yet shifted to a defensive orientation."

This reflects the tremendous blackmail directed at the White House by Henry Kissinger and the Andropov Democrats (see article, page 48). The White House is still publicly stating that the next five years of beam-weapons development will not involve any *deployment* of defenses.

Speakes concluded, however: "We would hope that the U.S. and the Soviet Union could find that defensive capabilities can enhance our mutual security, and could then enter into a more comprehensive arms-control regime." Speakes was referring to the fact that Kissinger's 1972 ABM treaty, as both Kissinger and the Soviets know, does not forbid development of ABM systems based on "fundamentally new physical principles"—directed energy weapons. The White House has thus again offered the Soviets an agreement to mutually deploy anti-missile defenses.

Teller blasts press blackout of beams

by Mary McCourt

If the United States is to develop the defensive antiballistic missile weapons (beam weapons) essential for its national security, sabotage of the program by the U.S. press must end, Dr. Edward Teller emphasized in two speeches in two days, on Oct. 13 and 14. Teller, President Reagan's leading adviser on the weapons systems, told a meeting of the Accuracy in Media organization in Houston, Texas Oct. 14: "We must stop the campaign of disinformation which is intentionally misleading the American public. I have one question. Did the *New York Times* learn its art of disinformation from the KGB or did the KGB learn its art of disinformation from the *New York Times*?"

The day before, Dr. Teller had attacked the *Times* and NBC-TV for systematically lying about the beam-weapons policy Reagan proposed on March 23. In that speech, delivered to the Dallas World Affairs Council, he called for a "new Manhattan Project" to develop the potential of "defensive nuclear weapon" technologies as rapidly as possible for anti-missile defense. The speech was blacked out of the area's media the next day, to the astonishment of its sponsors. The majority of reporters had walked out of the auditorium when Teller demanded that press coverage of his speech be based only on accurate, verbatim quotes.

Teller cited his experience as a leader of the original Manhattan Project during World War II to urge a total mobilization of technological ingenuity pursue "very recent breakthroughs" in developing energy-beam systems. In Houston, Teller specified that not only Europe but Japan should join the effort, working on weapons of defense to which the Japanese can make great technological contributions.

Teller described the breakthroughs that are "making possible nuclear explosions of a new type, which do not harm human life, but are very destructive against missiles." He described electromagnetic pulse (EMP) phenomena as the broad field in which these developments were taking place. EMP, as many recent technical results and reports have begun to show, involves sharp and powerful, controlled bursts of radiation—x-rays and microwave radiation in particular—generated by small nuclear explosives and aimed to destroy targets. This subsumes the much-discussed x-ray burst, x-ray laser, and microwave beam ABM technologies.

The bottom line, said Dr. Teller, for the first time in such an explicit way, is that the allies can begin to get results from some of the available technologies for immediate anti-missile

defense, and then work for "a decent overall system of protection within 10 years."

Authoritative sources indicate that this is precisely the conclusion of the reports—on beam-weapon technologies and on an ABM strategy—just completed for President Reagan (see article, page 53). Teller predicted that such an effort would force the question of breaking down secrecy classification barriers, and would reunite nuclear fission and nuclear fusion scientists on the path to the predicted "profound technological revolution."

In his Oct. 14 speech, Teller described how, when working on the H-bomb, he often had to criticize his superiors and break rules. Today, survival depends on breaking the rules, he stated, "because according to the customary rules we are doomed. We need miracles."

The West must rid itself of the influence of Bertrand Russell's Pugwash circles and certain U.S. Eastern Establishment figures if it is to deal with the threat to civilization that atomic missiles represent. Dr. Teller summed up the policies of this group in the career of Robert Strange McNamara, who "invented Mutually Assured Destruction [MAD]. The idea is to kill as many innocent people as you can, if you make sure you kill them on both sides."

But, he went on, "fortunately there are young scientists who have some good ideas about how to get out of this. People in this administration have realized we must get away from MAD, and on March 23 Reagan made a remarkable speech, which can be summarized in the quote: 'It is better to save lives than to avenge them....'"

The Pugwashites had their revenge. The media, Teller stated, who couldn't black out or deny that Reagan made the statements, "talked about Star Wars. They said Reagan was a cowboy shooting from the hip, that he was an anti-intellectual."

When he testified in Congress on ABM defense, "I thought the media were there because they were interested in saving the country. What I didn't know was that I was on the front page of the *New York Times* that day ... accused of making profits from a laser company as the reason I was pushing these systems. *Pravda* picked this up right away and began attacking me."

Again emphasizing the need for a crash effort, Teller stated that the U.S. ABM program must be expanded to produce strategic defense and "a profound technological revolution, broader than the revolution set off by the first invention of nuclear weapons."

The contest is as much economic as military, as Teller made clear. "The attacker needs lots of money to build offensive systems," he stated. "The defensive system needs lots of ingenuity. The media has succeeded to a large extent in convincing people that we don't have enough ingenuity in the Free World. Many scientists have come to believe this. We must convince the best people to get involved in the search for defensive weapons."

In an interesting sidelight to his remarks, Teller asserted

that the U.S. Navy was the military service at the center of scientific progress in laser and particle-beam defense, and that Navy Chief of Operations Adm. James Watkins had been the key influence on the President from the Joint Chiefs of Staff in pushing the "March 23 policy" out into the open field of political mobilization.

What the *Times* says; what the Soviet press says

On the Soviet shooting down of Korean Airliner 007 Sept. 1:

The New York Times, Sept. 4: The Soviet Union intensified its charges today that the United States was ultimately responsible for the fate of the South Korean airliner. . . .

An account carried by the Soviet press agency TASS . . . followed Friday's assertion that Washington's detailed knowledge of the airliner's flight path and fate point to complicity in a spying mission. To this, today's account supplied considerable fresh evidence drawn almost entirely from Western reports of the incident.

TASS, Sept. 3: Issuing forth torrents of vicious abuses, representatives of the U.S. administration want to avoid answering clear questions. . . . U.S. journalists also have been putting these questions to the U.S. administration. . . .

The flimsiness of the attempts of the White House to justify the "appearance of the South Korean in the airspace of the Soviet Union by some technical malfunction" is also made obvious by the statements of the former head of the Joint Chiefs of Staff of the Japanese armed forces, at present the military observer of the newspaper *Mainichi Shimbun G. Takeda*: "With Boeing having a computer on board, two pilots, and a system of double-triple checking, the deviation of the plane of the South Korean air company looks more than strange. . . . This is also confirmed by a report published by the *New York Times*."

The New York Times, Sept. 5: In an item that assailed President Reagan for the "outrageous rumpus" the United States has made over the incident, TASS quoted a variety of Western commentaries to support its contention that the Korean airliner was on an intelligence-gathering mission. . . .

TASS said a CBS News report on the downing of the Korean airliner had observed that "the U.S.S.R. could have taken the airliner for an American spy plane making flights along the Kamchatka coast."

On the transfer of National Security Adviser Judge William Clark to Secretary of the Interior:

The New York Times, Editorial, "Time for a Pro," Oct. 16: [Clark only served to] reinforce Reagan's attitudes toward the world. The two men disdain the Soviet system to the point of shunning communication with its leaders. They

both tend to see most problems only through a cold war prism. They share excessive faith in the diplomacy of force and an excessive mistrust of arms control. . . .

The more amateur the President, the greater his need for a professional briefer. . . . [What's needed now is a professional] like Henry Kissinger and Zbigniew Brzezinski . . . to undo the . . . damage by personal and political amateurs like Clark . . . [such as] mortgaging huge budgets to weapons that provide no early remedy.

Pravda, Oct. 15: Most connoisseurs of the Washington political cuisine agree that bellicose adventurer Clark has brought nothing but disgrace to the White House. . . . He looked at the world through the barrel of a Colt. [His appointment as Interior Secretary is a move from an important job to] a third rate ministry.

On the conference on "Technological Bases for Peace" held in Erice, Italy, Aug. 20-23.

The Washington Post, Column, by Mary McGrory, Sept. 18: It so happened that defensive weapons systems . . . were the subjects of discussion Aug. 19. That was because Edward Teller was the great star of the conference. The Hungarian-born father of the H-bomb is also the godfather of President Reagan's much-mauled "Star Wars" concept of a nuclear shield. Teller . . . is the Kissinger of science. At Erice, he was surrounded by worshippers and protégés. . . .

Soviet delegate Moisey Markov . . . also talked on the first day. He said, laboriously, "Love Thy Neighbor." A Livermorist told me it was "inappropriate."

But what the Livermorists found much more "inappropriate" was opposition to Teller. . . .

On the last day, the conference voted to appoint a committee . . . to study the feasibility of nuclear defense. "It's always the same with Edward," sighed a non-Livermorist. "When it's a question of more or less weapons, he always wants more."

TASS, Aug. 21: A debate on the problems of peace and nuclear disarmament has begun at an international seminar of scientists currently in progress in the Italian city of Erice, Sicily.

Academician Ye. P. Velikhov . . . drew the assembled company's attention to the Soviet Union's latest peace proposals, noting the enormous importance of the initiative recently put forward by Yu. V. Andropov . . . in conversation with U.S. senators, whereby "the U.S.S.R. pledges not to be the first to put an antisatellite weapon of any kind into outer space." . . .

Clashing completely with the Soviet scientist's address were the remarks of certain representatives of the U.S. delegation, who, contrary to common sense, called for the creation of ultra-sophisticated anti-missile space systems, presenting them as virtually a "safety shield" for the population while to all intents and purposes defending the Washington administration's policy of militarizing outer space.

Scientists demonstrate how low the cost of thermonuclear fusion energy will be

by Charles B. Stevens

Dr. John H. Nuckolls, one of the world's leading nuclear scientists and the director of the Lawrence Livermore National Laboratory's X Division, presented a new, revolutionary analysis of the economic prospects for nuclear fusion at the London, England European Laser-Matter Interaction Conference held the first week of October.

Presenting results from recently completed advanced reactor designs, Dr. Nuckolls demonstrated that fusion has the ultimate economic potential of generating electricity for half the cost of the currently cheapest methods—nuclear fission and coal. Dr. Nuckolls states: "Relative cost escalation would increase this advantage. Fusion's potential economic advantage derives from two fundamental properties: negligible fuel costs and high quality energy (which makes possible more efficient generation of electricity)."

All previous fusion reactor studies have come in with projected costs 25 to several hundred percent greater than fossil and fission. As Dr. Nuckolls concludes in his report, "This is a remarkable and exceedingly important result. . . . This low cost economic potential would provide strong commercial incentives to accelerate the pace of fusion development in the near term, and to install a fusion energy system in the long term."

Magnetic fusion and inertial confinement fusion (ICF) are the two general approaches to fusion energy. While Dr. Nuckolls primarily focuses on ICF, which he helped pioneer, he notes: "These remarks about the economic potential of fusion apply to all of fusion not just inertial fusion." He concludes that development of both general approaches to fusion should be accelerated.

In detailing the scientific prospects for ICF, Dr. Nuckolls identifies the crucial benefits of polarizing fusion hydrogen fuel. This can lead to a threefold decrease in the laser energy required to achieve ICF and to the development of entirely new approaches to ICF target design. *Fusion* magazine was the first to point out the unique applications of polarized fusion for ICF in the analysis that was published in a special issue in September of last year.

In his economic analysis, Dr. Nuckolls shows that spending a few billion dollars to accelerate the development of fusion now will pay off in the tens of trillions of dollars in the 21st century in the world-energy market and will guarantee the technological pre-eminence of U.S. industry. Dr.

Nuckolls concludes that because of this tremendous payoff, the United States "has strong incentive to accelerate fusion research—other nations have similar incentives."

How ICF works

In ICF, intense beams of lasers or particles, which are often referred to as drivers, are used to compress and heat small pellets of hydrogen fuel to the super-high densities and temperatures at which nuclear fusion reactions are ignited. Because the rate of reaction is a function of fuel density, by compressing the hydrogen to super densities, the fuel pellet "burns up" before it blows up. Only the inertia confines the burning fuel.

Scientific and technological status of ICF

Besides developing the new analysis of the economic potential of ICF, Dr. Nuckolls also reviewed its current scientific and technological status: "Inertial fusion must demonstrate that the high target gains required for practical fusion energy can be achieved with driver energies not larger than a few megajoules. Before a multi-megajoule scale driver is constructed, inertial fusion must provide convincing experimental evidence that the required high target gains are feasible. This will be the principal objective of the NOVA laser experiments. Implosions will be conducted with scaled targets which are nearly 'hydrodynamically equivalent' to the high gain target implosions. . . ."

"Since the inception of the first experimental laser fusion program at Livermore in 1963, the long range strategy has been to build a sequence of successively larger lasers until thermonuclear ignition is finally achieved. Beginning with the few-joule laser in 1966, we have progressed to the 10-kilojoule Shiva laser in 1978 and the 10-kilojoule Novette short wavelength laser which was completed last year. Next year the 100 kilojoule NOVA laser will be come operational. Each laser in this sequence has been used to conduct critical experiments, and to develop new technologies, which made possible building of the next tenfold-larger laser. Beyond NOVA, a multi-megajoule driver will be required to demonstrate that high gain targets required for practical energy applications are feasible."

But in formulating his economic analysis, Dr. Nuckolls utilizes only the most conservative estimates for target gains,

and points to the more advanced possibilities, such as polarized fusion, as providing a general backup.

Why fusion is cheaper

Dr. Nuckolls begins by taking nuclear fission, which is significantly cheaper than coal, at its best, i.e., by assuming an infinite fuel supply, possibly provided by a fission-fusion hybrid breeder, and with an advanced reactor design which can be constructed within five years: "Fusion has two principal assets which could potentially confer a factor of two advantage. First, the typical fuel cycle cost for a light-water [fission—CBS] reactor is approximately 20 percent of the total busbar cost [cost at the point of transmission] of fission energy. With the hybrid 20 percent escalation factor, the fission fuel costs would give fusion a 40 percent advantage since its fuel costs are negligible. Second, there is another possible 40 percent advantage which derives from a combination of two factors: the high quality of fusion energy and the fluid insulation of fusion reactor walls [the magnetic fields in magnetic fusion reactors and liquid jets of lithium in ICF reactors—C.B.S.]. These two factors taken together make possible a 40 to 50 percent increase in the electrical generating efficiency. Multiplied together, fusion's two 40 percent assets provide a twofold advantage over fission."

Dr. Nuckolls goes on to show that these assets far outweigh fusion's liabilities.

MHD electricity generation

The most important new point raised by Dr. Nuckolls in his London presentation is that inertial fusion can utilize the far more efficient MHD method of electricity generation in a manner that is not only technologically feasible but also simultaneously successful in overcoming the difficulties inherent in high energy neutrons produced in Deuterium-Tritium (DT) fusion, that form of fusion involving two isotopes of hydrogen. While Dr. Nuckolls presents two reactor designs which make use of MHD electrical generation, here only one of them will be described in detail: the "neutron pillbox MHD" system.

It has often been pointed out that if there existed some process for directly converting high-temperature fusion energy output into electricity, then efficiencies of 99.99 percent could be achieved. Dr. Nuckolls has detailed a process which can attain at least 70 percent efficiencies and thereby double the potential electrical output of an inertial fusion reactor. This process is technologically straightforward and solves the neutron damage problem.

Dr. Nuckolls and his collaborators at Lawrence Livermore have turned the neutron problem on its head. The solution is to surround ICF exploding pellets with a pill-shaped mass of solid lithium. The fusion-generated neutrons are then captured within this solid mass, causing it to blow up. But because neutrons deposit throughout the volume of the lithium pillbox, the second explosion can be shaped by properly arranging the geometry of the pillbox. For example, the neu-

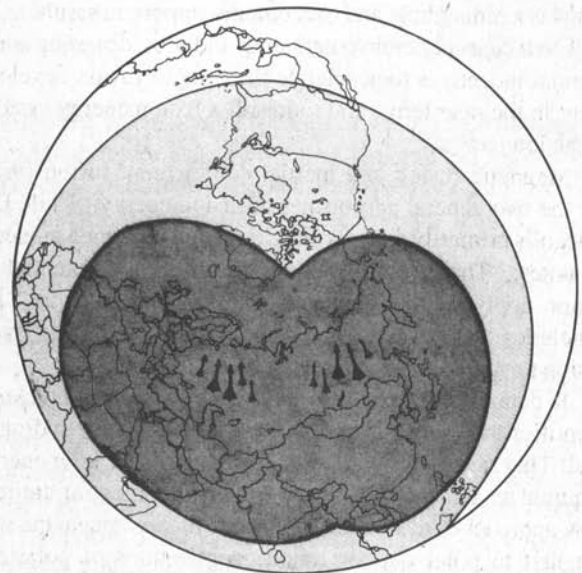
tron deposition can be made to generate converging shock waves. And the energy density of the neutron deposition is still sufficient to transform the pillbox lithium into a high temperature plasma. The final result is that the vast majority of the fusion energy output can be transformed in straightforward manner into directed plasma jets.

High-temperature plasma jets greatly simplify MHD electricity generation. And, in general, plasma jets are ideal for all kinds of energy transformations, such as microwave generation. The reasons are easy to detail in the specific MHD case, but it should be noted that the general point of transforming a high temperature "thermal" fusion output into a slightly lower temperature "directed" plasma jet has profound theoretical implications.

Beam weapons and ICF

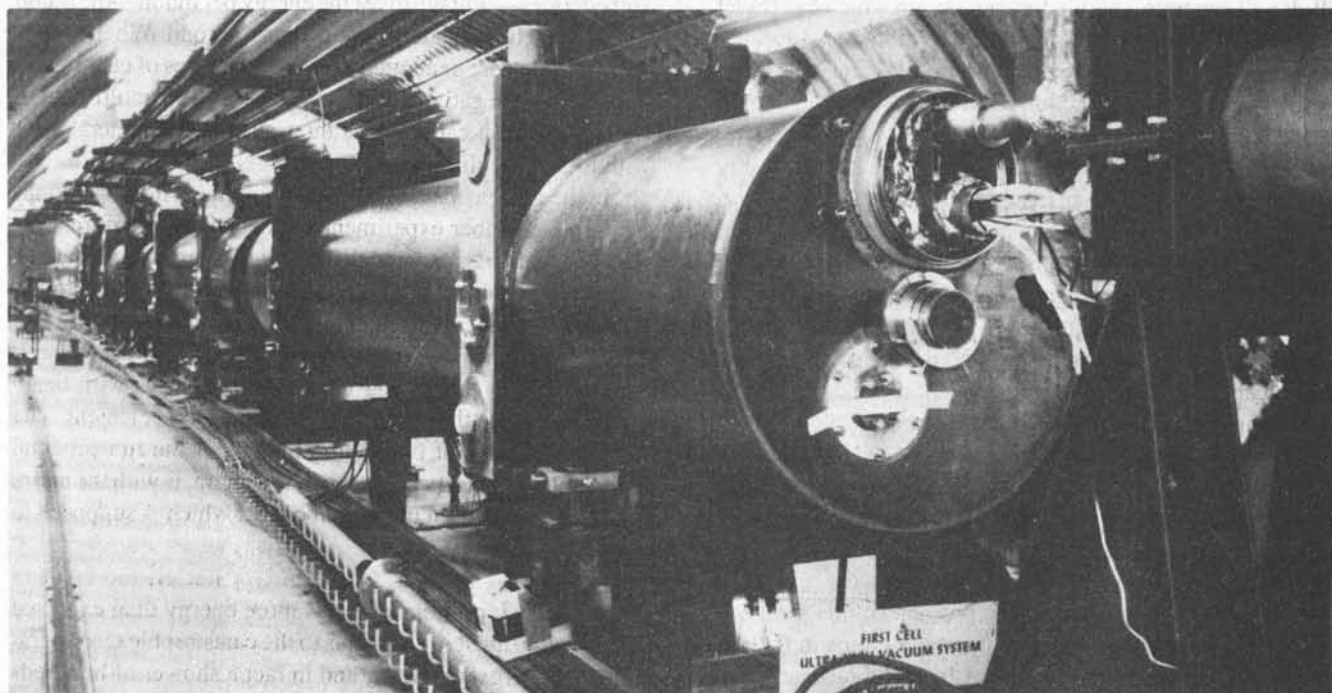
An important point not reviewed by Dr. Nuckolls is the close connection between ICF and the entire beam-weapons technology of energy concentration—pulsed power. One leading member of the President's special task force on beam weapons stated to this author last May that "ICF is in the bag, given the President's beam weapon program." The beam-weapon program is directed toward developing efficient high-power lasers and particle beams, which are the drivers for inertial fusion.

CORRECTION: Due to a production error, the following map appeared with an incorrect key in our Oct. 25 Special Report. The map should be read as follows:



Deployment of Soviet ICBMs and IRBMs

- ◻ ICBM concentration and range
- ◼ IRBM concentrations and range



Brookhaven National Laboratory

Technology like this will be utilized in building the Desertron. Shown above are super conducting magnets like those tested on the Isabelle Brookhaven prototype accelerator.

The Desertron accelerator and the development of anti-ballistic missile defense

by Charles B. Stevens

A proposed new proton accelerator known as the Desertron, intended for high-energy particle physics research, has an added but little-known potential benefit: protecting large areas of the United States against incoming thermonuclear warheads.

The design for this huge circular accelerator, with a radius of up to a hundred kilometers, has been put forward by Dr. Leon Lederman, director of the Fermilab in Batavia, Illinois, who suggests that it be built in the New Mexico desert.

As a scientific research facility, the Desertron will permit physicists to generate pulses of extremely high-energy proton beams on the order of 40 trillion volts, producing the densities at which matter is transformed into energy and energy back into matter, so that the fundamentals of these processes can be experimentally explored. The machine would take the form of a ring of approximately 100 kilometers in diameter with a circumference over 300 kilometers—about the size of the Washington, D.C. beltway. The device will consist primarily of superconducting magnets and will cost several billion dollars. Building this one machine will generate the base for a large superconducting industry in the United States.

Since superconductors have a wide variety of applications to advanced technologies such as magnetohydrodynamics (MHD), efficient generation of electricity, advanced electrical machinery and transformers, magnetically levitated bullet trains, and magnetic fusion, the resulting economic benefits will more than pay for the cost of the Desertron itself.

While other anti-ballistic missile defense systems such as the pop-up x-ray laser are hundreds of millions of times smaller, the Desertron could prove to be a cost effective, secure, and efficient beam weapon system. It could incapacitate thermonuclear weapons descending upon the United States with a relatively minute expenditure of energy.

Current plans call for building the Desertron by the end of this decade. But since the technology needed to build this type of high-energy accelerator is well understood, it could actually be built in two to four years.

The Desertron as a beam weapon

What makes the Desertron potentially attractive as part of a final layer of defense against nuclear-tipped missiles is the fact that it may be able to achieve what is termed a "tuned"

kill. It will generate a highly focussed beam which can travel thousands of kilometers through the air without any dissipation of energy and could still deposit sufficient energy to completely disrupt the functioning of a nuclear explosive.

Another beam weapon system that achieves a tuned type of target kill is the electron beam ATA accelerator, currently being explored at Lawrence Livermore National Laboratory. The distance which an electron beam will travel through air before depositing its energy is determined primarily by the voltage of the electron-beam. By increasing the beam voltage, the ATA can deposit most of its energy at increasing ranges. Therefore the operator, once the range was determined, can dial the appropriate beam voltage to deposit most of the beam energy into the targeted warhead.

The Desertron could achieve even a more sophisticated tuned kill because it incapacitates warheads with the quality of energy that it delivers, not merely the quantity.

One proposed way in which the Desertron could be utilized as a beam weapon is to transform its proton beam into a muon beam. When high-energy protons collide with stationary blocks of matter, both protons and atoms in the stationary block disintegrate into short-lived subnuclear particles called mesons. The mesons in turn form a well-collimated beam moving in the same direction as the incident proton beam. After a short time these mesons spontaneously decay producing muons, another subnuclear particle. The muons also form a well-collimated beam, whose divergence decreases as the proton beam's voltage increases. A 40 trillion volt proton beam, for example, forms a muon beam with approximately the same voltage and with a divergence of less than 10 microradians. This means that after traveling 1,000 kilometers, the muon beam would only spread out to a beam one meter in diameter—just about the diameter of a warhead re-entry vehicle.

What makes high-energy muon beams particularly attractive for anti-ballistic missile defense is the recently discovered fact that muons interact in an unexpectedly powerful way with heavy elements. These elements constitute the most fragile element in a nuclear explosive, namely, the uranium and plutonium used for generating the fission trigger in H-bombs.

Muons are extremely interesting from the standpoint of fundamental physics. No one has yet discovered why they exist. Muons appear to play no essential role in the structure of matter as do electrons, neutrons, and protons. Experimentally, muons appear to be exactly like electrons, except that the muon's rest mass is more than 200 times greater. This means that muons can be substituted for electrons in fusion fuel, and nuclear fusion reactions can be catalyzed at very low temperatures. Research for this application of low-energy muons is being carried out at Los Alamos National Laboratory.

Muons at rest have a lifetime of only a few millionths of a second before they decay into normal electrons. But at velocities near the speed of light like those achieved at trillion

volt energies—voltage gives the energy per muon—the muon lifetime can be extended to more than a second. When muons are born, they are generated in equal quantities of electrically positive and negative charges. As a result, a multi-trillion volt muon beam can traverse thousands of kilometers of air with little or no dissipation.

In the past year scientists reviewing the data from "empty" target chamber experimental shots on the Stanford University accelerator noticed that the high-energy muon beams interacted in an unexpectedly strong fashion with material in the target chamber wall. Later these initial observations were checked on the CERN international accelerator in Geneva. It was found that this strong interaction increases with beam voltage and with the atomic weight of the target element. The interaction does not fit existing models of the fundamental structure of matter, because the muon interacts with the entire nucleus instead of an individual quark, which is supposed to be the fundamental building block of matter. As a result of this anomalous interaction with heavy nuclei, the incident muons deposit millions of times more energy than expected in individual nuclei. This leads to the catastrophic disintegration of the targeted nuclei, and in fact a shower of hundreds of nuclear remnants is generated ("hadronic" shower). This shower can easily multiply the deposited muon energy through secondary nuclear reactions generated by these nuclear fragments, especially when the target consists of the highly reactive heavy nuclei such as uranium and plutonium.

While the Desertron muon beam will probably deposit sufficient energy, both directly and through secondary nuclear reactions, to mechanically disrupt a warhead; even minute changes in the geometry and composition of the fission material could prove capable of disrupting the warheads' functioning.

The functioning system

The Desertron's basic purpose would be fundamental physics research. But once a first-strike missile launch were detected, the facility could be geared up for muon beam generation in only a few minutes. One set of practical specifications would call for 100 muon beam pulses per second. Within a few minutes, the Desertron could incapacitate 10,000 descending warheads within a circle more than a 1000 kilometers in radius. Three such accelerators could be sufficient to cover the continental United States.

While the Desertron could prove to be extremely effective, in order to guarantee the destruction of 99.99 percent of all offensive warheads it would have to be combined with other layers of defense—shorter-range particle and laser beams together with the pop-up x-ray laser, all of which are also capable of intercepting missiles during their launch phase. If the Desertron beam weapon defense is shown to be workable, it would be particularly effective as a terminal defense since it would achieve the disabling of the incoming warhead so quickly that the warhead could not be salvage fused (detonated when it detects that it is under attack).

Facing IMF once more before adjournment?

Supporters of the International Monetary Fund (IMF) are preparing to make yet another attempt to get Congress to approve an \$8.4 billion quota increase before it adjourns for the year sometime in mid-November.

Congressional resistance to the IMF, particularly in the House, has been so intense that the battle has been drawn out longer than many had expected. The first authorization vote in August was passed by a bare 217 to 211 margin in the House, and political controversies have since developed that may be insurmountable. Not until President Reagan gave his own strong personal endorsement to the IMF in late September did Capitol Hill observers rate the IMF's chances of passage as high as 50-50.

Beryl Sprinkel, Treasury Undersecretary for Monetary Affairs, gave notice in a speech on Oct. 18 that the administration is on red alert to get the quota increase approved. Sprinkel said that the IMF was the "linchpin" of the strategy to solve the international debt crisis and that its supporters "expected to win" its passage. "We will be spending a great deal of effort over the next few weeks to get it through," he said.

While there has been little evidence within the Congress that the IMF bill is closer to passage, Sprinkel's statement was a signal that the administration will jump in and try to break up the roadblocks to IMF approval. Sources report that House Banking Committee chairman Rep. Fernand St Germain (D-R.I.), a strong IMF advocate, may be close to working out a "package deal" with the administration to get the necessary votes.

Chief among the obstacles is St Germain's demand that the adminis-

tration help get a housing bill through the Senate in exchange for support for the IMF. Senate Majority Leader Howard Baker's (R-Tenn.) leadership office reports that there is no prospect of the housing bill reaching the floor this year. St Germain also reportedly considers unacceptable Senate Banking Committee chairman Jake Garn's (R-Utah) suggestions to tack parts of the housing bill onto other bills. But St Germain could easily cave in on this demand as he did last July.

If the housing issue is worked out, several Capitol Hill offices report, all the other obstacles will "fall rapidly into place."

Export Administration Act nearly complete

The House has dealt a defeat to attempts to liberalize the flow of high technology which could find its way to the Soviet Union or other communist nations. The action came as the House adopted amendments on Oct. 18 to H.R.3231, which extends the existence of the Export Administration Act. Final passage of the bill is expected soon.

The key amendment defeating the liberalization attempt was sponsored by Rep. Toby Roth (R-Wis.). It was itself amended and then adopted by a 239 to 171 vote. Based on a May 1982 Government Accounting Office review of the licensing process for U.S. exports, the Roth approach maintained the need to acquire a license for export of high technology goods to U.S. trading partners in COCOM, which consists of the NATO countries plus Japan, excepting Iceland and Spain.

The softer approach, which flew in the face of public concern that U.S. technology exports to the East bloc

have substantially aided the Soviet military buildup, was offered by Rep. Don Bonker (D-Wash.), who would drop the requirement for pre-export licensing of high-technology items to COCOM nations. Opponents of this approach fear that there is a much greater leakage of high technology items to the East bloc from U.S. trading partners. Supporters of the Bonker approach could point to no authority during the floor debate showing that trading partners' control was as tight as the controls from the United States.

The Roth approach also attempted to cut back on the number of licenses processed every year by eliminating the requirement for "low-technology" exports to nations outside of COCOM. Some members of the Armed Services Committee, led by Rep. Earl Hutto (D-Fla.), noted that certain low-technology items were also sophisticated and required control. Thus an amendment was adopted giving the Secretary of Commerce discretion to treat items on the low-technology list as high-technology.

The Senate may consider a bill on the EEA as early as the week of Oct. 24. The Senate version does not attempt to liberalize export requirements as drastically as the Bonker approach, nor is it as strict as the Roth version. Senator Heinz (R-Pa.) reportedly does not expect attempts to tighten the Senate bill.

The House stalls on dairy bill

An effort by House Agriculture Committee chairman Kika de la Garza (D-Tex.) to pass a "dairy compromise" through the House without debate or amendment failed on Oct. 18. His effort to "cut the best deal he could" with the Senate, which passed the dairy bill

on Oct. 7, failed by a vote of 188 to 208.

Dairy farmers already must pay a \$1.00 assessment on each hundred-weight of milk produced. The existing program also contains incentives to reduce dairy herds by 8 percent, an incentive cash-strapped farmers are being driven to take. The "dairy compromise" worked out by the administration, the Senate, the House Agriculture Committee, and sections of the dairy industry, would ameliorate the \$1.00 tax and would provide even greater incentives for herd reduction. "Free market" opponents of the compromise, such as Sen. Daniel Moynihan (D-N.Y.), and Rep. Barber Conable (R-N.Y.) simply want to cut dairy price supports.

De la Garza, recognizing that the dairy compromise might not survive floor amendments from the free-enterprise crowd and others, tried to push it directly into a conference committee on H.R. 3385, an agriculture bill dealing with the impact of the PIK program on cotton production. The committee could have adopted a dairy provision by virtue of the fact that the Senate version contained the dairy compromise. Opposition to the compromise itself and opposition to the efforts of the House Agriculture Committee to avoid floor action resulted in the defeat of de la Garza's motion.

Hefflin endorses the Fletcher Report

Howell Heflin (D-Ala.) became the first Senator to strongly endorse the recommendation of the senior inter-agency group on advanced defensive weapons headed by James C. Fletcher, and the Future Security Strategy study headed by Fred S. Hoffman, that the United States embark upon a vig-

orous ballistic missile defense program. "I applaud the work of the inter-agency group and its reported recommendations to the President," Heflin said Oct. 18.

Heflin noted that "this comprehensive approach would reduce the military effectiveness of a Soviet preemptive attack with nuclear-armed ballistic missiles. . . . This would include the development of space-based laser and other defensive weapons for intercepting incoming missiles. . . ." He endorsed the proposal that "more mature ballistic missile defense concepts be stepped up and that the entire program be brought under a centralized manager within the Department of Defense."

Heflin also stated, "Today I rise to urge my colleagues to join with me in support of NASA's space station program and to request the administration to consider the space station as a new start for fiscal year 1985," Heflin said. "I am convinced that the space station program is a vital step if we are to continue our leadership in space science and engineering."

Heflin's endorsement of the Fletcher proposal follows the Sept. 30 call in the *Congressional Record* by Sen. Jesse Helms (R-N.C.) for a crash program to develop U.S. strategic defense systems. "The time has come when we must begin a crash program to counter Soviet ICBM threats . . . we need to start immediately on defensive strategic programs to protect American lives," Helms said.

House approves new Joint Chiefs structure

H.R. 3718, a bill to reorganize the Joint Chiefs of Staff (JCS) in order to provide more "timely, clearcut, realistic,

feasible, and prudent professional military advice" to the President and civilian authorities, was passed in the House by voice vote on Oct. 17.

The legislation provides for greater military input into the decision-making process by making the chairman of the JCS a member of the National Security Council, and placing the chairman into the military chain of command between the Secretary of Defense, who, of course, gets his orders from the President, and combat commanders.

The bill, however, makes the chairman, not the full JCS, solely responsible for advice to the NSC, the President, and the Secretary of Defense. The full JCS includes the heads of each service.

This reorganization is considered "modest" in scope, designed to solve certain pressing organizational problems while avoiding broader questions about how the role and strategic doctrine of the U.S. military might be changed. Gen. (ret.) Maxwell Taylor and others have been advocating a restructuring of the U.S. military to prepare to fight neo-colonial depopulation wars over what Taylor claims is a problem of limited resources. Traditional military officers with a sense of moral and national purpose have been resisting such plans.

The Armed Services Investigations Subcommittee chairman, Rep. Bill Nichols (D-Ala.), noted in motivating the bill that such issues as "resource allocation, roles and missions, and doctrine . . . would cause intense internal conflicts" regardless of how the Defense Department were organized.

The Senate Armed Services Committee is expected to hold hearings on this issue before the end of the year, and to bring similar legislation to the floor early in 1984.

National News

Heritage Foundation tainted by spy case

Confessed spy James D. Harper, Jr. of California has been linked to Sir Keith Joseph, one of the key ideologues of the Heritage Foundation. The ultra-conservative Heritage Foundation, *EIR* has charged, was contaminated some years ago by assets of the Soviet KGB.

Harper, a free-lance computer engineer, has admitted to selling several hundred pounds of highly sensitive documents on the the U.S. Minuteman missile system to Polish agents in 1979. According to the Justice Department, he had access to this highly classified data through his now deceased wife, a former employee of Systems Controls Inc. of Palo Alto California, a firm that does missile research for the Pentagon.

Harper has announced that he is prepared to plea-bargain with U.S. authorities and testify against prominent California electronics businessman William Huggle, who he says recruited him to work for Polish intelligence.

Among the most striking features of the case are Huggle's associates in Britain. Huggle has confirmed that as a consultant to the British National Enterprise Board in 1980, he worked closely with Sir Keith Joseph, then Secretary for Trade and Industry in the British government.

End nears for Bethlehem Steel Lackawanna plant

On Oct. 15 a new round of workers punched out of Bethlehem Steel's Lackawanna plant in Buffalo for the last time. Once called by Iron Age magazine the "greatest individual steel plant in the world," at its peak Lackawanna employed 24,244. About 1,300 are now left, including office personnel.

Since early 1982, eight Buffalo steel

plants have shut down their furnaces. By official U.S. statistics, Buffalo's unemployment rate is in the 12 percent range. The city fathers acknowledge that it is in the range of 20-30 percent. Neither of these figures takes into account the fact that 20 percent of its former population is no longer in Buffalo, which has lost 120,000 people in the past 10 years.

When Lackawanna's closing was announced in December 1982, the plant was operating at less than 30 percent capacity, producing 16,000 tons of steel a week, one-third of U.S. production at the time. The city now wants to buy the plant and its lake-front property to house a small-boat marina.

Colombia drug treaty hailed by ambassador

In his first public statement since being appointed ambassador to Colombia six months ago, Lewis Tambs wholeheartedly endorsed the newly approved extradition treaty between the United States and Colombia—under attack from Colombia's drug-tainted "anti-imperialists"—and urged Colombia to adopt a strategy of confiscating fortunes of known drug traffickers.

"In recent months," said Tambs, "the Colombian government has recognized the damage that drugs have done to the population, especially the youth. . . . How will democracy survive in Colombia if it is controlled and manipulated by these criminals? I can see in Colombia and other Latin American countries a situation similar to that of Germany in the 1930s when the criminals, that is the Nazis, came to power. But I am completely confident the Colombian people will not allow this to happen."

Asked if the money from the drug trade were not a benefit for Colombia, Tambs declared: "You have everything: oil, coal, cattle, fertile lands. Now what must be cared for is the youth and not wasting money needed for progress on clinics for the rehabilita-

tion of drug-addicted children. The Colombian economy is the most negatively affected by the damage the drug traffickers do. Thus they must be fought. The youth are the most valuable resource."

Tambs urged that in addition to extraditing criminals, interdicting the drug trade, and destroying the cultivation of drugs, the source of the drug funds must be gone after, since many of the drug criminals keep their funds in Switzerland, Miami, or Panama. He noted that the U.S. Congress two years ago approved laws for confiscating ill-gotten fortunes, and revealed that the Colombian government was currently studying those laws for possible use within Colombia. The extradition treaty, said Tambs, included facilities for addressing precisely that question.

Rural electrification a 'handout'?

Harold Hunter, the administrator for the Rural Electrification Administration, shocked members of the National Rural Electric Cooperative Association (NRECA) on Oct. 4 when he opposed virtually every aspect of the proposed legislation to keep the REA Revolving Fund financially sound beyond the year 2000.

In testimony before the House Agriculture Subcommittee on Conservation, Credit and Rural Development, Hunter claimed that the NRECA-backed financing plan submitted for reallocation of funds was a "costly handout." He attacked the legislation—the Rural Electrification and Telephone Revolving Fund Self Sufficiency Act of 1983 for which congress authorizes funding, as a "massive giveaway." He also took credit for first warning that the Revolving Fund, the main source of loans for rural electric distribution co-ops, was running out of money.

At issue is the administration's attacks on the off-budget loan programs such as the Farmers Home Administration and the REA. Behind the Administration's opposition to

the legislation designed to help rural electric co-ops, is the Office of Management and Budget which is determined to reduce or terminate the REA's loan program. The main cut would take the form of denying co-ops use of the Federal Financing Bank and eliminating the special 2 percent interest rate for cooperatives serving in the less populated areas.

Hunter said that co-ops should pay higher interest rates, two percent below the cost of money to the Treasury, which at current levels would be 9 percent. Should the co-ops be denied access to the Federal Financing Bank, they will have to borrow from the private lenders at much higher interest rates, thus jeopardizing the rural infrastructure and the farm sector.

Kiley is a city-wrecker, transit committee told

The following is excerpted from testimony submitted to the New York State Senate Committee on Transportation on Oct. 17 by Mel Klenetsky of the National Democratic Policy Committee (NDPC):

"I am calling upon the Transportation Committee of the New York State Senate to strongly reject the appointment of Robert Kiley as chief of the MTA. . . . Mr. Kiley has a consistent record not as a public servant dedicated to improving urban living standards, but as an intelligence agent and sociologist whose only expertise is in the field of population control and the reduction—and destruction—of delivery of urban services. . . .

"Mr. Kiley got his start in political life in the 1950s . . . as an operative in the CIA's illegal penetration of a U.S. domestic organization, the National Student Association (NSA). He later officially joined the CIA, and served in the late 1960's as the Executive Assistant to Director Richard Helms during the period when Helm's office designed and implemented the notoriously brutal Operation Phoenix in Vietnam—an assassination

program which killed some 20,000 Vietnamese. It was during this period that Kiley participated in deploying the so-called Strategic Hamlet program in Vietnam. This program for destroying traditional village organization in South Viet Nam and replacing it with a synthetic system of police-run 'block-watchers' will resurface as Mr. Kiley's manipulation of population control programs during his tenure as Deputy Mayor of Boston.

"After leaving the CIA in 1970, Mr. Kiley joined the Police Foundation, [which] in city after city, has sent in its 'sociologist professionals' to manufacture 'corruption' scandals against old-line cops, replacing them with directives against narcotics arrests, comprehensive intelligence gathering, and vigorous apprehension of criminals. The Foundation has also specialized in 'sensitivity training' for cops. . . .

As Deputy Mayor of Boston, Mr. Kiley both oversaw the destruction of the Police Department, and orchestrated the neighborhood by neighborhood racial conflict which split the city into armed camps during the 'busing' project. In a recent interview in the Boston Globe, Kiley's former boss, Mayor Kevin White says that Kiley's 'conflict resolution' programs did nothing but heighten the violence which wracked the city. . . .

"Mr. Kiley was removed as Deputy Mayor as public outcry against his methods became widespread through public hearings on both the destruction of police protection and of neighborhood life.

"As chief of the MBTA [Metropolitan Boston Transit Authority], beginning in 1975, Mr. Kiley becomes a practitioner of 'gentrification.' In the process of restructuring the Orange Line of the subway system, whole neighborhoods in the Southwest corridor were first burned out by waves of organized arson—a crime wave mysteriously unsolved—and then slated for rebuilding in the 1990s with astronomical rents for the 'gentry.' . . . He has collaborated with the Boston Globe, Kiley's former boss, Mayor Kevin White says that Kiley's 'conflict resolution' programs did nothing but heighten the violence which wracked the city. . . .

Briefly

● **WILLIAM SLOANE COFFIN** appeared on a Westdeutsche Rundfunk (West German TV) broadcast Oct. 18 which denounced the U.S. for the "militarization of space." The Reverend of New York's Riverside Church called President Reagan "a catastrophe," threatening that "Well, God will make sure he won't be around for much longer."

● **VERNON WALTERS**, at the Accuracy in Media event in Houston in mid-October: "Mexico is to the U.S. as Belgium was to France in WW II [i.e., the undefended flank through which the country fell]. Central America is a step to Mexico." Walters went on to predict that if the United States did not make its stand in Central America, "10 million refugees will flood the U.S." as a consequence.

● **JOSEPH SISCO**, one of Henry Kissinger's disciples, ventured in the *New York Times* that President Hafez Assad of Syria is an "intelligent, engaging, soft-spoken" man. To help Assad make peace with Israel, Sisco recommends Henry's business partner Lord Carrington.

● **THE ECONOMIC** commentary newsletter of the National Forest Products Association mooted that Fed chairman Paul Volcker, who did little to help Jimmy Carter's renomination, may do even less for President Reagan. The October issue of the newsletter states that in 1980, "Paul Volcker, who incidentally is a Democrat, placed a higher priority on inflation control than he did on helping the incumbents. . . . That leaves Mr. Volcker as the man to watch. Given all the domestic and international problems on his desk, is Mr. Volcker likely to give much priority to anyone's reelection?"

The next step for defense

The original proponent of a comprehensive beam-weapons strategic defense for the United States, *EIR* founder Lyndon H. LaRouche, Jr., predicts that the U.S. will have a relatively primitive but effective ballistic-missile defense system in place before 1988. "The present talk of longer-range stretch-out of a \$200 billion program," LaRouche said on Oct. 20, "is a matter of the administration's stating what it believes to be politically wise to propose at the present stage of the election campaign."

The only things which could stop the U.S. from reaching the 1988 target, LaRouche says, would be a capitulation to the present Soviet escalation toward an early thermonuclear confrontation, or an actual thermonuclear war. "Unless President Reagan backs down—which I do not think is his temperament," LaRouche stated, "the President is going to have to reshape his timetables very soon on the basis of developments which I believe he does not expect will actually occur during 1984. Some time after the first of the year, the Soviets are going to hit the United States very hard with threats of a first strike against the United States itself, and by major geopolitical operations in various parts of the world. . . . The President will be forced to choose between capitulation and accelerating U.S. defenses. My reading of the President's character is that he will choose the latter, no matter how big a shakeup that may mean inside the administration or in his election-campaign policy."

LaRouche warns against a wrong interpretation of recent major breakthroughs in beam-weapons and related defensive technologies. "I have observed Dr. Teller closely enough over years to know that he is fanatically honest, even when he has been mistaken, and he does not claim to have made a breakthrough unless the breakthrough has actually been made; therefore, we should take Dr. Teller's remarks in Texas as a straight matter of fact" (see *National*). LaRouche's argument is that we must not assume that a 1988 target date has "suddenly become possible because of these or other major breakthroughs which will occur during the coming months. I fully anticipated a fast pace of such breakthroughs when I first designed such a strategic policy

back at the end of 1981."

LaRouche states that he is assuming that events will push the U.S. government toward a crash program like the economic mobilization of 1939-43. Somewhere between \$25 and \$35 billion should be spent on strategic ABM defense systems' development during fiscal year 1985, and probably as high as \$40 billion annually after that. "The best estimate of cost of development of a primitive but effective defense-system is about \$200 billion. How soon we have a first-generation system depends upon how rapidly we can invest \$200 billion in designing and deploying such a system."

LaRouche, who has recently declared his candidacy for the Democratic Party's 1984 presidential nomination, also argues that the U.S. and Western Europe should launch an immediate crash program in an overlapping area of technology. "We now have," he stated, "proven prototypes for chemical-laser anti-missile weapons to be placed in aircraft and on naval vessels. I don't care how primitive such weapons seem to be, compared with what we could develop two or three years from now; I wish those systems available to our Air Force and Navy right now. Since Lazare Carnot's reforms of 1793 and 1794, warfare has always been a game of technological attrition—get a new design into use in some half-baked but workable form as fast as possible, and produce the improved version as soon as possible afterward."

LaRouche argues that "the general problem is building up a very broad and rapidly advanced logistical base for the new technology. . . . Start developing laboratory and production facilities for both tactical and strategic systems now, and give our military arms the broadest possible range of opportunities to become familiar with these technologies right now. We have a lot of unemployed people and a lot of idle capacity; put some of these idle productive powers to work quickly—it will do wonders for the federal, state, and local tax-revenue base and help move budgets back toward balance again. A crash program on tactical applications now will build up the production capacities and skills we need for accelerating the development of strategic systems."

Executive Intelligence Review

U.S., Canada and Mexico only

3 months.....\$125
 6 months.....\$225
 1 year.....\$396

Foreign Rates

Central America, West Indies, Venezuela and Colombia:
 3 mo. \$135, 6 mo. \$245, 1 yr. \$450
 Western Europe, South America, Mediterranean, and North
 Africa: 3 mo. \$140, 6 mo. \$255, 1 yr. \$470
 All other countries: 3 mo. \$145, 6 mo. \$265, 1 yr. \$490

I would like to subscribe to *Executive Intelligence Review* for

3 months 6 months 1 year

Please charge my:

Diners Club No. _____ Carte Blanche No. _____
 Master Charge No. _____ Visa No. _____
 Interbank No. _____ Signature _____
 I enclose \$ _____ check or money order Expiration date _____

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Make checks payable to *EIR / Campaigner Publications* and mail to *EIR*, 304 W. 58th Street, 5th Floor, New York, NY 10019. For more information call (212) 247-8820 or (800) 223-5594

EIR Confidential Alert Service

What would it have been worth to you or your company to have known in advance

- ✓ that the Federal Reserve faked its index of industrial production to promote a widespread myth that there is an economic recovery in the United States?
- ✓ that the degree of Federal Reserve fakery, substantial for many years, has grown wildly since January 1983 to sustain the recovery myth?
- ✓ that the Latin American debt crisis would break in October 1983?
- ✓ that, contrary to most other economic analyses, U.S. interest rates would rise during the second quarter of 1983?

"Alert" participants pay an annual retainer of \$3,500 for hard-copy briefings, or \$4,000 for telephone briefings from staff specialists at **EIR's** international headquarters in New York City. The retainer includes

1. At least 50 updates on breaking developments per year—or updates daily, if the fast-moving situation requires them.
2. A summary of **EIR's** exclusive Quarterly Economic Forecast, produced with the aid of the LaRouche-Riemann economic model, the most accurate in the history of economic forecasting.
3. Weekly telephone or telex access to **EIR's** staff of specialists in economics and world affairs for in-depth discussion.

To reserve participation in the program, **EIR** offers to our current annual subscribers an introduction to the service. For \$1,000, we will enroll participants in a three-month trial program. Participants may then join the program on an annual basis at the regular yearly schedule of \$3,500.

William Engdahl, *EIR* Special Services, (212) 247-8820 or (800) 223-5594 x 818
EIR SERVICES 304 W. 58th Street, fifth floor, New York, New York 10019