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India, Mexico reject the Brandt Commission
Legitimizing terror: who wins, who loses

**Who's behind Alexander Haig's
bid for a 'co-presidency'**



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EIR

From the Editor

While the American public and the rest of the world are still denied all the details of the agreement with Iran which the Carter administration has tried to impose on its successor, our Special Report this week analyzes what's at stake on the constitutional level. Legal specialist Edward Spannaus lays out the import of presidential interference in the jurisdiction of the federal courts, and prohibition of citizens' damage claims, while counterterrorism expert Paul Goldstein summarizes the interlocks between the grey-flannel advocates of "one-world" supranational law and the on-the-ground terrorist deployments intended to put sovereign governments in the position of abdicating their authority.

Within the new U.S. executive, the most conspicuous advocate of upholding the deal with Khomeini has been Alexander Haig, whose NATO command played a decisive role in installing the Muslim Brotherhood mullahs on behalf of "geopolitics," and whose efforts to take over all foreign policy control are examined in our National section.

Also in our National section is a State of the Union message from Contributing Editor Lyndon H. LaRouche, Jr., 1980 candidate for the Democratic presidential nomination, and current advisory board chairman of the National Democratic Policy Committee. And—demonstrating that rationality can indeed guide policy—our International section leads with an exclusive report on the far-reaching initiatives drafted at last month's summit meeting between President López Portillo of Mexico and India's Prime Minister Gandhi. Another exclusive is our rundown on what the Wharton "Diemex" econometric model and its proprietor, Lawrence Klein, have tried to do to Mexico.



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This week's cover picture shows Alexander Haig in 1979, during the Iran crisis, at his favorite tailor shop, Alexander's of London.

Tom Zimmeroff/Sygma

Europe's new export push: a challenge to U.S. policy

by Renee Sigerson

Continental European leaders have seized upon the opportunity opened up by the removal of the ugly and hostile Carter administration to pave the way for a capital-intensive export boom not seen since massive 1974-76 "triangular trade" deals with the Third World and Mideast saved Europe's economy in the first phase of the oil crisis.

The export drive now going into implementation phase in Europe poses a challenge to the Reagan administration and American industry to restore the United States' own historic commitment to high-technology capital-goods exports to world markets.

On Jan. 27 and 28, German and Soviet officials meeting in Düsseldorf put the final touches on the largest East-West trade deal in history, a \$500 billion Soviet natural gas export deal which will be launched this year by a \$5 billion trade credit issued by Germany's leading commercial banks. The arrangement, which was harshly attacked by Carter administration officials as a "strategic threat," overlaps current French-German-Saudi Arabian-Iraqi negotiations for no less than \$60 billion in equipment exports and long-term capital investment.

The \$60 billion package, cited in a regional German newspaper, the *Neue Ruhr Zeitung*, on Jan. 27, is a stepping stone to reversing the record unemployment, inflation and industrial downturn rates that have struck France and Germany since the October 1979 U.S. credit

squeeze aggravated the impact of the oil-price explosion. The financial terms of the Soviet natural gas deal, furthermore, underline Europe's desire to get world credit flows back into useful industrial goods financing: the final item settled between German and Soviet officials was to peg the interest rate cost on the \$5 billion launching loan at 7.75 percent, 2 percent below the current domestic German interest rate floor.

The challenge posed by these announcements to the new U.S. administration is to reject lock, stock and barrel what one leading U.S. businessman described this week as the advice of the "economic libertarians" who are calling upon President Reagan to de-emphasize or shut down the U.S. Export-Import Bank on "free-market" grounds.

It is indisputable that if Reagan moves in behalf of gearing up exports, the country will back him. Some of the largest U.S. industrial firms, including Dresser Industries, Honeywell, and Armco steel are now moving to link up with the Soviet natural gas deal. Their efforts include applications for export credit lines from the French government official export credit agency, which is making loans to French subsidiaries of American firms after a few months' application. The same firms wait years to get comparable loans at home.

In an interview with *EIR* Jan. 28, John Pierce, treasurer of Boeing Aircraft—which with more than \$4

billion in foreign sales was the largest U.S. exporter in 1980—underlined why the U.S. through institutions like Eximbank must become competitive with European trade financing facilities.

Pierce stated: “The economic libertarians . . . who say they don’t need government support, who want to get rid of government financing for Eximbank, don’t know what they are talking about. . . . If we let Eximbank and our export policy go, we are practicing unilateral disarmament. . . . Reagan has said that he would not disarm the U.S. militarily without getting a quid pro quo from the Soviet Union. Well, if we get rid of Eximbank, if we let our export policy go, that is like total disarmament. Our allies in Europe will take advantage of the entire situation. They will export full force after watching us shoot ourselves in the foot. . . . That will devastate this country.”

Pierce indicated that he would support capitalization of Eximbank on the scale of about \$25 billion in the near term. He reports that Boeing is working on a recommendation to bolster Eximbank through the private capital markets, which could “hypothecate” Eximbank bonds on a long-term basis.

Currently, the leading Eximbank supporters in the U.S. Congress around Sen. Jake Garn’s office are pushing for Eximbank capitalization on the order of only \$9 billion for its next fiscal year. This contrasts with Eximbank’s own official evaluation that if it were capitalized simply to be competitive with current French government export-financing programs, Eximbank would need a \$36 billion capitalization base.

Friendly or adverse competition

Garn and others have been pulling their punches in going for more Eximbank financing because a climate has been created around Capitol Hill by “economic libertarians” who claim variously that Eximbank is either a drain on the federal Treasury or a “handout to big business.” Cross-checks with several Washington offices reveal that one source of this anti-Eximbank, anti-government outlook is the Heritage Foundation, the pseudo-conservative think tank which is documented to harbor foreign intelligence networks.

In a typical probe, a U.S. trade official who dates back to the Carter administration launched into a tirade against European export programs.

The Carter appointee confirmed that France and Germany “are indeed going on an unbridled export drive, and I would say [the estimate of] \$50 billion is conservative in terms of the subsidized exports they are planning. The French in particular are totally unreasonable,” the spokesman added. “We are furious with them.”

The trade official then went on to explain how last

November—just as Europe was catching wind that the American population just might not tolerate Carter another four years—a big flareup broke out at a Paris meeting of the Organization for Economic Cooperation and Development (OECD).

Carter officials failed at that meeting to get European government agreement for raising minimum interest costs on government-backed export credits to a level commensurate with domestic U.S. rates. At the meeting, Treasury Undersecretary C. Fred Bergsten reportedly argued without success, “Europe will have to adjust to U.S. interest rates. . . . If U.S. rates are 20 percent, . . . we can’t make any [Eximbank] loans unless the Third World is willing” to pay up. “If Europe insists on making 8 percent loans, this is a trade war situation.” Heritage’s role in continuing to promote such Carter era policies is documented by the interview with Henry Reuss’s aide Ben Crane below.

The argument that European trade preferences undercut the U.S. ability to export is incompetent fraud. From recent experience, from 1971 to 1974, President Nixon doubled Eximbank financing, allowing for annual growth rates in U.S. exports, in real terms, during those years on the order of 12 percent. This development, which has made one out of every five U.S. manufacturing jobs dependent on export goods, occurred simultaneous with equivalent export growth patterns in continental Europe and Japan.

As important as Heritage in obscuring the real issues on exports is the Georgetown University Center for Strategic and International Studies (CSIS), which is represented in the Reagan cabinet by its protégé, Secretary of State Alexander Haig.

We also append below our interview with CSIS director and Lehman Brothers adviser Nathaniel Samuels. While Samuels gives the impression of being in full agreement with the outlook voiced by Boeing’s Pierce, in fact the key to his remarks is his emphasis on Haig’s acquisition of vast power over foreign economic policy as being the door-opener to exports. Samuels’s report that Reagan will “confront” Third World “solidarity,” in addition, is a direct threat from CSIS that the U.S. will deploy against the Indian-Mexican diplomacy consummated this week, which holds out the promise of bringing large sections of the developing sector into the modern industrial world.

Haig’s plan to turn Eximbank into a tool of military confrontation is corroborated by the fact that CSIS is lobbying for former naval officer J. William Middendorf to be made Eximbank president. Middendorf is a carbon copy synthetic officer, and just like Haig, a product not of real combat experience, but of the Jesuit think-tank networks committed to aborting European and American heavy-industry revitalization.

Two Washington views of American trade

Ben Crane, chief economist of the House Banking Committee during the Carter years and a close associate of liberal congressman Henry Reuss, explained opposition to Eximbank in an interview with EIR's Kathy Burdman.

EIR: What is your staff doing on Eximbank financing?

Crane: We have hearings in February, soon after those held by Garn. The pro-Eximbank group in Congress and in the cabinet are tools of big business. They're pushing Eximbank expansion as a subsidy for big business, and they have the President's ear, so unlike John Moore with Jimmy Carter, they will prevail. . . .

America doesn't need exports. If a particular exporter here and there loses money, that's tough. Exim is a subsidy to big business out of the taxpayers' pocket. It should be shut down. We're supposed to be a free-market economy where goods and services shift through free-market principles into those sectors that make money, and out of those sectors that don't.

If exporters can't make money on their own, let them lose business, lose jobs. The best option would be for the U.S. to cease subsidizing foreign consumers through credits, and to welcome any permanent subsidies that other foreign governments are willing to provide. . . . If the French want to make their exports cheaper for us, fine, we buy French goods too. We'll benefit.

Heritage [Foundation] wants to shut down the Eximbank and that's my position too.

The ideologues from Heritage won the election and are taking over the Treasury.

On our side, we have Norman Ture, undersecretary, and Beryl Sprinkle, undersecretary. They are very unsympathetic to Eximbank. Sprinkle in particular is trying to get [former Treasury undersecretary] Wilson Schmidt, who wrote the Heritage report's international section, into C. Fred Bergsten's post as Sprinkle's assistant secretary for international. . . . We are the people who won the election, the ideologues.

EIR's Renée Sigerson interviewed Nathaniel Samuels, of Georgetown University's Center for Strategic and International Studies, on Jan. 27. Excerpts follow.

EIR: What do you think the new administration's trade policy will be, especially regarding the newly industrialized countries [NICs]?

Samuels: Bill Brock is going to be very active, and an interagency trade commission has been activated, made up of cabinet members; the staff has not been selected yet. The only one who has been selected is [Robert] Hormats—he understands these issues well.

Government trade policy toward the NICs is a *bilateral* question for this administration. The point is that the designation "NICs" may be a useful analytical grouping, but politically it doesn't mean anything. On the issue of imports, there is some pressure on the Hill to eliminate the NICs from GSP preferences.

EIR: What is the outlook for Brazil and its debt?

Samuels: The administration will not come out in coming months on such issues as Brazil's debt. This issue will come up in the context of budgetary support for multilateral institutions. The IMF, for example, has a positive role to play in dealing with this question. . . . Keep in mind that this administration is not particularly close to the banking community. The banking community is seen by many in this administration as "Eastern Establishment," and this is not an Eastern Establishment administration. . . .

EIR: Will the Eximbank be capitalized on the order of \$25 billion?

Samuels: There is not enough of a realization that capitalizing Eximbank is not a drain on the Treasury, but an addition to Treasury. Our belief is that Exim is a very important national tool. To not make available to industry trade financing comparable to our major competitors is equivalent to unilateral disarmament. . . . The problem is political. It's hard to make an argument for lower credit rates for exporters than those rates paid by buyers of housing. [Office of Management and Budget Director David] Stockman is on record as opposing government-backed credit schemes.

EIR: Who will be open to your policies?

Samuels: The secretary of commerce, the U.S. Trade Representative, and the secretary of state. Haig will be a secretary who will have a stronger impact on these questions. [Myer] Rashish, Hormats, they are very interested in the NICs. Hormats worked on the NICs when he was an academic, before he came into government. He testified several times on the role of the NICs, how to bring them into the system. If the administration wants to break up so-called Third World solidarity—it might be a little hard to go at this directly, but [Jeane] Kirkpatrick has talked about getting this done. . . . The Reagan administration will try to figure out ways to get U.S. *private* capital into developing countries. You'll see new ideas, on a bilateral level, with a bilateral guarantees. These haven't been worked out yet, they are not a first item.

A Swiss complaint: Volcker was too lax

Once a month, the world's leading central bank governors convene in Basel, Switzerland, at the headquarters of the Bank for International Settlements (BIS), a privately owned central bankers' bank beyond the control of any of the world's elected bodies. No communiqué is ever published after the BIS sessions; a picture of members' preoccupations was gained by EIR European Economics Editor Laurent Murawiec in a recent discussion with a regular Swiss participant in the BIS meetings who requested that his name be withheld. Excerpts follow.

Q: What is your general view of the world financial situation?

A: The idea is slowly becoming accepted that the real price of oil is going to remain at high levels for years, and will even increase. . . . We are headed for a protracted period of extremely difficult if not impossible policy situations for Western governments, their inability to take the required, extremely unpopular measures and efficiently implement them, namely, a contraction of living standards to fight against inflation, and the shrinking of inflationary economic activity. The problem clearly is that they are not able to take the even more unpopular measures that are needed: drastic cuts in the budget deficits, in the first place.

Q: Is the present monetary system sustainable?

A: Let us hope so . . . the problem is, of course, more on the debtors' side. Banks are increasingly reticent, and there are limits to country exposure. When will the crisis threshold be reached—before or after we have set into place the required new energy policies? . . .

As far as the IMF is concerned, they try to develop their lending capabilities, of course, but I doubt very much that the fund will manage to take the required decisions in the span of time called for. That is why the fund is playing games. . . .

Many LDCs had piled up some reserves, which will now be drawn down. There is also a far more painful solution. Many countries are cutting their growth targets significantly. I see the point coming when the credit demand from many countries will abate considerably. This is definitely the case for the Third World, and it has largely begun in the industrial countries with their re-

strictive monetary policies. . . . We are going to buy time.

I do not share the pessimism expressed by [former German central bank chief Otmar] Emminger on the impact of high interest rates on U.S. industry. The U.S. has gotten used to high interest rates—borrowers are flocking despite the prime rate—and also interest costs are tax-deductible if your company makes profits. Of course, this tends to strengthen the strong and weaken the weak. . . . But the external inflows are keeping up, and we underestimated the strength of the U.S. economy, which gave birth to the method of gradualism and its failure. Horrible blows have been delivered to the U.S. economy, but its resilience has absorbed the spectacular efficacy of these blows, with the result that credit policy has been pitched much below what it should have been in order to be efficient. And then they let themselves be impressed by the sorry state of a number of sectors, like housing and auto, and went zigzagging without any consistency.

But in fact, gradualism was abandoned at the end of 1980. . . . If Volcker is not overthrown, he will maintain his strict policy, I can vouch for it, until the back of inflation has been broken. . . .

Volcker must remain at the Fed. He has earned himself such popularity and authority that it would be very ill-advised on the part of the new administration to try and topple him. Of course, one cannot rule out that there could be a showdown, but I think that a degree of compromise will be found. . . . I would be astonished if the administration really took Volcker head-on. This being said, there is much unclarity concerning what policies the administration will follow.

Solutions and answers are found even to great catastrophes. Nature responds to the problem posed by the enormous population growth, and the phenomenon of economic expansion that has characterized the last few centuries. This process will find its end amidst suffering and pain, and there is a parallel in financial processes. . . .

There is a great danger at the trade level . . . the great danger comes if the international monetary system stops functioning, either in its actual mechanics or in the breakdown of funding opportunities. Certain trends can find their limits and generate a turn backwards. . . .

The second danger is that of the monetary system. . . . There are today several reserve currencies, especially the dollar and the mark. . . . When two currencies are in such a situation, policies diverge, and the mark bears the backlash in each case, whether capital flows out of the dollar and overbloats the value of the mark, or flows into dollars and weakens the mark accordingly. . . .

Q: How do you envision the 1980s role of the BIS in settling international monetary and financial affairs?

A: What we need at the end of the road is a worldwide authority that can really tackle the problems.

A BIS gameplan for Europe

Export-based recovery may be undermined by deliberate monetary chaos and lending blackmail.

A recent international smear campaign against Germany's leading commercial banks, which reached hysterical pitch in a recent Soviet KGB-authored outburst published in *Pravda* attacking German bank loans to Chile, underlines how European efforts to engineer an economic recovery through an exports drive are vulnerable to being run aground by monetary chaos.

To understand what Europe is up against on the monetary front, it is useful to examine the Bank for International Settlements (BIS), the payments-transfer agency in Basel, Switzerland.

The BIS bureaucracy, which is composed of the most elite financiers of Europe's ancient Genoese-Venetian "black" oligarchy, currently possesses the most comprehensive overview of international lending and debt of any agency in the world.

On Jan. 28, the BIS filtered a detailed scare story to the *Wall Street Journal* on the imminent danger of a Third World debt collapse.

Entitled "Totaling \$500 Billion [Third World debt] May Pose Big Dangers," the item features BIS chief economist Alexandre Lamfalussy warning, "Anything that grows so fast in an uncertain and shaky world must raise questions." Lamfalussy was seconded by Oxford economist Thomas Balogh, who is cited as saying "any default" by a Third World debtor" might

have a domino effect [amounting to] a catastrophe."

Last fall, the *Executive Intelligence Review* produced a special study documenting in detail the operative scenarios which the BIS has settled on for immediate implementation with the U.S. Federal Reserve, in case of a Third World debt crisis.

What the report shows is that all the scenarios aim at using the threat of an uncontrolled debt collapse to slap down domestic exchange controls, salvage U.S. money center banks, and then launch credit warfare against continental Europe.

The most likely circumstance under which such drastic measures would be implemented, furthermore, is shown to be a crisis provoked by a severe continuation of the U.S. Federal Reserve's *domestic* credit crunch. If the Fed continues to tighten credit at 1979-80 levels, at a certain point, U.S. money center banks will pull in their horns, and bring tens of billions in Eurodollar deposits back home. This would immediately collapse international lending operations.

Volcker increased the likelihood of such an occurrence last October by giving approval for implementation in the fall of 1981 of reserve-free "International Banking Facilities" (IBFs) in New York and other centers.

The IBFs remove the single major advantage of Euro-based deposits, increasing the option for

U.S. banks to massively repatriate funds. It is also important that U.S. lending is concentrated in Latin America; France and Germany, however, have extended a larger portion of loans to the Mideast, the East Bloc and the Mediterranean. Currently, for example, German banks have major commitments in two crisis-ridden countries where U.S. banks have a minimal exposure: Poland and Turkey; both are seeking debt reorganization.

If Euro-lending is shut down, what would tend to emerge is two competing "financial spheres of influence" in which international trade opportunities to engineer an economic upturn would be vastly cut back.

Last week, the Swiss government announced it was considering joining the International Monetary Fund, the global agency which administers emergency bailout programs for debtor countries. This is a major shift in Swiss policy, which tends to be "neutral" to allow a more discreet exercise of influence through such agencies as the BIS. The announcement confirms earlier *EIR* reports that the Swiss-dominated BIS is striving to "merge" with the IMF, in order to obtain fingertip control over international lending practices in case the plug is pulled.

Equally suspicious are current negotiations behind an unprecedented \$2 billion syndicated Euro-credit to Italy. Italy is on the verge of uncontrolled social chaos; while it desperately needs these funds, preliminary analysis shows the loan is aimed at cutting Italy off from French-German export policies, and to shore it up as tool of the oligarchical networks threatening financial chaos.

World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$1.5 bn.	Iraq from West Germany/Italy	Dam on Tigris River to be built by consortium of German Hochtief, Züblin, and Trapp and Italian Impreglio, Italstrade and Cofegar. Dam, near Mosul, will provide hydroelectricity, irrigation, and flood control.	Hochtief seeking Hermes-backed export credits.	Construction will begin immediately.
\$160 mn.	Iraq from West Germany	German contractor Züblin has won contract to build 16 agricultural colleges in Iraq in joint venture with Iraqi builder.	Credits guaranteed by state-backed Hermes.	Hermes has resumed cover for Iraq, suspended during war.
	Morocco from France	French Prime Minister Barre signed for French nuclear company Framatome to study feasibility for building a nuclear power station. Morocco's nuclear industry would be based on extracting uranium from its vast phosphates deposits, and French state-owned Cogema is building a plant to do that. This forms part of Morocco's \$5.7 bn. phosphate industry 5-year plan. French also building million-kilowatt shale-burning electric plant.		Parts of phosphate plan still up for grabs. U.S. opportunities may be linked to arms sales policies.
U.S. \$6.7 bn.	Japan from Canada	Denison Mines has reportedly secured 15-year contract to sell Japan 5 mn. tpy metallurgical coal at reported price of \$63/ton and 1 mn. tpy thermal coal. Teck Corp. close to similar deal for 1.7 mn. tpy metallurgical coal. British Columbian and Canadian govts. will put more than \$600 mn. into infrastructure of loading at mines and transshipment at Prince Rupert port.		Buyers are Nippon Kokan, Nippon Steel, and Kawasaki Steel; terms not formally announced.
UPDATE				
\$5 bn. of \$11 bn.	U.S.S.R. from West Germany/Europe	Soviet Deputy Trade Minister Ivanow and 25 German banks have reached agreement on German portion of deal for Western European countries to build a 5,000 km. pipeline to bring them natural gas from Siberia. British and German sources report the deal was made at low interest, in return for German industrialists charging more for equipment and materials they will provide on the \$11 bn. construction project. Estimated value of 43 bn. cubic meters per year of gas supplied from 1985-2005 is \$500 bn., about 25% of European consumption.	Bank loans at 7.75% on Deutschemarks.	Britain and Carter have tried to thwart negotiations; deal may be signed in February.
\$250 mn.	China from World Bank	World Bank is studying loan to China of \$250 mn. for "education development" and additional funds for other projects.		Approval expected by July.

EPA grabs for the globe

In what ought to be a last gasp, Carter's environmentalists have performed unnatural acts against disease and pest control.

Five days before leaving office, Jimmy Carter signed an executive order that amounts to an attempt at imposing the irrationality of the Environmental Protection Agency on the rest of the world. The Hazardous Substances Export Policy, which became law on Jan. 15, is the pet project of the Council on Environmental Quality (CEQ), co-authors of the Carter *Global 2000* report that called for a one-billion-person reduction in the world's anticipated population.

The export control policy has four major provisions, only one of which concerns direct export control. The most deadly aspects of the policy, in the view of knowledgeable observers, are actually contained in the other three provisions. These establish a group within the State Department to pump scare propaganda about chemical and other products into developing-sector countries in particular. These provisions also direct all U.S. agencies to move to set up a "worldwide alert scheme" and an "international notification system" in every possible international forum.

The "hazard notification" unit in the State Department will centralize notification of foreign governments of all restrictions or bans placed on U.S. products, and indicate the particular "hazard" that are the grounds for the restriction. The same unit would also produce an annual summary of all regulatory actions taken.

In the words of Carter Special Assistant for Consumer Affairs Esther Peterson, the summary would "provide adequate information about hazardous substances for other governments to determine their own import policies."

A likely first target of the new policy, unless it is quickly struck down altogether, is DDT. The 1972 ban on DDT, culminated the first phase of the environmentalist assault on science and industry in the U.S., establishing the "authority" of the Environmental Defense Fund. William Ruckelshaus, EPA director at the time, confided to a friend as he made the decision to ban DDT, "There is no scientific basis for banning this chemical. This is a political decision."

Indeed, that there was no scientific evidence that warranted the ban became clear during months of hearings with presentations from U.S. and world health agencies and dozens of scientists. And, as studies showed, the potential consequences of the ban in terms of an immediate rise in human death and debilitation from the diseases DDT most effectively controls (malaria, typhus, yellow fever, and others) was the real hazard.

Yet the ban was declared, and production of DDT in the U.S. was curtailed, with the exception of one small company in southern California that depends entirely on exports through the United Nations' World Health Organization and to indi-

vidual countries, mostly in the underdeveloped sector, where DDT's ability to control murderous diseases as well as the insects that ravage food supplies is most critical.

The export ban would not only jeopardize the importing countries' populations; it would eliminate the sole American producer, leaving the nation helpless in any emergency. The United States would then be forced to rely on imports of DDT from the U.S.S.R.—which has built three more DDT manufacturing plants as we shut down ours!

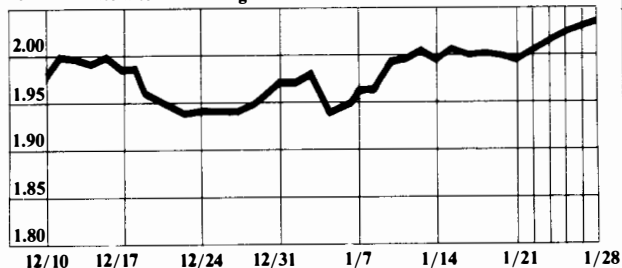
None of this will come to pass if the Reagan mandate for a return to high-technology growth and development is carried through. As the skirmishing around the CEQ and EPA indicates, however, that will take a fight. EPA is still without a chief as EIR goes to print, after the agency's transition team, heavily pressured from inside and out by the zero-growth lobby's big guns around Ruckelshaus and former EPA director Russell Train, had tried to place Steven Jellinek in the directorship by fiat. Jellinek, an EPA administrator, is one of Train's activist protégés and a consultant to the new environmentalist umbrella group Train just set up to "get" the Reagan administration.

Jellinek was EPA's acting director for exactly two days, sources say, before Reagan's aides moved to upset that little game. Two reputable, competent individuals have been recommended for these important posts: Dr. Virgil Freed of Oregon State University for the EPA directorship, and Richard Main, the widely respected former director of the American Farm Bureau Federation's Natural Resources Division, for CEQ.

Currency Rates

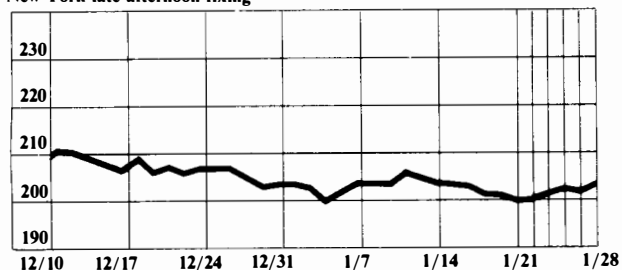
The dollar in deutschemarks

New York late afternoon fixing



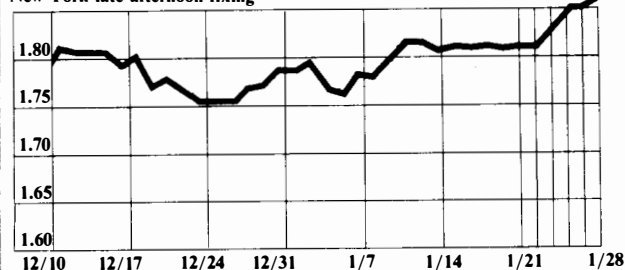
The dollar in yen

New York late afternoon fixing



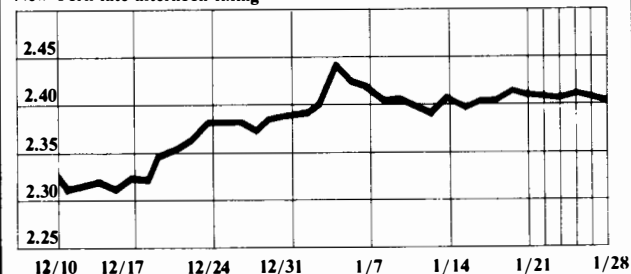
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A series of EIR Seminars

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In Dallas:

David Goldman, Economics Editor, EIR
Friday, Feb. 20 7:00 p.m.
Contact: Carol Leebove (713) 972-1714

St. Louis:

David Goldman, Economics Editor, EIR
Sunday, Feb. 24 7:30 p.m.
Contact: Paul Greenberg, (312) 782-2667

The Middle East: A Trillion-Dollar Peace

Robert Dreyfuss, Mideast Editor, EIR
Salah Mukhtar, Press Counsellor,
Iraqi Mission to the United Nations
Jamil Diab, Honorary Consul-General,
Kingdom of Jordan

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In Washington, D.C.

Ahmed A. H. Mirfendereski, Former
Foreign Minister of Iran, 1979;
Former Iranian Ambassador to the U.S.S.R.
Criton Zoakos, Editor-in-Chief, EIR
Robert Dreyfuss, Mideast Editor, EIR
Wednesday, March 4. 2:00 p.m.
Contact: Laura Chasen (202) 223-8300

The fight on Kemp-Roth

Rep. Jim Jones has a tax-cut plan with more emphasis on capital for productive investment.

It appears that the Kemp-Roth tax proposal, which would cut federal income taxes by 30 percent over the next three years, will not pass Congress in its present form.

Two forces are opposing Kemp-Roth. First, there is a group of sympathizers of the credit-shutoff policy of Federal Reserve Board chairman Paul Volcker who view tax cuts as an unwarranted stimulation of the economy. The most vocal public spokesman for this view is former Federal Reserve Board chairman and Lazard Frères investment banker Arthur Burns. The other force opposing Kemp-Roth is not pro-austerity per se. It is led by a group of conservative Democrats headed by Rep. Jim Jones, the chairman of the House Budget Committee, which may have the last word on combined budget/tax policy matters in the House. The Jones criticism is twofold: that Kemp-Roth is "inflationary" and "not sufficiently production investment-oriented."

The Jones view contains some valid criticism of Kemp-Roth, and if Jones's view prevails among House Democrats, the Kemp-Roth bill will not have sufficient votes to get through the House.

The fight around the tax bill has come to be viewed, correctly, as a fight entailing more than the specifics of Kemp-Roth. The bill specifies that a 10 percent cut per year for three years in individual taxes, plus the indexing of income taxes for

inflation, will result in a cut of federal tax receipts of \$18 billion in fiscal year 1981, \$48 billion in 1982, \$89 billion in 1983, \$130 billion in 1984, and \$170 billion in 1985. Accelerated depreciation to stimulate investment, the sponsors of Kemp-Roth said, will lead to cuts of \$4 billion in 1981, \$13 billion in 1982, \$18 billion in 1983, \$19 billion in 1984, and \$20 billion in 1985.

Thus, Kemp-Roth would result in \$22 billion total in individual and business tax cuts for fiscal year 1981. A later date of implementation than Jan 1, 1981 will mean smaller cuts.

The bill would throw \$15 to \$20 billion into the economy. The larger issue surrounding Kemp-Roth, as Burns realizes, is that such a volume of new credit pumped to consumers and business in the form of tax cuts, combined with other measures in the Reagan economic package to stop diversion of corporate funds on excess regulations, etc., will generate somewhere between \$50 and \$100 billion in total new credit availability to the economy, above current levels. This stream will crack Volcker's 16-month credit clampdown in the United States. This thought has caused the New York investment bank community, led by Arthur Burns, to "freak out."

Jim Jones instead stresses that the Kemp-Roth bill will benefit those at higher income levels, and not those at the lower end of the

income-range scale. By and large, this charge is true. Jones's office also charges that Kemp-Roth, with its heavy emphasis on personal tax cuts, does not funnel enough money into the productive investment needed to expand the industrial base of the economy.

To remedy this, Jones is proposing tax cuts for individuals earning incomes in the range of \$10,000 to \$50,000 per year. These cuts would index incomes against "bracket creep" (as would Kemp-Roth); offset the marriage penalty (that is, married persons now get smaller exemptions than they would by filing as individuals); and also attempt to offset higher social security taxes. For individuals earning more than \$50,000, Jones recommends a reduction in capital gains taxes from 28 to 20 percent. But this reduction will only be applied if the capital gains come from "productive investment," said Jones's aide, "not from stamp or art investment."

Jones wants most of the tax cuts to stimulate business investment, through the "10-5-3" bill that accelerates the depreciation schedule for plant (10 years), equipment (5 years), and vehicles (3 years).

The most noticeable drawback is that these cuts total only \$10 billion for all of fiscal 1981—as opposed to the \$15 to \$20 billion of the Kemp-Roth—and are strictly tied to immediate budget cutbacks.

Jones could considerably slow down or stall Kemp-Roth. But there is resolute support in both the House and Senate for tax reductions. Cuts on the order of \$15 billion in fiscal 1981 may result as a compromise between Kemp-Roth and the Jones proposals. If they do, economic growth will get a boost.

A note to our readers

The *Executive Intelligence Review* proudly and expectantly announces the publication of two important books by its editors. *The Ugly Truth About Milton Friedman* by founding editor Lyndon H. LaRouche, Jr. and Economics Editor David P. Goldman was issued at the end of January. *Hostage to Khomeini* by Middle East Editor Robert Dreyfuss, with Bonn Bureau Chief Thierry LeMarc, is scheduled for release on Feb. 6. Both books are published in paperback form by the New Benjamin Franklin House in New York.

In our July 22, 1980 issue, *EIR* readers were provided with advance excerpts from *The Ugly Truth*, featuring the economic results of Friedman's prescriptions for Chile, Israel, Great Britain, and the Nixon administration, along with a sketch of the book's overwhelming evidence that Friedman is not an American conservative, but an instrument of the remnants of the old Hapsburg aristocracy, which controls both the Keynesian and monetarist subspecies of economic liberalism. Now we look forward to reviewing the entire book, which ranges from the East India Company to Weimar Germany to America's postwar economic containment in its demonstration of what the authors call "the fraud of free enterprise."

EIR readers are also aware of the international respect (and fear) earned by Mr. Dreyfuss and his collaborators for their exposé of the Ayatollah Khomeini's installation in power by the international "so-called New Dark Ages faction for whom the Chinese model of large, beast-like peasant populations laboring under semi-feudal fiefdoms is the only 'stable' form of social organization," as the preface to the book puts it.

"Khomeini was installed, like a light bulb, by a carefully orchestrated British military intelligence operation. This book tells that story. It also chronicles the treasonous role of the Carter administration in collaborating with the British in putting Khomeini into power . . . [and providing] aid and comfort to the monstrous ayatollahs and their secret society, the Muslim Brotherhood—even after the taking of the American embassy in Teheran!"

These books may be ordered with a check payable to New Benjamin Franklin House Publishing Company, at 304 West 58th Street, New York, N.Y. 10019. *The Ugly Truth* is \$3.95; *Hostage to Khomeini* is \$4.25. For first-class postage add \$1.50 per book. For fourth-class, add \$.75.



The Ugly Truth About Milton Friedman

Lyndon H. LaRouche, Jr. David P. Goldman



Draining the Northeast's water

Leif Johnson tracks where Delaware Basin supplies went, and who controls the region's zero-growth water commissions.

The present water crisis in the Northeast is very real. New York City's reservoirs stand less than a third full, down to the perilous levels reached during the 1962-66 drought. If the dry spell which began in July 1980 continues, New York will be very short of water this summer. All that is undeniable—but also very curious.

New York City has the finest water system in the world. Excellent-quality water is brought to New York City through a system of reservoirs and aqueducts that guarantee a full year's supply of water even in the event of no rainfall whatever. In 1980, the city's watershed received 36 inches of rain instead of the normal 45 inches, but still two inches more than the average 34 inch rainfall during the five years of drought in the 1960s. Since the present dry spell occurred only during 1980—the previous decade was the wettest in history—any observer is bound to ask, why is the reservoir level so low?

The answer is both shocking and paradoxical. 135 billion gallons of water, one-quarter of the total reservoir capacity of the City of New York, were released into the Delaware River and smaller streams in New York State primarily to maintain the flows of the Delaware. During the 1960s drought the city released only an average of 44 billion gallons each year into the Delaware.

Release into Delaware

The paradox is that the less rain, the more water New York must release to maintain river flow. Under the 1954 Supreme Court decree regarding water rights of Delaware Basin users, the city could take 800 million gallons per day (mgd) from the Delaware watershed, about half the city's daily consumption, but together with other basin users, must guarantee a stream flow of 1,750 cubic feet per second at a measuring point at Montague, in northern New Jersey. Presently, the city has agreed to take only 520 mgd from the Delaware watershed—but has continued to supply releases into the Delaware. Hence the city is running out of water.

Releasing New York City water into the Delaware is an incalculable absurdity. The dams from which this water is released are connected to the city by the largest high-pressure water tunnel in the world, 19 feet in diameter, running between five hundred and a thousand feet underground, and costing billions to construct. Releasing this reservoir water not only creates a poten-

tial crisis for the city, but negates the enormous capital costs of the aqueduct.

Although New York City Mayor Edward Koch was not obligated to do so, he agreed to release the 135 billion gallons of water because, it was argued, there was no other source to maintain stream flow in the Delaware River. This is true only because the 1960 Army Corps of Engineers plan for water supply and flood control was systematically sabotaged and dismantled in the 20 intervening years.

If the Army Corps plan had been effected according to its timetable, by 1975 New York City's reservoirs would have stored over 300 billion gallons of water, more than half New York City's total storage capacity. Most of this would have been stored upstream of Montague, New Jersey, providing sufficient water to absolve New York City of any releases into the Delaware.

The Delaware River Basin Commission

Yet by 1980, only two small projects of an Army Corps plan of 19 major water-control and storage projects were built. The remainder of the plan was scrapped by the Delaware River Basin Commission (DRBC) established in 1961 to carry out the Army Corps plan—and which is now running the "drought crisis".

The commission was born of a \$131,000 grant from the Ford Foundation given in 1958 to study the "administrative aspects" of basin development and to establish a four-state organization to implement it. Joining the Ford Foundation was Laurance Rockefeller's Resources for the Future, an organization founded in 1952 with assistance from the Ford Foundation.

Written by Roscoe Martin, a former delegate to Unesco, and dean of the Maxwell School of Public Administration at Syracuse University, the report recommended an administrative body of the four Delaware Basin states plus the U. S. Department of the Interior. That body, established as the DRBC in 1961, excluded New York City, which was a key party to the 1954 Supreme Court decree.

In its first year of operation, the DRBC reduced the Army Corps plan from 19 major projects to 5. However, one of those five was the Tocks Island Dam to be built

north of the Delaware Water Gap, holding a third of the entire plan's storage capacity.

In July 1964, during the drought, rather than accelerate or expand new water sources, the DRBC moved to control all ground water as well as surface water, including limiting the amount a property owner could take from his own property, a move aimed ultimately at industrial users.

In 1968 the DRBC adopted a policy to enforce pollution controls against major industries as part of its policy to recycle water rather than to develop new supplies. In the East, as in most of the world, reusing water is far more expensive than developing new supplies. This policy was therefore an economically irrational decision whose brunt was borne by industry.

In 1971 the DRBC moved to kill the Tocks Island dam and hydroelectric project. First the DRBC subjected the hydroelectric features of Tocks Island to "conditions protecting the environment" and barred the use of Sunfish Pond for pumping water for the hydroelectric installation.

The DRBC resolved that the upper branch of the Delaware River be included in the National Scenic and Wild Rivers System, and contracted with the Bureau of Outdoor Recreation of the Department of the Interior to develop a recreational plan for the upper Delaware.

As the DRBC moved to create a Delaware Water Gap National Recreational Area, area-wide environmentalists sued the DRBC to decommission Tocks Island. The two organizations involved were the Sierra Club and the Natural Resources Defense Fund, both funded by the Ford Foundation and Rockefeller Foundation, the Rockefeller Brothers Fund, and Rockefeller Family Fund—the same institutions that set up the DRBC!

Environmentalist obstruction

Thus, to the consternation of water engineers and other experts, the DRBC gave enormous weight to these "environmentalists," in one case delaying a pumping project while it carefully investigated all the charges and complaints contained in each of 600 letters protesting that particular project. As an important ancillary operation, these same forces succeeded in replacing the water departments of all four states and New York City with Departments of Environmental Protection. In New York City for example, under the direction of the Emergency Financial Control Board, Mayor Beame was forced in 1976 to gut the personnel in the city's Board of Water Supply, the agency that had since 1905 developed the magnificent city water system. On Jan. 1, 1978, Mayor Koch abolished the board altogether, placing its functions under the Department of Environmental Protection, which will now manage the crisis.

In 1978, so much pressure had been put on Congress

that it finally agreed to destroy the Tocks Island project by declaring that portion of the Delaware River as part of the National Scenic and Wild Rivers System. With that decision, all the states and New York City, the parties to the 1954 Supreme Court decree, lost the ability to get additional water supplies. The 1979 Annual Report of the DRBC virtually gloated: "Water management in the Delaware Basin appears headed to a future that will stress conservation, reuse, restrictions and regulations and rely far less upon structural activity.

The DRBC moved to protect the fishlife in the Delaware Basin. Commenting on the half-million-dollar fish ladder built at the Fairmount Dam on the Schuylkill River: "The facility has proved successful for many species of fish, but the shad, a principal intended beneficiary, to date has not made much use of the ladder. The Commission is experimenting with water velocity and other factors to attract the shad. . . ." Mothers who are being exhorted by the local media to bathe their children in the waste water from their washing machines may be comforted with the thought that the fish are bathed daily in fresh water—135 billion gallons of it released from New York City reservoirs alone.

An important corollary to the planned shortage in the Delaware Basin is the permanent sealing off of one of the best water supplies in the East. On Jan. 16, 1981, the Secretary of the Interior declared the New Jersey Pine Barrens a "National Reserve," the first in the country, forbidding development of a high-quality water supply yielding an estimated 300 mgd—enough to compensate for the 110 mgd overdraft of groundwater in the Burlington, Camden, and Gloucester areas and supply the remainder to northern New Jersey.

Sequestering the Pine Barrens as a national preserve was begun by New Jersey governor Brendan Byrne, who in June 1979 put the Pinelands Protection Act through the state legislature. The act created a Pinelands Commission to which Byrne appointed Terence Moore after receiving a phone call from an influential New Yorker, Laurance Rockefeller.

The role of Laurance Rockefeller and the Ford Foundation in operating both the DRBC and the environmentalists is a matter of record and is conclusive—but insufficient. Laurance Rockefeller is a weak-minded man incapable of implementing any 20-year perspective no matter how much he may personally agree with it. The Ford Foundation is merely an operations front for zero-growthers, who now run the Northeast water hoax. Who else would wish to subject the most heavily populated and industrialized region of our country to the devastating effects of widespread water shortage—after this area was hit by the ravages of the energy crisis and the ruin caused by the Federal Reserve Board?

A two-tier credit system fuels the OECD's fastest-growing economy

by Kathy Burdman

Irish bankers in the United States are bemused at the various proposals put before the new Reagan administration to increase real capital investment here. "You Americans seem to want to encourage your banks to make productive loans to increase real economic growth," one leading executive told *EIR* this week. "In Ireland, things are much simpler. The central bank *tells* us to do it. And we do a lot of it."

With the American economy stumbling into a second recession, and the Volcker Federal Reserve intent on sustaining a level of long-term interest rates which make industrial investment prohibitive, the United States has a great deal to learn from the tiny Republic of Ireland. For the past 15 years, the Irish government and the dedicated public servants of the Central Bank of Ireland have helped create an economic miracle. Ireland today has the fastest economic-growth rate in the entire OECD, and the fastest rate of export growth.

This has been largely accomplished by the Irish central bank's forthright policy of throwing out the window the traditional British central banking philosophy of "free enterprise." For several hundred years, while under the domination of the Bank of England, Ireland was an underdeveloped rural fiefdom, producing cheap farm products for the British economy. With all the capital of the highly developed British "free-enterprise" banking system available to it, Ireland discovered that the Bank of England's high interest rates, and the British banks' preferences for real estate and land speculation over industrial investment, meant that Ireland was free to stay backward. The British did not invest in Ireland.

"It was the dog that wagged the tail," as one Irish banker said ruefully, "and as you know, the bulldog doesn't have much of a tail."

Two-tier system set up

Beginning in the early 1960s, the Irish government therefore determined to industrialize the nation itself. One of its first acts was the creation by the Irish central bank of a *two-tier credit system*, done with the help of advisers from de Gaulle's French 5th Republic, modeled on the Gaullist system of directing credit to industry. It was an extensive system of central bank guidelines

which each year set limits on "speculative lending," preventing the Irish banks from utilizing much of the nation's scarce capital resource on real estate, commodity, and other speculation. These same guidelines encourage the banks to extend large amounts of credit for high-technology industrial investment, especially for the rapid, capital-intensive mechanization of Irish agriculture, whose investment growth has been spectacular (see Figure 1.)

It is not only Irish industry and agriculture that have profited handsomely.

Irish bankers like to point out to foolish American banks, who might protest at this central bank "interference" in the sacred free market, that Ireland's commercial or "associated" banks, as they are known, have become among the world's most profitable as a result. The Bank of Ireland and the Allied Irish Banks Group, who together control some 80 percent of domestic lending in Ireland, have experienced an average annual growth of post-tax profits of 47.6 percent and 52.3 percent, respectively, during the 1975-1980 period, and an average annual rate of deposit growth of 30.5 percent and 33.2 percent during that time.

Rather, it is here in the United States that the central bank is still dominated by Bank of England methods.

A similar proposal for reform of the U.S. central bank, the "Federal Reserve Reform Act of 1981," has been put before the U.S. Congress by the National Democratic Policy Committee, whose advisory board is chaired by Lyndon H. LaRouche, Jr., *EIR's* Contributing Editor.

LaRouche proposes to issue new Fed credit through the Fed discount window, where bank loans for speculation would be penalized by being nondiscountable, while bank loans for "the production of tangible wealth or capital improvements" would be discountable up to 50 percent of their value, ensuring a vast new credit supply to industry. Discountable loans would include those for "the purchase of raw and intermediate materials and capital goods, construction of facilities, or employment of labor to produce or transport manufactured goods, agricultural commodities, and construction materials," among other productive activities, ac-

cording to the Federal Reserve Reform Act.

A strong banking environment

The Irish government has been committed to just these principles of American Founding Father Alexander Hamilton, who was also the inspiration for de Gaulle's banking policy.

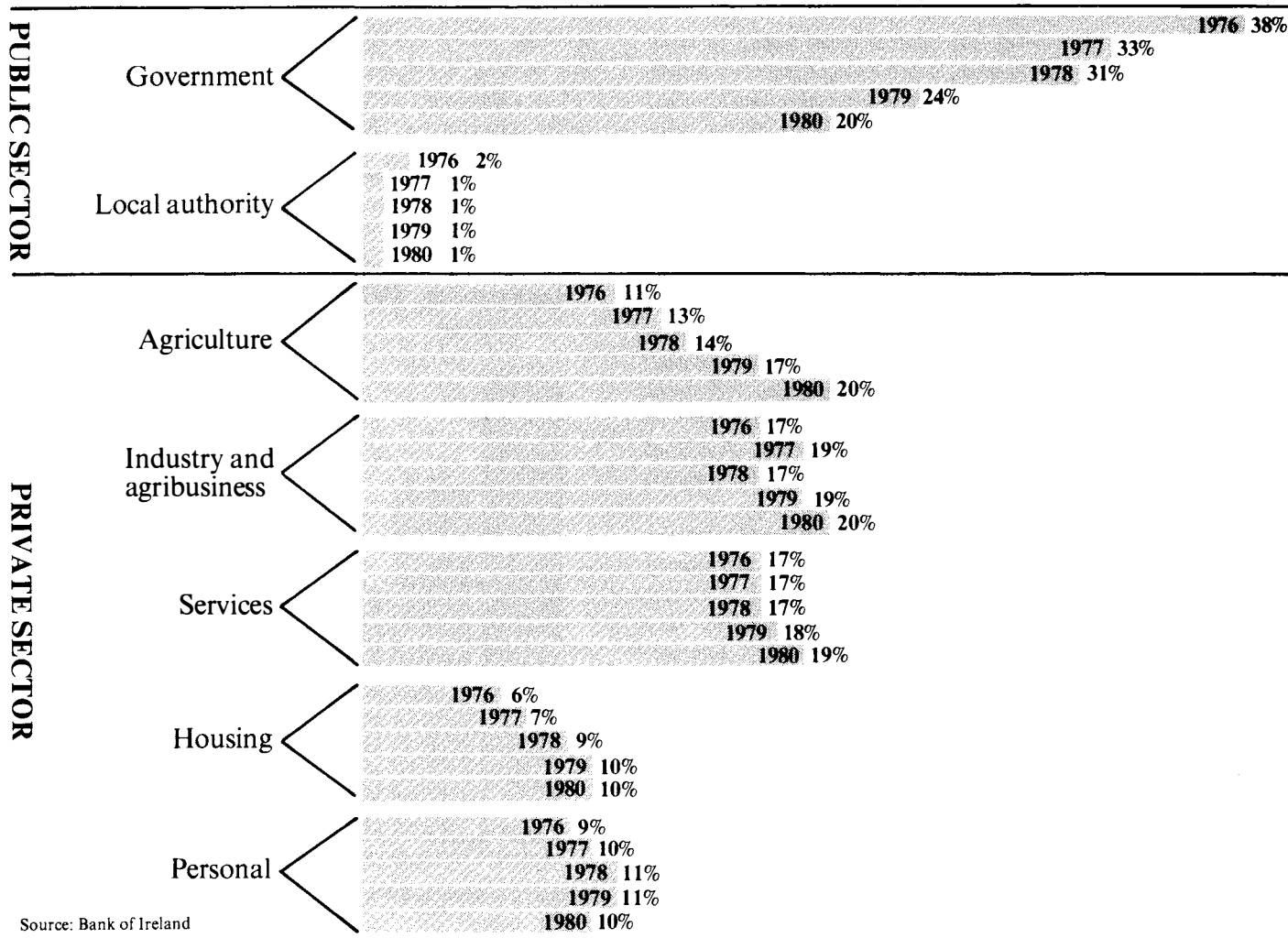
Although Ireland gained its political independence from Britain in 1921, when the Irish Free State was established as a Commonwealth dominion, it really only won economic independence recently. In 1949, the Irish Free State severed all ties to the British Crown and became the Irish Republic. But the banking and other close economic links were not fully broken until Ireland joined the European Monetary System in December 1978 and severed the 152-year-old link between the Irish "punt" and the British pound in March 1979.

The European Monetary System was founded in

1978 by French President Giscard d'Estaing and West German Chancellor Helmut Schmidt to return continental European banking to the policies of Hamilton and de Gaulle which first created the postwar European "economic miracle." The firm commitment of the EMS, which the British have yet to join and from which the bumbling Carter administration kept America aloof, has been to stabilize European exchange rates so that interest rates could be lowered and credit directed to new high-technology investment in nuclear-energy development and other capital-intensive, productivity-creating industries.

"We believe in the desirability of creating a zone of monetary stability," said Irish Prime Minister Jack Lynch in his announcement of Ireland's joining the EMS. The objective of the system is a broadly based strategy of improving economic development . . . by enhancing the prospects for trade and investment."

Figure 1
Sectoral trends in Bank of Ireland lending



Ireland's commitment to an industrial banking system, however, goes back to a report entitled *Economic Development* commissioned in 1958 by then Irish finance minister Sean Lemass, a devout student of Alexander Hamilton. The report, by Dr. T. K. Whitaker, uncovered the fact that the Irish commercial banking system, then dominated by British banking practices, had enforced the "British disease" of low capital formation and an average economic growth rate during the 1950s of 1 percent per year or less.

Credit for development

Lemass and Whitaker proposed that the government take control of credit policy and drive the banks toward supporting national development. "In our present circumstance," he wrote, "we must be prepared to take risks under all headings—social, commercial, and financial—if we are to succeed in the drive for expansion."

In April 1962, the Irish finance ministry and central bank brought in direct help from the Gaullist Republic of France, when a French team from the Commissariat du Plan was invited to Dublin's Economic and Social Research Institute under the Lemass prime ministry.

During this period, the central bank began to issue its credit policy guidelines, and to encourage the build-up of the domestic Irish associated (commercial) banks. Between 1959 and 1970, dozens of Irish banks were amalgamated and taken over by the two largest Irish-owned banking groups with central bank encouragement, forming the Bank of Ireland and the Allied Irish Banks Group, who today control some 40 percent each of the Irish banking market.

The British banks' control over Irish banking was bought out, and the population patriotically encouraged to bank with the Irish banks. Today the British position in the republic is reduced to the Northern Bank, a subsidiary of Britain's Midland Bank, and to the Ulster Bank, a subsidiary of Britain's National Westminster, which account for perhaps 10 percent apiece of the banking market.

The central bank's policy was coordinated with the creation of the Industrial Development Authority (IDA), which immediately embarked upon a strong policy of attracting international capital investment into Irish industry and agricultural mechanization. The Department of Economic Planning and Development, also created during this period, laid out an extensive tax-incentive program for capital investment, including tax breaks for foreign investors.

As a result, capital investment, especially foreign investment, in Ireland has soared, and has produced some of the highest rates of return in Europe (see Figure 2). For 1981, the government has announced that a special reduced rate of 10 percent will be applied to taxation on all manufacturing industry.

Since 1975 Ireland has had the highest growth rate in the entire OECD western area, averaging almost 4 percent annually, and only falling to 0.3 percent for 1980 because of the aggravated world trade recession. Ireland's export-growth rate leads the OECD, itself led by manufacturing exports.

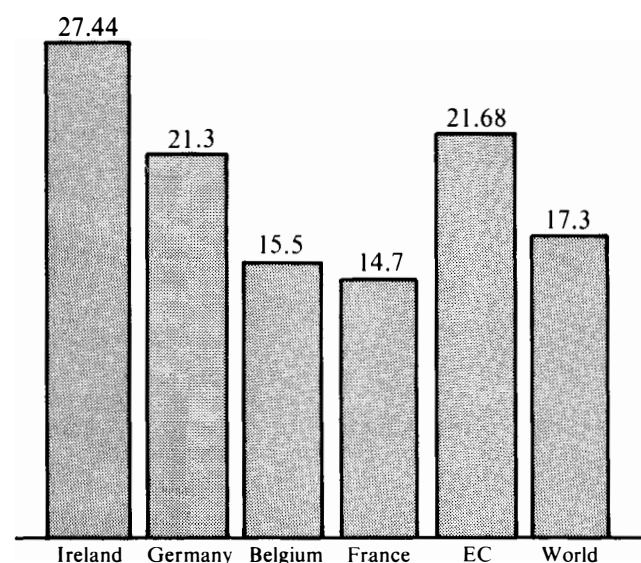
Central bank guidelines

Since Ireland's entry into the European Monetary System, the Irish central bank has issued a series of guidelines every February that have severely restricted lending for speculative uses of credit. Beginning in September 1978, all lending for "speculative purchase of real-estate land and property" was expressly ruled out altogether by the central bank, and these guidelines have only been partially relaxed since. "Transgressions" of these guidelines are punished by the central bank with a requirement that banks who make such loans are subject to a corresponding increase in non-interest-bearing reserves which they must retain at the central bank, above and beyond the central bank's already strict reserve requirements.

This doesn't seem to faze Irish bankers, whose lending policy is self-professedly *nationalistic*, and who are turning a handsome profit on productive lending. "It is sometimes surprising to me to hear bankers in other countries say that they are in the banking business

Figure 2
Rate of return on U.S. manufacturing investment, 1979

(as a percentage)



Source: U.S. Department of Commerce Survey of Current Business, August 1980

to make money," Jerry E. Casey, New York branch chief for Allied Irish Banks, told *EIR*. "We are, of course, in the business to make a profit, and do so nicely. But we feel we are also in business to provide a service, to make a contribution to the nation's economic development."

In fact, the central bank's curb on speculative lending has left the Irish banks with a mandate to direct the remainder of new lending, within the average annual central bank credit ceiling of 25 percent credit expansion to the private sector, into capital investment in industry and agriculture.

Mechanized agriculture

Executives of the two Irish associated banks in New York emphasized to *EIR* their institutions' commitment to Irish industrial development. Both cited manufacturing investment and mechanization of agriculture as top priorities.

"We are keenly interested in all sectors of the economy, but especially in new industries and in mechanization of agriculture," Bank of Ireland New York Vice-President Brian Goggin told *EIR*. "We have a national priority to establish rising levels of productive new employment for the Irish people. This policy also leads to the fastest growth for our bank.

"Regarding agriculture, while Irish agriculture has benefited tremendously from exporting to the EMS countries, there is now a general level of oversupply in European agricultural markets, which means that to stay competitive, and continue the benefits of agricultural exports to our balance of payments, Irish agriculture must raise productivity dramatically.

"This means agriculture in Ireland must become like hardcore industry. It is the government's policy and ours to promote capital-intensive mechanization of agriculture, which raises efficiency. This will mean larger farms, which some resist. But although there will always be room for the small farmer in Ireland, it is no longer possible to merely inherit the land from grandfather as used to be done, and not improve it. We must develop agrobusiness as an industry."

Indeed, this has already been done to a remarkable extent. Capital investment in Irish agriculture is rising rapidly (see Figure 3).

Goggin continued, "We are also very active in financing and promoting American and other foreign investment in Irish industry. We have relations with almost 70 percent of all new companies coming into the country. We are especially interested in promoting the high-technology firms coming in, which grow the fastest and have the most rapid employment growth."

The Bank of Ireland currently estimates its lending is concentrated at 20 percent in industry and agrobusiness; 20 percent in agriculture; 10 percent in homebuild-

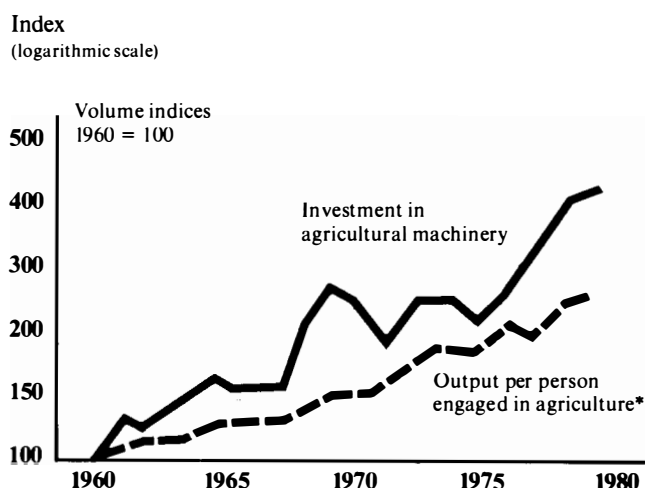
ing; 10 percent in consumer lending; and 20 percent in government finance.

"What you Americans call productive lending is a way of life in Irish banking," Allied Irish Banks Group's New York branch chief Jerry E. Casey told *EIR*. "You may talk about encouraging American banks to do economically productive lending through tax policy and central bank attitudes. In Ireland, the central bank tells the banks to do so. Of course, they also guarantee us our costs, lending rates, and thus our margins of profitability. The net result is that we are certainly more profitable than American banks."

Allied Irish Banks Group does not publish a lending breakdown, but Mr. Casey estimates its lending by sector as roughly the same concentrations on industry and agriculture followed by the Bank of Ireland. Allied Irish Banks is perhaps the premier bank for Irish agriculture, especially for mechanization and high-technology investment in agrobusiness.

"We are especially interested in expanding the homebuilding industry in Ireland," Mr. Casey noted. "In Ireland, during the last five years alone, the Irish associated banks have gone into home mortgage lending for the first time, and have done over 358 Irish pounds in mortgages outstanding, which is 30 percent of all mortgages outstanding in the republic. We cannot understand the American interest rates. You should be building 2.5 million homes, not 1.7, a year."

Figure 3
Agricultural productivity and investment



*including forestry and fishing
Source: Bank of Ireland

Business Briefs

European Economies

Germany sees a Volcker recession

As a result of expected high German interest rates, the West German Economics Ministry this week predicted that real GNP in Germany will fall by 1 percent, after a 1.8 percent rise in 1980, the first absolute fall in German growth in many years. "There is no insurance that this year we can maintain last year's level of prosperity," Economics Minister Otto von Lambsdorff warned.

High U.S. rates have forced the West German Bundesbank to keep its discount rate at 9 percent, historically quite severe in Germany, to keep funds from flowing out of the German mark. This is referred to in Bonn as "interest-rate warfare."

In addition to a drop in production, West Germany is expecting a rise in unemployment to a postwar record of 1.2 million workers, a full 5 percent of the workforce.

West German consumer prices rose by a full 1 percent during December, an ominous rise which if sustained could produce double-digit inflation in an economy where 5 percent is considered extremely high. Producer prices also rose during December by 0.4 percent.

Gold

Central bankers quietly buying gold

The price of gold dropped dramatically this week from the \$530 level to a low point of \$480 on Jan. 29. This marks its first fall below the strategic \$500 marker since May 1980, where it sat for a few hours before recovering to \$510 an ounce. Analysts indicate that the gold price has a floor, however, of somewhere between \$450 and \$400.

The current selloff began Monday,

Jan. 24, when David Marsh reported on the front page of the London *Financial Times* that large net sales of gold bullion had begun out of Singapore and Hong Kong by unidentified speculators. *EIR* checked out the influential Marsh's report, and learned that no such sales are occurring in the Far East; in fact, trading overall, including London and Switzerland, has been extremely thin.

Most of the speculation has been caused by shorting on a large scale of gold contract futures on the American market. Due to continuing high interest rates, gold speculators are moving out of gold into short-term, high-interest money market instruments.

The fact that the gold price has a floor despite these shorts is reportedly due to European and other central bank purchases, to take advantage of the falling price, and also to prevent the price from falling too rapidly.

Public Policy

Insurance companies promote 'sunset'

Stan Karson, director of the Clearinghouse for Corporate and Social Responsibility, told a reporter Jan. 28 that the American insurance sector "accepts that America has entered into a postindustrial age and will force the appropriate adjustment." The Clearinghouse is an arm of the American Council on Life Insurance and Health Insurance.

Karson indicated that Prudential, Equitable, Aetna, and Metropolitan Life are planning moves to "disinvest from dying industries like auto and steel" and put money into microelectronics. He stressed that because of insurance company control of pension funds, "we are talking about shifting upwards of \$150 billion over the course of the next decade." Since the insurance companies control substantial shares of key industrial corporations, he added, they will

force "reluctant corporations" to diversify out of nonprofitable "industrial ventures . . . you can't allow these things to continue indefinitely."

Last month the Clearinghouse helped fund a Washington, D.C. conference on urban free enterprise zones (see page 56). Karson reported that various insurance companies like Prudential in Newark and Metropolitan Life in New York City have prepared enterprise zone proposals for their areas, whether or not the legislation passes Congress.

Banking

Italy goes for \$2 billion financing

Bankers Trust has just concluded negotiations with the Italian Treasury to lead-manage a \$2 billion syndicated Euromarket credit to finance reconstruction of the earthquake-torn Mezzogiorno region. The huge loan will be brought onto the market in the midst of a raging debate in the Italian parliament over how the funds should be disbursed.

There are two programs under discussion for reconstruction: one would channel financing into building up high-skilled industrial plants; the other would simply restore the region as a largely agricultural region with cheap unskilled labor as its major business advantage.

One of the bankers involved in the negotiations was asked Jan. 29 whether he thought political instability in Italy would make it hard to bring the loan onto the market. "This is not a first time thing for Italy," he asserted. "Italy has been politically unstable for thirty-five years. It's a completely unusual situation. They do their worst work when they have a stable situation and their best work when they are politically unstable. Look at 1978-79. These were extraordinary years despite the shootings in the street." His remarks suggest that the loan is also being issued to shore up the credibility of the corrupted Forlani government which

was strongly backed by the Carter administration.

For the Euromarket banks, one of the economic policy changes now being implemented by Forlani's cabinet is a reorganization of the Italian banking system, under the guidelines of a government "White Paper" which calls for total "privatization" of the government-owned commercial banking system.

The Italian Treasury has also indicated to the major Eurobanks that over the next three years, Italian business entities will seek a total of \$40 billion in international loans. The major asset Italy has in drawing this extraordinary volume of finance, according to several New York commercial banks, is its more than \$55 billion in central bank gold reserves.

Industrial Strategy

EIR seminar hears Army Corps spokesman

A Jan. 27 EIR seminar on "Expanding the Baltimore Port for American Industrial Revival" was addressed by Lieutenant-General (Ret.) John Mooris, former director of the Army Corps of Engineers, EIR Economics Editor David Goldman, and Baltimore EIR representative Lawrence Freeman.

General Mooris, in his remarks, declared that the question is not the port per se, but "putting America back to work." "The entire water investment program has to be energized," Mooris said, outlining how the Corps had to revise its operations under Carter. Observing that even without controversy, startup time is now three to four years because of environmental impact statements, he proposed that "we need to streamline procedures" and downgrade "benefit-cost analysis," and deal with cost-sharing, which "ends up with localities making more and more of the contributions to projects." The Office of Management and Budget is another problem, he said, with "no M's and lots

and lots of B's—just the question incessantly of 'what costs less.'" The New Orleans port development was extremely expensive, he noted, but would pay for itself within a few years because of increased shipping.

General Mooris concluded by asserting that in order to have a project, "people have to want a project, and the representatives of these people also have to want it and vote for it," as in the 1960s when the Army Corps had "real heavyweights" on its side in Congress.

Seminar attendees included Baltimore bankers, shipping company executives, representatives of oil transport, shipbuilding, and real estate companies, Bethlehem Steel, a Virginia American Agriculture Movement official, and three Maryland state agencies. A large delegation from the International Longshoremen's Association arrived and was deterred by an AFL-CIO official from entering.

Agriculture

Bergland report warns of 'monopoly control'

A \$1.1 million USDA study initiated by Former Agriculture Secretary Bob Bergland, entitled "A Time to Choose: Summary Report on the Structure of Agriculture," was released to the press just days after Mr. Carter left office. The report says that existing programs "encourage economic cannibalism" within agriculture and have led to "shortsighted exploitation of agricultural resources with no thought for their use over the long term."

In general, the report charges that the existing farm programs and policies—in terms of commodity price support programs, credit programs, tax laws, regulations, research priorities, and marketing arrangements—act together to the disadvantage of small and medium-sized farms, those with anywhere from \$5,000 to \$200,000 in annual gross sales.

Briefly

● **FRENCH PRESIDENT** Valéry Giscard d'Estaing said in a Jan. 27 television address that "the great problem in Africa is [economic] development. The destabilization of Africa is what prevents it from developing.... Africa must conserve its resources for its development tasks. I have proposed on several occasions to our major Western partners a new program for the economic regeneration of Africa. That proposition has met with a certain response, but not a sufficient one."

● **LIBYA** has had its uranium shipments cut off by Niger, the world's fifth largest uranium producer, following a freeze of relations between the two countries. Niger strongly denounced Libya for its military occupation and annexation of Chad, which borders on Niger, and has expelled Libyan diplomats.

● **NIGERIAN** Foreign Minister Ishaya Audu expressed an interest in cooperation with France for nuclear plants during his five-day visit to France Jan. 26-30. On Jan. 28 he visited a French nuclear plant at St. Laurent-des-Eaux.

● **MILTON FRIEDMAN** went bonkers Jan. 27 at a Stanford University lecture after Hunter Cobb of the National Democratic Policy Committee presented the beaming professor with what turned out to be an award for tripling British inflation "faster than the Keynesians could have." When Cobb handed him a copy of *The Ugly Truth About Milton Friedman* by David Goldman and Lyndon H. LaRouche, Jr., the discomposered recipient shouted: "LaRouche got money from the Communist Party! Goldman wrote a book that said I worked for Al Capone!" Exercising his personal freedom, Friedman ripped a swatch of pages from the book and screamed to the spectators, "I will never debate LaRouche!"

Legitimizing terror: who wins, who loses

by Paul Goldstein

One of the most important strategic issues facing the United States remains the question of international terrorism. It is this question that President Ronald Reagan directly addressed during his inaugural presentation, as well as in his statement at a White House reception given for the hostages, where he said the United States would meet the challenge of terrorism with "swift and effective retribution."

As of this writing, the Reagan administration has not decided whether to go ahead with the Carter administration's unconstitutional deal with the controllers of Iran's mad mullahs. Within Reagan's own administration there is an effort to ram through the Carter-Khomeini deal. Secretary of State Alexander Haig is leading the charge to secure the approval.

The actual price of the Carter-Khomeini settlement raises one of the most fundamental issues in the post-World War II period. This issue, upon which the Reagan administration and Congress must ultimately decide, involves a threat to national sovereignty more dangerous than any comparable agreement in the history of the United States.

In effect, if the settlement is approved by the Reagan administration and Congress, then the very intent of President Reagan's statements on combating terrorism will be undermined, and Americans will suffer further Carter-like years of policy disasters. It will serve as a signal to the controllers of international terror that the United States is ill-prepared for the fight ahead.

The strategic damage to the national interest of the United States would be incalculable. Organizations deployed by the Socialist International and their Soviet intelligence (KGB) counterparts, along with the Jesuit "Theology of Liberation" ideologues and the pseudoconservatives of the Heritage Foundation are geared for a new, explosive round of terrorism resulting in far greater human damage and political consequences than even the pattern of terror over the past year. What advantage do these forces gain from



Sigma

deploying terrorism? First, terrorism is an extension of political combat—a form of surrogate warfare deployed as a covert capability. If, as a result of a terrorist deployment, the very issue of the legitimacy of the terrorist group—be it the Red Brigades or Iranian students—becomes one of the points of contention, and if a national government must be brought down to the level of negotiating with terrorists, then the very question of a nation's sovereignty comes to a crucial crossroad.

Who benefits?

Underlying the political deployment of international terror is the creation of a "one-world utopia" in which environmentalist enforcements against science and technology become the hallmark of every nation's outlook. That is why, since the end of World War II, the major thrust of the Socialist International networks is the creation of supranational institutions such as the International Monetary Fund/World Bank and the host of organizations spun out of the United Nations as a vehicle for institutionalizing the notion of limited sovereignty. Any time a nation has to secure a means for carrying out its strategic policy through mechanisms other than its own national institutional channels, it is in effect surrendering its sovereignty.

The Socialist International Conference held last December in Washington, D.C. marked a strategic shift in this overall international deployment. At this confer-

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ence, led by Willy Brandt of West Germany, Olof Palme of Sweden, Anthony Wedgwood Benn of Great Britain, and representatives of over 30 other nations, the policy commitment to "liberation movements" in the Third World was fully announced. Not only was support for "armed struggle" openly proclaimed, but behind the scenes a more insidious policy was discussed for destabilizing the Reagan administration with left-right confrontation, in Central America and domestically.

Internationally, throughout 1980, terrorism had reached a new dimension. Following the takeover of the U.S. embassy in Teheran by the Muslim Brotherhood students with the support of Socialist International agents, Ramsey Clark, the former U.S. Attorney General, a major series of terrorist deployments occurred against U.S. embassies in Libya and Pakistan. Next, the

The ILA example

The oldest and most prestigious institution promoting violations of national sovereignty is the International Law Association (ILA), founded in London at the end of the 19th century. From its inception, the ILA has served as an instrument of Europe's "black nobility."

The head of the U.S. branch of the ILA, C. Clyde Ferguson, began his career as the civil rights adviser to New York Governor Nelson Rockefeller and became a founding trustee of the Institute for Policy Studies, the Washington-based command center for New Left terrorism and terrorist support groups. In 1964, Ferguson became the U.S. expert at the United Nations Subcommittee on Discrimination and a Harvard Law School dean. As of 1980, he was also working with Richard Falk at Falk's Institute for World Order.

The chairman of the Canadian branch of the ILA is a higher-level special operations officer, Major Louis Mortimer Bloomfield, whose law firm runs the Bronfman family holdings. As a veteran of British intelligence's Special Operations Executive, Bloomfield became the head of the Permindex organization when it was founded in the early 1960s. Permindex has been implicated by French authorities in dozens of assassination attempts against Charles de Gaulle, and by New Orleans D.A. Jim Garrison and others in the John Kennedy assassination. Bloomfield's pet project for the 1980s is the creation of an international commando "strike force" on the Entebbe model, operating under "international law."

M-19 terrorist organization seized the Dominican embassy in Colombia, where the U.S. ambassador was taken hostage. In almost every case, the question of negotiation and recognition of the terrorists' right of action was brought out. In each case, the sovereignty of a nation's embassy was violated, making it an act of war. It was the clear Carter administration pattern of not only doing virtually nothing in the face of such attacks, but actually facilitating them, that led to a further escalation of international terror.

This situation is most sharply demonstrated in Italy, where the Socialist Party (PSI) has deployed its offspring, the Red Brigades, as the key weapon against the republican form of government. The PSI has continually intervened on behalf of the Red Brigades' "legitimate rights" to force concessions from the Italian government.

The role of U.S. Ambassador Richard Gardner, a Socialist International-linked operative, in supporting the PSI's efforts is thoroughly documented. Gardner's father-in-law belongs to the Luzzato family, a prominent Venetian clan whose ties to the networks controlling terrorism have been well known to Italy's counter-terror experts since the PSI helped create terrorist networks out of the 1960s New Left. In addition, the entire PSI leadership has been in the midst of destabilizing Italy since the assassination of Aldo Moro.

Ramsey Clark and international terror

The unique position of former Attorney General Ramsey Clark in both controlling the deployment of international terror and managing the conflict resolution outcome is important in understanding this operation. Clark's associates include the entire support apparatus for the Iranian terrorists as well as the Red Brigades, Baader-Meinhof gang, and U.S.-based left-wing terrorist organizations. They are also tied into the "one-world utopian" institutions integral to rationalizing the attacks by terrorists as legitimate political expressions. The International Law Association, the International Association of Democratic Lawyers, the National Lawyers Guild, and the variety of U.N. legal appendages have been and continue to be involved in mediating terrorist activity. All these associations have been intimately linked to the Socialist International networks which control the terrorist deployments.

The battle against international terror can be won if the Reagan administration defines its first struggle against this evil by categorically rejecting the Carter-Khomeini agreement. Second, a declaration of war against the Socialist International terrorist and antisovereignty operatives is essential. The political intention of the new administration would thus be absolutely clear: to destroy the political-judicial basis upon which international terror functions.

Carter's deal with Khomeini is illegal and unconstitutional

by Edward Spannaus

Since Jimmy Carter signed the agreement with the Iranian government exchanging at least \$11 billion in frozen assets for the 52 hostages, a public outcry has arisen calling for President Reagan to repudiate the settlement. Most of the arguments for repudiation are based on the well-established legal axiom that agreements made under duress or threats of violence are not legally binding.

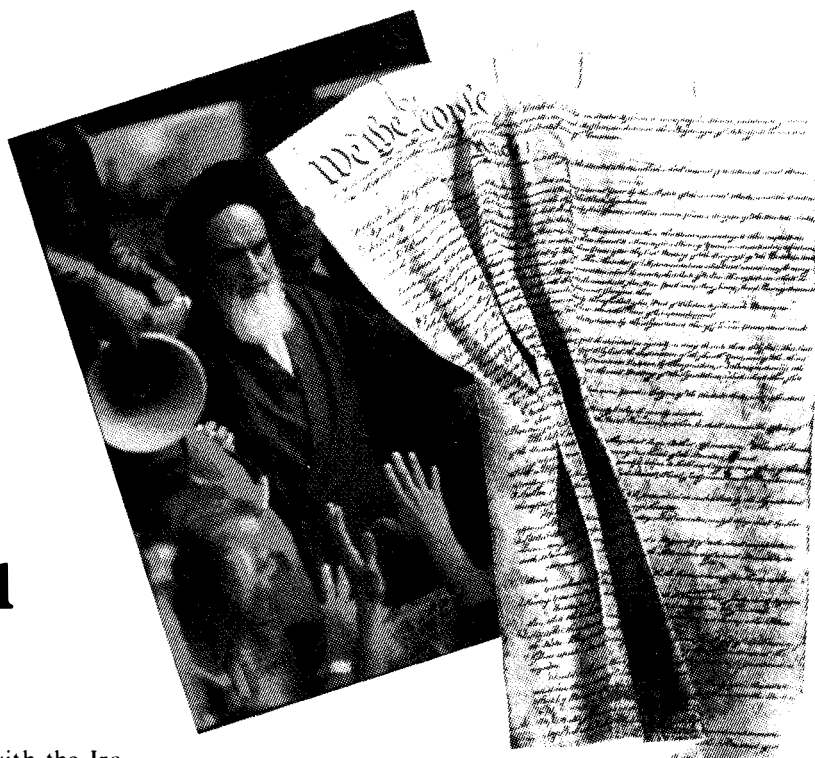
Among the most sophisticated of the "duress" class of arguments are those presented by former Undersecretary of State George Ball in a *Washington Post* Op-Ed entitled "Crime Should Not Pay." Ball argues that under Article 52 of the Vienna Convention on the Law of Treaties of 1969, the Carter-Iran agreements are void because of being "procured by the threat or use of force." To allow Iran "to benefit from such a brutal, lawless act" as the taking of the hostages "would establish an odious and dangerous precedent," concludes Ball.

There is no question that the agreement is overall to the benefit of Iran and to the detriment of the United States. Iran received already over \$7 billion in cash and gold, and stands ready to get \$4 billion more. About \$3.5 billion was used to repay loans granted by European and American banks, thus wiping the slate clean and enabling the outlaw regime in Iran to receive new infusions of credit which are already in the works.

The arguments for repudiating the agreement on the grounds that it rewards criminal behavior is persuasive, for there is no question but that the bottom line of the accords was that Jimmy Carter agreed to pay ransom to a bunch of terrorists.

Agreement violates Constitution

Analysis of the actual agreement which Carter signed, however, shows that something far more insidi-



ous is at work here. The most important reason for repudiating the agreement is that the hostage/asset agreement is in total violation of the United States Constitution, and it constitutes a clear and present danger to our national sovereignty.

The most egregious feature of the Carter-Khomeini agreement is that it takes legal claims of U.S. citizens and corporations out of the United States courts and relegates them either to Iranian courts or to an international Claims Tribunal. And, as we shall see below, it does so quite deliberately in accordance with a long-range conspiracy to undermine the U.S. court system.

Nowhere in the U.S. Constitution does the President have the right to define or alter the jurisdiction of the federal courts, much less tell certain classes of citizens—such as the hostages and their families—that they have no right to bring claims for damages at all. Yet this is precisely what Jimmy Carter and his negotiating team have done.

Two directions of inquiry should be pursued by any competent investigation into the constitutionality of the Carter accords. The first is the propriety of the President entering into such an agreement without the advice and consent of the Senate. The second is the issue of giving up U.S. sovereign rights in favor of an international Claims Tribunal.

We shall deal first with the second of these two issues.

To understand the reasoning behind the idea of the international tribunal, it is instructive to take note of a conference held on March 28-30, 1980, in the midst of the Iranian hostage crisis. The conference seminar was

entitled "Extraterritorial Application of National Laws Regulating Business Activities," and was sponsored by the Ditchley Foundation, a notorious Anglo-American think tank composed of the elite of British oligarchists and American Tories. At this conference the basic conception underlying the Claims Tribunal was fully laid out.

"The long arm of the U.S. courts has been irritating the trading partners of that great country for a long time," begins the report of the conference in the August 1980 *Ditchley Journal*. The topic of the conference was a means of settling disputes between the U.S. and its trading partners. The use of the World Court at The Hague was regarded as "too cumbersome," and instead "it was thought that any disputes could be better settled by an arbitral tribunal functioning much closer to the parties concerned."

It has been publicly acknowledged that both British and key Socialist International figures played a central role in arranging the hostage settlement, including the West German ambassador to Teheran, socialist leader Ritzel.

Keeping the authorship of the agreement in mind, let us now examine some of its specific provisions.

Provisions of agreement

(1) The former hostages and their families give up all claims for damages or compensation against Iran. They are prevented from pressing any legal claims in U.S. courts against Iran. (Damages, once established, could be collected through prejudgment attachment and seizure of Iranian assets in the United States, had all such assets not been returned to Iran by the settlement agreement.) Carter gave up these claims even though the International Court of Justice at The Hague had already held that Iran was acting illegally and was therefore liable for damages.

(2) United States corporations and citizens are barred from bringing any actions in U.S. courts seeking compensation for property confiscated by the Iranian government, or for losses suffered due to the Iranian "revolution." Any actions previously brought in U.S. courts, and any pre-judgment attachments of Iranian assets, were thrown out of court by Carter's Jan. 20 executive orders following the signing of the agreement.

In fact, most contracts under which U.S. corporations were operating in Iran contained clauses that claims could only be pursued in Iranian courts. These clauses must be adhered to; therefore 90 percent of U.S. commercial claims will be subject exclusively to the "revolutionary justice" of the mullahs. All other such claims are removed from U.S. courts and put in front of the Claims Tribunal to be composed of three U.S. representatives, three Iranian representatives, and three

others to be mutually selected, of which Socialist International leader Olof Palme of Sweden is expected to be one.

(3) On the other hand, the United States government is pledged to vigorously enforce in U.S. courts any decrees seeking the assets of the Shah of Iran and his family, without any form of due process. In short, the Iranian government can avail itself of the good offices of the United States court system, while U.S. citizens—including even the hostages—cannot!

Under Article III of the United States Constitution, the judicial powers of the United States rest in the national court system, not with the Executive. And certainly nowhere in the Constitution is the Executive Branch permitted to define the jurisdiction of the courts or to take certain matters out of the jurisdiction of the U.S. courts and hand them over to a supranational tribunal.

There was no notion more fundamental to the framers of the Constitution than that the United States was a fully sovereign nation, meaning that there could exist no positive law nor legal authority above the constitutional law of the U.S. At that time, there was nothing known as "international law" (the term was invented by the pederast Jeremy Bentham). There existed a humanist tradition known as the "law of nations" which was incorporated into the U.S. Constitution as morally but not legally binding. The legal rights of U.S. citizens are embodied in the Constitution and cannot be surrendered to any authority outside or above the U.S. courts. Indeed, the whole idea of a "world court," much less a claims tribunal, is an abomination to the U.S. Constitution and to the conception of absolute and complete sovereignty embodied in it.

The treaty power

Under the U.S. Constitution, the President is empowered to make treaties "by and with the advice and consent of the Senate." Under the law of nations as embodied in the Constitution, treaties could provide a general amnesty for public and private injuries arising from a war.

Over a long period of time, the treaty-making power as defined by the Constitution has been eroded, so that in recent years the courts have upheld the authority of the President to enter into anything but a full-scale world war without a congressional declaration of war, and to enter into treaty agreements *without* seeking the advice and consent and two-thirds concurrence of the Senate.

The legal authority cited by Jimmy Carter to justify both the freezing of Iranian assets, and then the transfer of those assets out of the United States, was the International Emergency Economic Powers Act (IEEPA) of

1977. This law grew out of the old Trading with the Enemy Act of 1917; during the 1970s this law was “divided” into a wartime National Emergencies Act, and the non-wartime IEEPA. This is part of a series of “national security” and “national emergency” types of legislation which have increasingly put dictatorial powers into the hands of the Executive Branch. (The creation of FEMA, the Federal Emergency Management Agency, should immediately come to mind.) The entire “emergency powers” push comes from the Trilateral Commission’s “end of democracy” crowd, the Council on Foreign Relations, and similar institutions, which overlap heavily with the Ditchley Foundation referred to above.

Limited sovereignty

Coincident with the trend toward concentrating emergency powers in the hands of the Executive Branch in domestic affairs, is the drive for limited sovereignty in foreign affairs. The common thread of both is the notion of the “postindustrial society,” in which a shrinking economic pie and austerity make democracy a luxury which can no longer be afforded. The exemplary case of this in international affairs is the Brandt Commission on North-South Relations, which foresees a future of no-growth and “appropriate technologies” for the underdeveloped sector. This IMF-type austerity requires supranational legal institutions, that have no respect for national sovereignty or national laws, the same way that executive orders and executive agreements under “emergency powers” legislation in the United States are permitted to proceed without congressional sanction.

Our nation was created as a constitutional republic, requiring unlimited national sovereignty in the conduct of foreign affairs. A nation subject to any higher temporal authority is not and cannot be a republic, for its citizens, acting through republican institutions, can no longer determine the nation’s course.

Likewise, the Constitution created a defined separation of powers between the Executive, the Legislative, and the Judicial branches, to ensure that the will of the nation could be exerted against any tendency toward either popular or executive tyranny.

The Iran hostage agreement as signed by Jimmy Carter is therefore shown to be in violation of some of the most fundamental tenets of our republic—the absolute sovereignty of the United States and the division of powers among the governing branches. The agreement is a repudiation of the U.S. Constitution: it is therefore obligatory upon the President, the Congress, and the Supreme Court to repudiate that agreement in the interests of preserving the United States as a sovereign constitutional republic.

Colombian terror targets Reagan

by Valerie Rush

In the first act of terrorism directed against the new Reagan administration, the Colombian terrorist group M-19 has kidnapped an American citizen and demanded that President Reagan meet its demands if the victim’s life is to be spared. The victim, Chester Allen Bitterman, is an employee of the Summer Institute of Linguistics (SIL), a body of Protestant missionaries, whose worldwide proselytizing and translations of the Bible into native languages has for years been denounced as a cover for CIA infiltration and social-profiling activities. The M-19 is demanding that President Reagan order the withdrawal of the linguistics institute, a private institution, from Colombia and the publication of an M-19 communiqué in the *New York Times* and *Washington Post*.

The M-19’s demands, coming on the heels of the Iranian hostage affair, are no coincidence. Rather it represents part of a deliberate conspiracy of escalating blackmail against the United States designed to subject the U.S. to “Italian-style” assaults on its national sovereignty.

According to a State Department spokesman from the Office of Consular Affairs, the U.S. government will not yield to the M-19 demands, nor will it negotiate with the terrorists. The U.S. press has carried almost nothing on the incident; neither has the Colombian press, suggesting an agreement between the two governments to keep the publicity, and therefore the damage, to a minimum. Whether the Bitterman affair blows over or not remains to be seen. As a “forecast” of what is to come, however, the incident bears closer scrutiny.

M-19 and the Socialist International

The M-19 was catapulted into the international limelight in February 1980 when a commando squad, disguised as soccer players, stormed the embassy of the Dominican Republic in Bogotá and took more than 50 diplomats, embassy employees and guests hostage. During the next two months, as negotiations for the release of the hostages were conducted, the M-19 used its vantage point of holding nearly 15 countries captive to create a precedent in which an international “crisis-

management" team successfully imposed a distorted concept of *international law* over national sovereignty.

Such supranational forces as the International Red Cross and the Human Rights Commission of the OAS had representatives in the thick of the negotiations, defending the "human rights" of the victims, the terrorists and the government alike. Today, those representatives are virtually running the trials of suspected M-19 and other terrorists in Colombia under the guise of defending their human and civil rights.

Colombian ex-president Alberto Lleras Camargo, one of the leading social democrats in Latin America, played a dominant, if behind-the-scenes, role in the government/M-19 talks, while Socialist International spokesman Bruno Kreisky, Chancellor of Austria, was also brought into the negotiations at the top.

Through classical brainwashing methods that alternated between attacking the government for not moving fast enough to resolve the crisis, and then praising it when it made concessions to the terrorists, these forces produced a situation in which reality was turned on its head. The murderous M-19 terrorists, who had assassinated leading political and labor figures in Colombia, kidnapped dozens of others, and threatened to assassinate all the hostages held in the embassy, walked away from the incident as virtual heroes, described even by their captors as "brilliant, idealistic young democrats." Even Colombian President Turbay was obliged to extend an invitation to the M-19 shortly after the embassy affair had ended to return to Colombia as a legitimate political party!

International law expert Prof. Robert Woetzel commented at the time of the Bogotá hostage incident:

... the situation in Colombia, as well as Iran, requires two things. First of all, an agreement on principles of how to treat each other ... [and] an agreement on a code of offenses. The next step is ... the commission of inquiry. ... That's what's at stake in Colombia, the strategy of leverage. In other words, the big powers have to come to an agreement that they will treat the guerrilla forces according to international law.

A collapse of authority

The collapse of government authority in the wake of the M-19 "experiment" has caused a splintering of traditional political forces in Colombia. Sections of the social-democratic Liberal Party have begun to express growing sympathy with the M-19's "neither capitalist nor socialist" call. The powerful Union of Colombian Workers (UTC), traditionally conservative, nearly lost its leadership to an M-19-allied faction which disrupted

the federation's congress last December, forcing President Turbay from the speaker's platform amid a chorus of boos. The UTC leaders adopted the M-19's program for a "worker's party" at that congress, promising heightened government/labor confrontation in the weeks and months ahead.

One of the most dangerous developments arising from the M-19 offensive in Colombia has been a dramatic policy shift on the part of the Colombian Communist Party (PCC) within the social-democratic environment created by the M-19. The PCC, which has traditionally maintained a prodevelopment and anti-terrorist orientation, has, especially since its December 1980 conference, adopted an increasingly "Jacobinist" outlook, which in the estimation of *EIR* could rapidly take the mass-based PCC into the M-19 camp.

With the Communist Party neutralized as a popular antiterrorist political force, Colombia will become increasingly susceptible to the kind of extended guerrilla warfare which ravaged Nicaragua and is now destroying El Salvador.

Increased terror

Despite its sudden surge in "popularity," the M-19 has, if anything, *increased* its terrorist activities. In the past few weeks, the M-19 has carried out several kidnappings, assaulted buses, bombed key oil pipelines, and set off explosions at the construction site of one of the most important hydroelectric projects in a country currently suffering four hours of electricity blackout each day under a government rationing program.

Ironically, the M-19 has threatened to kill the general manager of public services of one of Colombia's major cities, Medellín, for imposing electricity rationing on the population!

The predictable government response to the increased terrorism has been to launch one of the most massive military counter-mobilizations the country has seen. Colombia's specially trained counterinsurgency forces have been called to the front lines under the personal command of General Commander of the Army Landazábal Reyes, a man universally despised in Colombia for his brutal record of repression. Several brigades have been pulled into rural regions where the Communist Party has broad popular support; bloody confrontations are expected. Even the military brigade in charge of patrolling the marijuana-producing region of the Guajira Peninsula has been pulled out and redeployed, leading observers to anticipate a substantial increase in drug exports from Colombia in the immediate period ahead.

Under such conditions of heightened tension, an accelerated scenario of right-left confrontations as in El Salvador can be expected.

What is Colombia's M-19?

The April 19 Movement, better known in Colombia as the "M-19," has been described by journalists as "increasingly the most important urban terrorist group in Latin America." It sprang into international prominence one year ago when one of its "commandos" seized the Dominican Republic embassy in Bogotá during a gala party, taking more than 50 people—including 15 ambassadors—hostage. Since then, it has won the growing sympathy and even outright collusion of leftist and other layers inside Colombia.

What is the M-19?

The M-19 was formed in 1970 as a subversive splitoff from the right-wing ANAPO party of former military dictator Gustavo Rojas Pinilla. Its ranks were comprised primarily of ex-military officers as well as former and active members of the Society of Jesus. Its first publicity stunt was to steal the sword of Colombia's "Liberator" Simón Bolívar. After that it effectively disappeared for several years, with only occasional Robin Hood-style hijackings of trucks carrying chickens or milk for distribution to the poor.

In February 1976, the M-19 stunned Colombia with the kidnapping and subsequent murder of José Raquel Mercado, the president of Colombia's largest trade union federation. Despite evidence of military complicity in the affair, court-ordered investigations under the control of a military tribunal failed to produce any convictions. From that point on, the M-19 embarked on a career of assassinations and other terrorist acts with total impunity. In September 1978 members of the so-called Workers Defense Movement (MAO), a front group of the M-19, murdered former interior minister Rafael Pardo Buelvas. The M-19 simultaneously took over several radio stations to threaten that other ministers would face the same fate. In January 1979, 4,000 weapons were seized by the M-19 in a spectacular raid on a major military arsenal. In February 1980 the Dominican embassy was seized.

The ease with which the M-19 has struck again and again, garnering huge ransom fees and extensive publicity along the way, is not surprising when one looks closely at the controllers pulling its strings:

- **Society of Jesus:** Colombia's leading Jesuit, the "right-wing" Sen. Alvaro Gómez Hurtado, is reliably reported to be a principal controller of the "revolutionary" M-19. The newspaper Gómez directs, *El*

Siglo, employed one Camelo Franco, the MAO member who was arrested for the 1978 murder of Interior Minister Pardo Buelvas. Arrested with Franco were two Jesuit priests, Luis Alberto Restrepo and Jorge Arango, who were leftist activists working out of the Jesuit social action center, CINEP (Center of Popular Research and Education.)

The M-19 holds as its "patron saint" the murdered guerrilla-priest Camilo Torres, who during the sixties served as a Jesuit asset for channeling social ferment into "revolutionary violence" on the continent.

- **Socialist International:** The M-19 issued statements to the press at the time of the Dominican embassy takeover describing themselves as "social democratic" in orientation. The model for the kind of society they want to create in Colombia is Austria's "popular democracy," in the words of the M-19's "Comandante Uno." Not accidentally, Austrian Chancellor Bruno Kreisky, a leading member of the Socialist International, participated in the M-19/embassy negotiations, and eventually sent the M-19 a telegram thanking them for their early release of the captive Austrian ambassador. When the hostages were finally released, part of the negotiated deal with the M-19 was to provide passage to Cuba, and then to Austria, where the terrorists had been offered asylum.

- **Military Intelligence:** When the M-19 first publicly emerged in 1974, it was widely acknowledged to be a paramilitary rightist creation whose members maintained close links to at least one faction of Colombian military intelligence. As recently as February 1980, the Colombian ambassador to Mexico told the press: "The M-19 was founded by ultra-rightists. . . . The fascists of the battered ANAPO group constituted themselves as a subversive group."

Striking is the case of Tony López Oyuela, a former magistrate of the Superior Military Tribunal and chief of the Judicial Police of the political police (UAS). In 1976, López Oyuela was in charge of the investigations into the murder of labor leader Raquel Mercado. The leading witness in the case was inexplicably dismissed by López Oyuela. Since then it has been uncovered that the witness was a close friend of López Oyuela. In 1979, López Oyuela—one of the highest judicial officers in the Colombian military—was arrested for criminal collusion with the M-19.

Terrorist controllers plan a new Russell Tribunal

by Dolia Estevez Pettingell

Next month, Mexico will be the scene of a major conference of top terrorist controllers. The meeting is sponsored by the "International Tribunal for the Liberation of Peoples," an offshoot of the Bertrand Russell Peace Foundation and the Italy-based Lelio Basso Foundation.

The group of "jurists" scheduled to meet in Cuernavaca Feb. 9-11 is the same group of "human rights" fanatics whose "on-the-scene reporting" of the situation in Iran in 1978 was key in catalyzing international left and proterrorist groups behind the anti-Shah destabilization. In brief, this is the group of individuals "above suspicion" who brought the Ayatollah Khomeini to power.

The meeting was formally called to "pass judgment" after taking testimony "from all parties" on the violation of human rights in El Salvador. But it is meant to have the same international political impact that other Russell tribunal meetings have had in the past. The idea of these "tribunals" centered around "human rights," "peace," and other such phrases originated with Lord Bertrand Russell in the early 1970s, when he sponsored the well-publicized "Vietnam war crimes" Nuremberg-modeled tribunals.

The precedent for the upcoming meeting in Mexico came in February 1980 when the same crowd met in New York to propagandize the allegation that Mexico is a "human rights violator" on the model of Iran under the Shah. The conference, sponsored by the American branch of PEN International, brought together for the first time the two highest agents who ran the dark ages operation known as the Khomeini revolution: Princeton University Professor Richard Falk, scheduled to be in Mexico next month, and proterrorist international lawyer Ramsey Clark. Falk and Clark's Mexican cothinkers, present also at the 1980 conference, described Mexico as a country worse than Nazi Germany: "At least the Nazis used to publicize the list of names of those exterminated in their concentration camps."

But as a reading of the antigrowth, feudal ideas of Falk and Clark shows, the real "crime" of Mexico is not

its alleged repression but President José López Portillo's commitment to use the oil revenues for the industrialization of the country. "Any kind of dramatic transformation of the reality of a country like Mexico arouses all kinds of fears. . . . Big technology can be very threatening to the patterns of existence that are prevalent, particularly in the rural countryside," charged Falk in a private interview.

The 'jurists'

The group of "jurists" scheduled to attend the meeting in Mexico will be hosted by the "red bishop" of Cuernavaca, Sergio Méndez Arceo, one of the most prominent figures in the proterrorist Jesuit "liberation theology" movement in Latin America. From the U.S. side, besides Professor Falk, the list includes James Petras, sociology professor at New York State University; George Wald, a Nobel biologist from Harvard University; Dr. Vicente Navarro, professor at Johns Hopkins Medical School in Maryland; and Phillip Wheaton, head of a Jesuit think tank called "Epica." The Latin American delegation is being led by proterrorist Colombian writer Gabriel García Márquez and Pablo González Casanova, a Mexican liberal intellectual.

Within this group, the most dangerous individuals who deserve more attention in light of their extensive involvement in destabilization operations against governments are the already mentioned Richard Falk and bishop Méndez Arceo.

Richard Falk: Falk, a close friend of Iranian President Abolhassan Bani-Sadr even before the overthrow of the Shah, played a key role in setting in motion the Russell terrorist networks that brought the Ayatollah Khomeini to power. In a special report prepared for the New York-based Council on Foreign Relations' "1980s Project," Falk explained the need for terrorism in fighting for human rights: "Those who seek change must necessarily employ coercive strategies. Somehow the regime violating human rights must be toppled or

its leaders induced to make fundamental changes. This can be done either through domestic struggle, outside intervention, or a mixture of the two.”

What Falk proposes instead of national sovereignty is a low-growth “one world system,” run by supranational bodies and laws completely superseding nation-state government as the Russell tribunal attempts to do.

Sergio Méndez Arceo: Before becoming a world-famous “red bishop,” Méndez Arceo began his subversive career during the 1930s as a fanatic anticommunist militant. The young Méndez Arceo participated in the bloody Cristero armed revolts against the Mexican government. He is known to have taken part in more than one armed attack against government forces.

It was not until the 1960s that Méndez Arceo, under the influence of Liberationists such as Ivan Illich and the French homosexual priest Lemerrier, shifted toward the left. Soon after, Méndez Arceo’s kookery—such as introducing rock and roll and “mariachi” music in his Sunday mass—helped turn Cuernavaca into a paradise for terrorists and their controllers and financiers, like members of the Italian black nobility that currently live in Cuernavaca.

More recently, Méndez Arceo has been very active as a public spokesman for Jesuit-run insurrections in Central America.

Mexican security officials are aware of the Cuernavaca meeting. Their major concern is that the meeting could boost Jesuit-run revolts like the recent “peasant” incident in Chiapas.

Chiapas becomes a Jesuit time bomb

On January 18, a group of armed “peasants” took over and blocked the roads leading to the Cactus petrochemical center run by Pemex, Mexico’s state-owned oil company. The incident took place in the state of Chiapas, in the southeast of Mexico, where most of the country’s oil is located. Less than 48 hours after the takeover began, the “peasants” unblocked the roads after reaching a shaky agreement with the government of that state.

Although Mexican authorities managed to defuse the potentially violent revolt in which 3,000 armed peasants were involved, the incident has set a very dangerous precedent. What makes the incident alarmingly different from the almost daily peasant problems that one sees in Mexico is, first, that it was an actual attack against

Pemex’s installations, something that so far had just been a “threat.” Second, the peasants and Indians of this region are controlled and manipulated by the Society of Jesus and the “Liberation Theology” Church networks that the Jesuits run.

In July 1980, this magazine extensively documented in a Special Report titled “Chiapas and the Destabilization of Mexico” the Jesuit involvement in other peasant revolts near the Chiapas oil fields. The report explained that the primary target was the oil region; that through the “indoctrination” of Indians and peasants, the Jesuits were creating a ferment that could later be channeled in the form of violent revolts against Pemex directly. Last week’s Chiapas incident proves this beyond any doubt.

In a paid ad in the Mexican daily *El Heraldo* Jan. 19, the so-called peasants denounced the “pollution” that oil exploitation and petrochemical development have brought to the region; they also complained that Pemex took over their lands without compensation. In withdrawing from the blocked roads, the peasants threatened that if Pemex does not meet their demands in a 30-day period they would return to block the roads again.

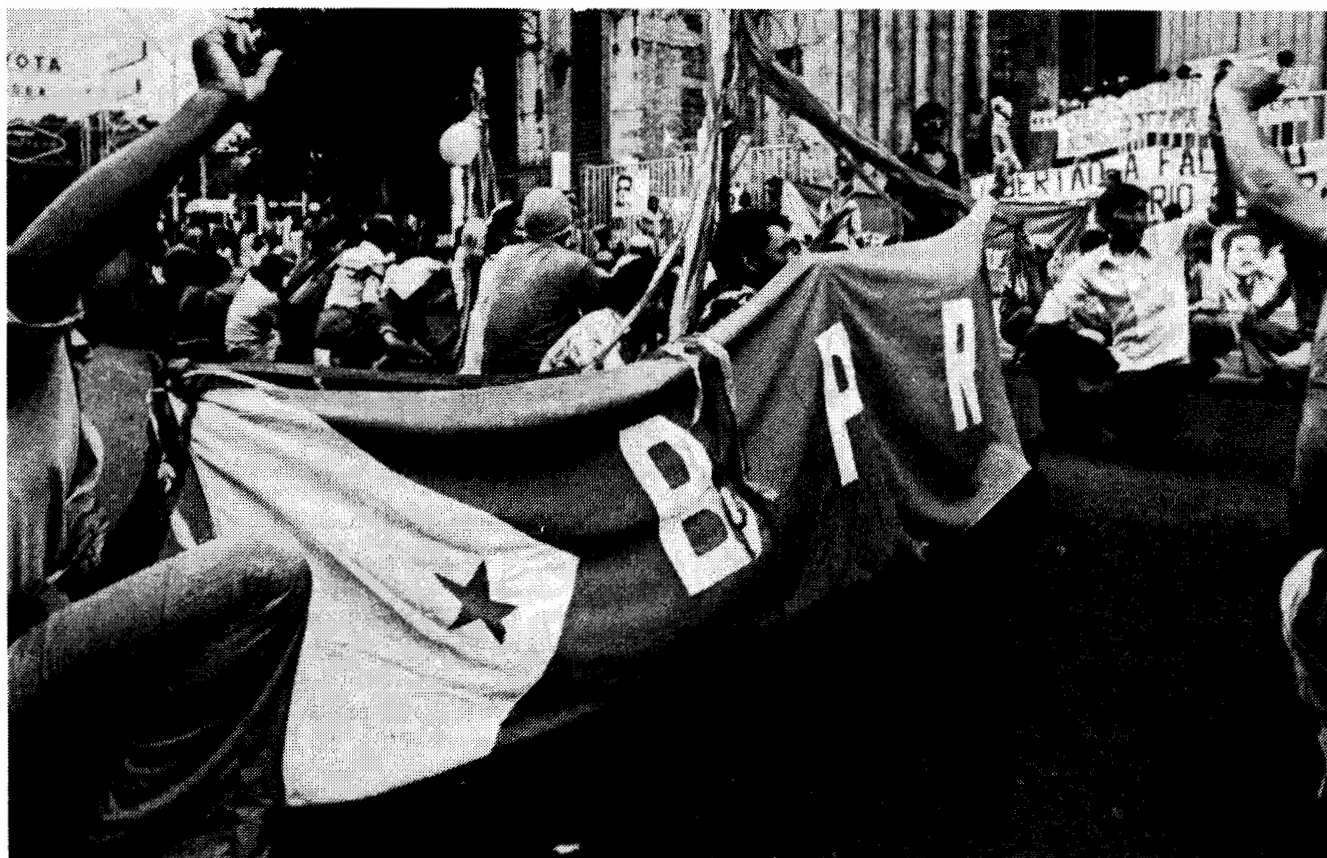
In the aftermath of the incident, reliable press sources in Mexico reported that both the governor of Tabasco (a border state with Chiapas), Jesús Rovirosa Wade, and “political groups” had been involved in the “negotiations” on the side of the peasants. Rovirosa Wade is a self-proclaimed ecologist and public enemy of Pemex.

The Jesuits’ involvement

The two major operatives in the Chiapas destabilization efforts are the bishop of that state, Samuel Ruíz, and Arturo Lozano, S.J., head of the Jesuit mission in Bachajón, Chiapas. Ruíz and Lozano, along with 35 priests operating in four other zones, have been involved for at least 15 years in “indoctrinating” the peasants and Indians.

Central America, concretely El Salvador, is the best “case study” of what Jesuit “indoctrination” leads to. The type of “insurrection” that the Jesuits and their social democratic allies are currently engaged in in Central America is what they plan to unleash in Mexico, particularly in the southeast oil region.

Working closely with the Jesuits in Chiapas is an array of political groups and figures in charge of creating an anti-Pemex public environment. Leading the list is the head of the Maoist-oriented Mexican Workers Party, Heberto Castillo, a regular columnist in the Jesuit-run magazine *Proceso*. Castillo has repeatedly charged that Pemex is committing “ethnocide” by drilling wells and expanding the oil industry in peasant-Indian regions. He has threatened that such “modernization” projects will lead to the “Iranization” of Mexico—with the Jesuits playing the role of the ayatollahs.



El Salvador: a paradigm of staged conflict.

The political role of Liberation Theology

Father Simon Smith, S.J., the Jesuit chief of missions for the Third World, who is currently working out of the Jesuit Conference in Washington, D.C., commented on the Jesuit role in Mexico and Central America in a recent interview provided to EIR.

Q: What is the Jesuits' role in the recent Chiapas, Mexico incident where a group of armed peasants blocked the roads to a Pemex [Mexico's state oil company] installation?

A: Bishop Samuel Ruíz in San Cristóbal de las Casas [in Chiapas] and the Jesuits, the Mexican Jesuits who are working in the Chiapas region, have completely committed themselves to serve the needs of the indigenous population. They have been engaged for some years now in a long range of . . . projects that would facilitate self-determination by the indigenous population of their own cultural and economic future. And that is completely in accordance with the priorities of the Society of Jesus.

Q: How long have these been your priorities?

A: You are perhaps familiar with the history of us back in 1975 when we closed Instituto Patria [a high school for the children of the oligarchy—ed.] in Mexico City in order to commit ourselves to the needs of the poorest people, the whole indigenous population and the suburban populations around Mexico City. We have been present in those places ever since. We made a public statement in Mexico that the priorities of the Jesuits are, first, the involvement in the struggle for justice for the people who are on the bottom of the social pyramid, and second, open solidarity with the poor.

Q: What is the purpose of sending foreign Jesuits abroad?

A: We have a program for "gringo" Jesuits, Horizontes para la Justicia—Horizons for Justice—which is to make North American Jesuits sensitive to the reality in Mexico and Central America. In order to do that we have depended on the assistance of Mexican and Central American Jesuits working with the poor and have brought down a few people . . . as many as 20 in a given year to work with the Indians in Bachajón, Chilón, Villahermosa to work with the Tarahumara Indians in Torreón.

Q: Do you know about the Bertrand Russell meeting in Mexico next month?

A: No, I did not know about it, but it is very good. Many people dismissed the Russell Tribunal as crazy leftists who are all communists. In Europe the tribunal has a lot of impact. Thank God. And that is very much where the support for El Salvador is coming from, from the Socialist International in Germany, France, Holland and the Scandinavian countries.

The following are excerpts from an interview with Malachi Martin, an expert on Church matters and former member of the Society of Jesus. The interview was made available to EIR by an independent journalist.

Q: Where does the American Catholic Church stand regarding the active role of many religious people in the Central American developments?

A: In the U.S. today, the 273 or so Catholic bishops have taken a non-ideological American stand with regard to religion. . . . The result is that every pronouncement of the American bishops is to the Left because they say we must vindicate the poor, and therefore they would actually give money for arms to rebels.

Q: Has there been any direct influence by the American bishops on the Latin American Church?

A: Yes, they have communicated this left attitude to the bishops of Latin America especially during the Vatican II Council. Latin America has been the object of missions from the Maryknoll fathers, Jesuits, Franciscans, and

Dominicans from North America, and they are all of the same mind. Therefore, you find the Jesuits in Nicaragua training Marxists in the use of machine guns. They have no difficulty with that because they have no ideology, they are merely defending the poor. Liberation Theology is built from this idea. Liberation Theology is the most intelligent theological creation in two centuries.

Q: Isn't the current Pope opposed to this current?

A: Yes, it would have gone much farther if John Paul II had not been elected. The process in Latin America would have gone much further. He has begun to stop it, but it will take many years because most of the cardinals are in revolt against him, they do not obey him, they do not acknowledge his authority.

Q: In the meantime, what do you think will happen in Central America?

A: The process will continue. Local Church authorities regard communization as inevitable unless military control is assumed and that means a lot of trouble in coming years. Militarization is the only way. It has a very, very high cost. It means blood. It means husbands are killed, sons are killed, it means children starving.

Q: How do you think the Central American crisis affects Mexico?

A: I think the target of all this is Mexico. The oil, but also in taking Mexico, you cut North America off from Central and South America. If Mexico is anti-U.S. like Cuba or something like Cuba, Latin America is lost.



Iran Comes to Latin America: The Bogotá Embassy Takeover

**An Executive Intelligence Review
Special Report**

In this exclusive report, the *EIR* provides full documentary evidence that the Colombian "M-19," the first terrorist group to threaten the new Reagan administration, is run by a faction of the Colombian military and the Society of Jesus. It examines the role of the Jesuit "theology of liberation" in the plans to "Iranize" Latin America. Price: \$100.00. The report may be ordered through Peter Ennis, (212) 247-8498.

India and Mexico reject the Brandt Commission

by Dennis Small

Mexican President José López Portillo and Indian Prime Minister Indira Gandhi, the two most respected statesmen of the Third World, held summit talks in New Delhi this week which the Mexican head of state characterized as “an extraordinarily high level of discussions.” The leaders found accord on two central topics, which together have opened the door to the new Reagan administration and its European allies, such that a new era of pursuing mutual interests between North and South is now within reach.

López Portillo and Gandhi agreed: 1) that their shared goal of guaranteeing “universal peace” could be achieved only through economic cooperation and technological development between North and South; and 2) that model bilateral relations between India and Mexico would center around exchanging Mexican oil and petroleum technology for Indian technology and expertise in the field of nuclear energy. “There are many aspects of Indian development,” said an appreciative López Portillo, “that are still unknown in Mexico, and vice versa.”

These agreements are a blow to the Socialist International and its approach to North-South relations, as elaborated in the Brandt Commission Report.

- The Brandt Commission is hostile to the transfer to the Third World of advanced technology, such as nuclear know-how. López Portillo and Gandhi demanded access to it.

- The Brandt Commission, arguing that North and South have opposed economic needs, fosters confrontation—López Portillo and Gandhi call for principled cooperation. The Brandt report had hoped discussion at

the probable June North-South summit meeting in Mexico would center on the basis of the Brandt Commission report—but Gandhi and López Portillo flatly said no.

The two leaders were quite explicit on this last point. J. N. Dixit, the official spokesman for the Indian Foreign Ministry, reported that the two heads of state carried out a “continued exchange of views on the international economic situation, and in this context, while discussing the proposed summit, agreed that while the Brandt Commission report needs to be studied, there are also *other* studies which developing countries should take note of.” Asked what other studies were being referred to, the Indian official made it clear that the Brandt report was being shelved, by answering ironically: “There are thousands of them.”

Round two

The injuries Gandhi and López Portillo inflicted in New Delhi on the Socialist International are not the first this year. In early January, López Portillo met with Ronald Reagan in Ciudad Juárez, Mexico, and they reached broad agreement on a cooperative approach toward North-South relations and Third World stability. Reliable sources told *EIR* that the two leaders at that time reached an understanding whereby Mexico would work with India, Iraq, and other moderate forces in the developing sector to contain the influence of the Jacobin faction headed by Cuba’s Fidel Castro in exchange for which Reagan agreed to participate in the June North-South summit in Mexico along with France and West Germany.



Mexico's José López Portillo and Indira Gandhi have begun to take Third World leadership away from the advocates of "class war" and "decoupling" from the industrial nations.

The India-Mexico accords have now strengthened this approach. Mrs. Gandhi will in turn take it into a foreign minister-level meeting of the nonaligned nations in New Delhi on Feb. 9-12. Fairly acrimonious disputes with the Cuban delegation are expected, given the Castro government's current "let's have a showdown" outlook.

Developments in France and Germany this week further strengthened the potential of this emerging prodevelopment configuration. According to the West German daily *Neue Ruhr Zeitung*, the Saudi government has presented to the French and Germans a proposal for military and other economic cooperation deals totaling no less than \$70 billion. French President Valéry Giscard d'Estaing has also proposed an international conference on Afghanistan to deal with "ending interference in Afghanistan."

This diplomatic initiative, on which Giscard confided he had consulted with Soviet President Leonid Brezhnev, could contribute tangibly to creating the kind of entente in which East and West could trigger global economic expansion in what French tradition calls a Grand Design.

Avoiding war and destabilization

The Indian and Mexican heads of state have also approached their talks from this standpoint of world leaders concerned, above all, with securing peace. Commenting on the talks, a spokesman for Mrs. Gandhi noted that the two leaders had agreed that "everything

should be done to strengthen the forces of peace and stability in different parts of the world. . . .

"The forces of intervention and great power confrontation should be stemmed and defused by means of cooperation between nonaligned and developed countries," he concluded.

Mrs. Gandhi told the Mexican president that Indian policy has worked to "defuse situations born of confrontation and rigid positions," a clear reference to Indian mediation efforts regarding Afghanistan and Kampuchea.

President López Portillo had struck a similar theme in his speech at a banquet given in his honor: "It is necessary that all peace and law-loving peoples make every effort to reduce tensions and to reject those pressures seeking to involve us in a renewed cold war. In order to advance toward these objectives we must have political solidarity and economic cooperation among countries like India and Mexico . . . countries without imperial dreams or hegemonic pretensions, which jealously defend their sovereignty and which affirm their right to independent development."

The Mexican president went on to attack a military conception—that of "limited warfare"—much in vogue with Henry Kissinger and his followers who, under Carter, attempted to foist it on NATO.

"My government believes that limited wars . . . threaten world peace. We follow with great concern the developing war in the Persian Gulf. . . . Mexico does not recognize security zones or spheres of influence that extend beyond one's own borders."

Wharton's Diemex model

Timothy Rush's multi-section report on how and why Lawrence Klein has sold incompetence as economic science.

The Wharton School of Pennsylvania, through its special econometric model for Mexico called "Diemex," is one of the foremost voices today warning that Mexico's oil is more a curse than a blessing for the future of that nation.

The Wharton line, taken from Henry Kissinger's peculiar version of the "lessons of Iran," is that a modernization drive based on oil revenues necessarily breeds high rates of inflation, greater inequalities of wealth, and more intense social unrest. In Wharton's view, Mexico must cut back on both its oil program and its rate of development if it is "to escape the fate of Iran."

It is probably not immediately obvious to many *EIR* readers why someone approaching Mexican planners with this litany would not simply be laughed out of town. Certainly, as Mexico has poured its oil wealth into steel, capital goods, petrochemicals, and increasingly into agriculture and transportation, it is running into severe bottlenecks. Inflation has leaped from 20 percent in 1979 to 30 percent last year.

But most Mexicans will tend to view these problems as growing pains, and President López Portillo has been emphatic that the solution to the inflation is *more* production and productivity, not less. Oil is not the problem; it is a unique source of capital, alone capable at this point of making Mexico's dream of becoming an advanced industrial republic a reality. The issue is the proper investment of the revenue generated by the oil.

Yet the peddlers of the "poor Mexico" litany are *not* being laughed out of town. In fact, the Wharton School's Kissingerian theories are gaining credence and followers on both the "right" and the "left" of the political spectrum.

An important example from the center-left is Industry Minister José Andrés de Oteyza. De Oteyza has been a consistent proponent of industrial expansion and rapid growth rates. But he has increasingly emerged as the foremost government advocate of keeping oil export levels low—a measure that will eventually gut his own state strategy. In the middle of January he officially announced the end of Mexico's "oil-for-technology" export policy, which had been the underpinning of much of Mexico's modernization drive and increasing diplomatic clout.

He stated to the press that Mexico "has no more oil

to sell"; it was reaching the 1.5 million barrels per day export ceiling stipulated in the recent Energy Program (see *EIR*, Dec. 30, 1980).

His blunt statement that the "for sale" sign on the oil had been taken down came on the eve of López Portillo's latest major diplomatic effort, a trip to oil-deficient India. Just one day after he spoke, Japanese Foreign Trade Minister R. Tanaka arrived with new investment proposals from Japan, which has long sought increased oil shipments from Mexico.

Most important, it came just after López Portillo and Ronald Reagan had set the potential for a historic turnaround in U.S.-Mexico relations at their Ciudad Juárez meeting—a potential which depends on an oil-for-technology framework for successful fulfillment.

The irony of this defensive "left" stance is that it is receiving the wholehearted support of such pillars of the conservative U.S. financial community as the *Journal of Commerce*. The *Journal* editorialized the day after the López Portillo-Reagan meeting that Mexico's decision to hold back further exports was wise indeed. The New York daily approvingly cited a recent article in *Foreign Policy* magazine, written by a husband-and-wife duo, the Redclifts, sent into Mexico by the Ford Foundation. In this important, policy-defining article, the Redclifts argue that Mexico's and America's common interests will best be served by devolving the Mexican economy back to a "more stable" agricultural stage based on labor-intensive technologies. The oil-export program, the lever for a contrary policy of high-technology industrial growth, must be hobbled, they argued.

'Die Mex': a command?

Wharton bears a heavy responsibility for this pervasive disorientation within Mexico. Its quackery has run unchecked through Mexico's "body economic" for over a decade, after it was spun out of Lawrence Klein's U.S.-oriented econometrics program in the late 1960s. Today it counts among its 75 clients several of the most important Mexican government ministries and economic institutions, as well as a top echelon of private corporate and banking giants. A group of U.S. multinationals operating in Mexico similarly contract for Wharton's work.

What is not directly Wharton in the econometric field in Mexico is "Son-of-Wharton." The giant computer models used by both of Mexico's leading planning efforts, the National Industrial Development Plan (PNDI) and the Global Development Plan (PGD), incorporated substantial elements of Wharton methodology. And for a full generation, a large number of economists, on both the private sector and public sector side, have received their training at Wharton.

Only now, with the application of the LaRouche-Riemann model to the Mexican economy, has Wharton's stranglehold on the field in Mexico been challenged. The LaRouche-Riemann entry into the field is due to be presented in a Mexico City conference at the end of February.

How Diemex works

In the late 1960s, Lawrence Klein assigned to some of his graduate students the task of adapting Wharton econometric analysis, up until then reserved for advanced industrial economies, to selected developing sector nations.

He worked particularly closely with Abel Beltrán del Río, a Mexican who received his Ph.D. under Klein's direction in 1969. Beltrán, from a landed family in Chihuahua, had connections in both Mexico City and Monterrey who aided the launching of the project in Mexico. Help was also provided by the dean of foreign economists in Mexico, Redvers Opie. Opie, from an earlier generation of Keynesians than Klein, had personally collaborated at the Bretton Woods conference of 1944 with Lord John Maynard Keynes. In the postwar period Opie helped found Business International and then gave up his British citizenship to live permanently in Mexico.

By 1971, Klein and Beltrán's model for Mexico was in full gear, and in fact became a separate division of Wharton Econometrics Forecasting Associates. With relatively modest changes, the 1971 Diemex version is the same one used by Wharton today.

The model is based on some 140 equations, with 46 "exogenous variables" organized, for flowchart purposes, into "six endogenous blocks." The resulting projections cover, in Beltrán del Río's words, "the components of aggregate demand, the external balance on current account, aggregate output, labor force, certain demographic variables, accumulation of capital and creation of productive capacity, public finances, prices and wages."

Forecasts are established on three tracks: "short-term" (one year or less), "medium-term" (2-3 years), and "long-term" (10 years). The small-print pages of computer runs produced by this system are distributed to

clients four times a year, along with a shorter, highly evaluative "analysis of results" prepared by Beltrán and his staff.

What kind of model is this behind its facade of computerized "objectivity"?

The basic theory of how the economy works is *Keynesian*. It takes demand as the primary motor of the economy and traces out an intricate series of correlations and relations with other variables in the economy from demand. From the array of Keynesian categories thus employed, Beltrán singles out a much smaller number for actual intensive analysis in each forecast. These he calls "the four most general economic indicators." They are 1) growth in gross domestic product; 2) inflation; 3) job creation; and 4) current account deficit.

Immediately dropped from analysis is any measure of productivity. Even the word "productivity" does not occur in standard Wharton/Diemex analyses. Similarly, questions of rate of investment and kind of investment are treated as secondary, derived matters. The issue of rate of technological innovation is, in consequence, entirely left out.

It follows as no surprise that Lawrence Klein should make the devastating newspaper admission recently that Diemex has run into problems because Mexico has "an economic structure in rapid change."

Based on this decayed Keynesianism, the model then projects forward on the basis of purely linear extrapolations of previous data. As the time frame moves farther away from the present, in the "medium-" and "long-term" forecasts, the accuracy of such predictions is approximately that of crystal ball gazing.

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Beltrán del Río himself suggests in a revealing 1979 essay, "Econometric Forecasting for Mexico: an Analysis of Errors in Prediction," that the reason for such embarrassing discrepancies over time is that the technique used is "mechanical." Further, Beltrán notes that the model's better record in short-term prediction "is apparently due to the method of incorporating the latest information available from experts and other data sources external to the model."

This gets to the heart of the Wharton consumer fraud. Stripped of its "econometric" pretensions it is nothing more than a foreign-intelligence operation which channels high-grade information from its own clients out of the country and into Wharton's computer facilities in Pennsylvania. The director of the whole affair, Lawrence Klein, is a veteran of 35 years of top-level intelligence-linked activity.

Beltrán del Río calls this core intelligence function "the group." "The group consists of more than one hundred economists and non-economic professionals of the private and public sectors of Mexico, which through quarterly meetings provide detailed information and criticism of the preliminary forecasts produced by the econometricians of Diemex. The corrections and suggestions, gathered in these meetings, after further discussion and re-evaluation, are fed into the model to generate revised projections. The main kind of information secured in the meetings refers to the probable conduct of economic policy by the Mexican authorities. Oil policy, public expenditures, wage policy, monetary and tax policies are among the important elements discussed."

For this sophisticated economic espionage scam, each client pays Wharton over \$4,000 per year.

If it's Wharton, it's slow growth

The advice that Wharton feeds back has one common denominator: go slow. This was built into Diemex from its inception. Wrote Klein and Beltrán in a 1971 paper, "Macroeconomic Model Building in Latin America: The Mexican Case": "High growth combined with stability, especially external stability, seems unattainable for the major developing Latin American economies at their present capacity-creation stage."

The econometrics work that Wharton was embedded in then had the closest possible connection to the notorious neo-Malthusian manifestos of the Club of Rome. The first Nobel economics prize, a category created in 1971, went to Club of Rome economist Jan Tinbergen for his "contributions to the development of econometric analysis." A year later, MIT's resident Club of Rome econometricians, Meadows and Forrester, published the famous *Limits to Growth* tract.

In the early 1970s, Wharton pegged its "go slow" demands to the rapidly increasing trade deficits. As surging oil revenues in the later 1970s took the string

out of the balance-of-trade argument, the choice of bogeyman shifted to inflation. The insistent warnings today about "the oil syndrome" are the latest euphemism for slow-growth.

These warnings are coupled with Wharton's notorious obsession with devaluation. In its mid-1980 forecast, Wharton offers "three alternative projections" to its Basic Projection. The basic model "forecasts" an approximate 20 percent devaluation of Mexico's peso for mid-1981 and several further devaluations later in the decade. Alternatives 1 and 2 differ from the Basic Projection only by positing different frameworks for devaluation. Alternative 3 moves the first devaluation "forecast" up to December 1980.

Thus a Wharton client is induced to focus on the issue of peso devaluation as the *only* policy variable at issue in economic planning—even as the differences in Wharton's own long-term projections using the three alternatives turn out to be marginal!

As Beltrán del Río knows better than anyone, the issue of a devaluation is political, not fundamentally economic. It is even more so the case in Mexico today, where it is universally recognized that a peso devaluation will not significantly boost exports, the ostensible goal of the exercise. But it will throw a wrench into the government's rapid growth plans.

In the end, Mexico's only serious "limit to growth" may be the conceptual influence of the Wharton model on its private and public sector planners.

Wharton in its own words

"In an economy that develops rapidly, every day there are more cases of conspicuous consumption. People become divided, jealousy is unleashed. Every citizen, even the poorest, thinks he should progress rapidly, like the country, since the country is rich. Then the citizen becomes disillusioned. People take to the streets. They scream their demands. . . . If the pauperized groups don't ascend rapidly in Mexico, it runs the risk of an outcome like Iran."

—Lawrence Klein, interview with *Proceso* magazine, Nov. 10, 1980.

"Mexico has much greater internal stability than other Latin American countries. Nevertheless, we [of Wharton] have the feeling that Mexican politics are less stable, and experience greater fluctuation, than is recognized in other research centers which run projects similar to ours."

—Lawrence Klein, interview with *El Sol*, Nov. 30, 1980.

"The principal problems [of the Diemex model in Mexico] include . . . an economic structure in rapid change."

—Lawrence Klein, *El Sol*.

Wharton's spook: Lawrence Klein

It may come as a shock to some of Wharton's more conservative clients in Mexico, particularly those in Monterrey, to find out that the econometric model they have worked with for 10 years is a product of the same British intelligence circles based in Cambridge, England that were deeply implicated in the most stunning KGB spy episodes of the post-World War II era.

The background of Wharton's econometrics "wizard," Lawrence Klein, is one of the shadiest in the economics profession. Klein was picked up immediately after World War II as a young trainee on the American side of a transatlantic project established to use then-fledgling computer technology for quantitative economic griddings. The headquarters of the project was the Strategic Bombing Survey, the in-depth psychological profiling operation launched by the Anglo-American intelligence personnel immediately after World War II to evaluate the effects of the massive Allied bombings of civilian targets in Germany.

The survey was directed by Cambridge economist Nicolas Kalder. His staff was an extension of the group Lord John Maynard Keynes had formed at Cambridge in the 1930s. Their task was to create an economic theory that could undermine the programs for technological and industrial development in the Soviet Union, programs seen as a mortal threat to British economic and geopolitical goals.

At the core of this Cambridge effort were the Italian economist Piero Sraffa, and Joan Robinson, working under Keynes's personal direction. Their achievement; wedding Marx to Malthus. They created a false "buy back" problem in Marx, and then "solved" it with massive welfare-state "makework" proposals. Robinson spent the next 40 years of her life promoting Malthusian Marxism to the Socialist bloc countries.

Both Sraffa and Robinson were then members of the Cambridge cell of the Communist Party of Great Britain, with ties to the Soviet KGB. It was the same cell of the Communist Party to which Kim Philby, Guy Burgess and Donald Maclean belonged—the intelligence-trained scions of British oligarchs who "defected" to the Soviet

Union in the early 1950s in scandals that shook the West. Today, Kim Philby is a general of the KGB.

Klein was first enrolled in these networks in 1946, as a member of the Communist Party USA. Later in his work he underscored his intellectual debt to Joan Robinson and Robinson's colleague, the Polish economist Michael Kalecki. Although Klein now discusses his Communist Party membership as merely an "incident," the configuration involving the KGB, Keynes's networks and the Strategic Bombing Survey project at Cambridge suggests a further-reaching significance to his recruitment.

It is notable that even now, Klein uses the tricks learned from this Keynesian-Cambridge circuit to sell his Wharton models as "socially progressive" economics of a different brand from Friedmanite "shock treatment." This ideological veneer has been important in opening doors in Mexico among pro-growth public and private sectors.

Shortly after his first econometrics work Klein was brought into the National Bureau of Economic Research by NBER's founder, Wesley Mitchell, and was subsequently given his first job working for Mitchell. Mitchell was an early collaborator of the Fabian Society in England who built up the economics faculty at the University of Chicago. In the same postwar years that Mitchell took Klein under his wing, he was training Milton Friedman and the rest of what is today the "Chicago School."

In 1950, Klein was passed along to the Survey Research Center of the University of Michigan, just formed by one of the directors of the British psychological warfare division at the Tavistock Institute, Kurt Lewin, a central figure in the Strategic Bombing Survey.

Driven out of Michigan for his Communist affiliation in 1954, Klein went directly to England for advanced training at the Oxford Institute of Statistics.

While he was out of the United States, Strategic Bombing Survey personnel arranged a series of conferences to transfer the next stage of the Cambridge econometric project to the U.S. The leading institutions represented at these conferences in 1955-1956 were U.S. Air Force Intelligence, the Rand Corporation, and the Brookings Institution.

Klein was brought back to the U.S. in 1958 and placed in charge of the most advanced of the ongoing projects, that at Brookings.

In 1963 the model was shifted to the Wharton School at the University of Pennsylvania for commercialization. The reasons for choosing Wharton are not entirely known, though the fact that Wharton was the base of operations for another of the senior British operatives of the Tavistock psychological warfare division, Eric Trist, was an important factor.

Wharton Econometric Forecasting Associates was born. And six years later, the special targeting of Mexico, Diemex, began.

Who told the President to stay home?

López Portillo didn't listen, but some political heavyweights advised him not to make his state visit to India.

On the eve of President José López Portillo's departure to attend India's Independence Day celebrations as the guest of honor, the Mexican newsweekly *Siempre* acrimoniously criticized the president's trip.

"We find in the trip no clear objective which makes it indispensable or even useful. We do not see its usefulness, much less its necessity."

Mexican government officials consulted by *EIR* were surprised and disturbed by the influential magazine's attack, because López Portillo has never been criticized for a foreign mission since he became president in late 1976. It is a tradition here that all sectors of the nation unite to give the president added force in his foreign relations initiatives.

Siempre's attack served to break the ice, opening the door to a series of media blasts which ranged all the way up to charges of presidential "megalomaniacal pretensions."

Political observers attribute *Siempre's* surprising turn primarily to the presidential succession race, now in full swing. Our opinion is that Mexico City Mayor Carlos Hank González was one of the main movers behind the criticism of the president. *Siempre* editor-in-chief José Pages Llergo is known to belong to the mayor's inner circle of intimates, and *Siempre* has for years been tied to the Christian Democratic "opposition" to the

federal government, an opposition with which Hank is closely coordinating political initiatives.

Hank's opposition to the India diplomacy was seconded by the foreign minister, Jorge Castañeda, who reportedly asked the president not to go on the grounds that he should concentrate on Central American problems. Castañeda is known to support the guerrillas in El Salvador, and his preference for the confrontationist policies of the International Social Democracy are also widely recognized.

One top government official explained to us that Castañeda's opposition to the trip was due to his fears that López Portillo's talks with Indira Gandhi could change the tone and content of the upcoming North-South summit slated to take place in Cancún, Mexico in June.

For the better part of 1980, Castañeda worked with his friend Willy Brandt to shape the summit in such a way that it would be dominated by the proposals of the Brandt Commission. But Castañeda—and his "Hankista" allies—got very nervous when López Portillo and Ronald Reagan reached an informal understanding at their historic Ciudad Juárez meeting in early January.

According to reliable sources, the two heads of state reached an understanding that Mexico—buttressed by Third World allies like India and Iraq—would contain the

confrontationist faction in the developing sector most associated with Fidel Castro's leadership of the Non-Aligned Movement, and that Reagan would in turn agree to participate in the June North-South summit in Mexico and try to get substantive economic discussions underway.

This, of course, threatened to overturn the Castañeda-Brandt apocryphal. Hence the hostility to the Mexican summitry with the Indian prime minister.

Even before he left for India, López Portillo's government was shaken by a series of incidents that security-linked officials are viewing with the greatest suspicion.

One example is the recent "peasant" blockage of the Cactus Pemex petrochemical complex in Chiapas. Others include various land seizures in the north of Mexico, and strikes and threatened strikes among left-led trade union layers.

But probably most shocking was the news late in the week, *after* López Portillo had departed for India, that "someone" had distributed to the media a press release allegedly signed and sealed by the Mexican Foreign Ministry, announcing that Mexico was breaking diplomatic relations with El Salvador! The authenticity of the document was promptly denied by the ministry, but no one has yet been able to explain this outrageous incident.

Well-placed sources told me that when López Portillo was informed in India about the phony press release, he became "infuriated."

When the president returns to Mexico next week, we were told, "heads will roll" for what has gone on in his absence.

Peres bends with the winds

The Labour Chairman sings a different tune in London and Paris, leaving open the question: what policy for Israel?

Shimon Peres, Israeli Labour candidate for prime minister, has just performed his first major diplomatic act prior to his likely designation as Israel's new leader when elections take place later this year. Beginning Jan. 22, Peres began a several-day tour throughout Europe, stopping over in France, Great Britain, Austria, and Germany.

Insofar as this trip should provide insights into the leadership qualities that Peres is likely to bring to bear in Israel, the trip must be regarded as a disappointment. Rather than providing bold policy initiatives, Peres accommodated to the particular audience of the moment that he was addressing.

Peres's first policy formulation was made on the eve of his departure for France, in a Jan. 21 interview with the Agence France-Presse in Jerusalem.

His comments in this case were made in anticipation of his Jan. 22 meeting with French President Valéry Giscard d'Estaing. The comments reflected Peres's stated desire to initiate a close Israeli relationship with France, in the face of harsh criticism from various Zionist groups who regard Giscard as anathema because of his support for an overall Mideast settlement.

Peres told AFP, "I am convinced we must look for a political and territorial compromise. Today, peace is as necessary to Arab countries as to Israel. For this, we want to establish contacts country by

country in the perspective of a global peace."

Then, after chiding Europe for its specific policies toward the Middle East, Peres stated that nonetheless Israel wants "a dialogue with Europe. . . . In spite of disputes, there must be a dialogue." He suggested that Europe could play an important role in "regional economic cooperation."

Peres next flew to London, for meetings with Foreign Minister Lord Carrington, Prime Minister Margaret Thatcher, opposition Labour Party leader Michael Foot, and deputy opposition leader Denis Healey. Following these meetings, his disorientation was evident.

In an interview published in the Jan. 25 London *Observer*, Peres endorsed the plan authored by the Royal Institute for International Affairs and British intelligence Islamicist Bernard Lewis for chaos and war in the Middle East.

"There is a wind of disintegration not necessarily connected with Israel," Peres avowed. "There are wars and conflicts between Iran and Iraq, Syria and Lebanon, South and North Yemen, Morocco and the Polisario, Libya and Chad." Further, the Middle East will soon witness the nightmare combination of introduced nuclear weaponry, increased Russian penetration, and growing alliances between Muslim fanaticism and communist ideology. If all this is combined with Arab-Israeli tension, Peres warned,

"It will become very demanding." Peres's proffered "solution" at that point was further extension of the same Camp David accords that have triggered the disintegration process in the region and a warning of imminent war delivered to Jordan's King Hussein!

Addressing King Hussein, Peres asked: "Do you want a confrontation, or do you want to talk?" Then he turned to the reporter and stated: "If he continues to threaten, he may become a victim of his own threats, particularly when basic changes have taken place on the ground."

It is possible that Peres was blackmailed by the British into making these statements by the threat of a major "civil war" in Israel and the activation of Israel's ultra-fanatic Zionist factions.

On the same day as the *Observer* piece, the *Sunday Times* of London ran a feature "scenario" involving an insurrection by elements in the top command of the army and the Gush Emunim group under the control of Agriculture Minister Ariel Sharon if a new Labour government tried to dismantle settlements on the occupied West Bank when it becomes to power later this year.

As the *Times* coyly noted, such a scenario would prevent Peres from "concentrating on Israel's stricken economy and the sky-high inflation" during this year's electoral campaign.

Such perspectives for destabilizing Israel were probably also a prime subject of discussion during Peres's Jan. 24 meetings with Austrian Prime Minister Bruno Kreisky, a top Socialist International operative and controller of left "Jacobin" movements in the Middle East.

International Intelligence

Italy's president hit for terrorism charges

Charges by Italy's Socialist president, Alessandro Pertini, that the Soviet Union is responsible for world terrorism have unleashed an uproar in Europe. Italian observers are struck by two facts: the similarity of Pertini's statements to those of incoming American Secretary of State Alexander Haig in his Jan. 28 press conference and the irony that Pertini's own Italian Socialist Party has repeatedly been implicated in Italian terrorism.

Spokesmen for the West German security agency BKA dubbed Pertini's accusation against the U.S.S.R. "intuitive remarks which have the apparent advantage of not having to be proved," adding that Soviet support for Italian Red Brigades terrorists had not been demonstrated.

Italy's ambassador to Moscow was called in to receive a vehement protest against such charges coming from the president of the Italian Republic, while Italian journalists commented that Pertini had taken Italo-Soviet relations to their lowest point in the post-war period.

Japan to seek review of nuclear agreement

Japan will ask the Reagan administration to review the September 1977 agreement it made with Carter which "fetters" Japan's nuclear development, reported the Jan. 27 business daily *Nihon Keizai Shimbun*.

The agreement, which expires on May 31, limits nuclear fuel reprocessing by Japan, and was imposed due to Carter's alleged nonproliferation concerns. Japan neither has nuclear weapons, nor—given its people's post-Hiroshima "nuclear weapons allergy"—any current intention to produce them. However, the restrictions have hindered its atomic energy development.

A Japanese delegation is expected to arrive in Washington in March to discuss

the issue. State Department sources here cautioned *EIR* that the Reagan administration was still in the process of formation and had no policy on this issue as yet.

Nonetheless, Reagan's repeated statements during the campaign attacking Carter's implementation of the non-proliferation treaty and private statements by his advisers have given Japan reason to believe he will relax the restrictions.

In a related development, Japan's Hitachi Company announced plans to develop nuclear plants for export, particularly to Third World markets. Plants will range from 200,000 to 300,000 megawatts. Earlier intentions to develop an export capacity in this field had been shelved by some Japanese firms after they saw Carter administration pressure on other exporters, especially West Germany.

Saudis ask Reagan to break with Camp David

Saudi Arabian King Khalid concluded the summit of the 35-nation Islamic Conference Jan. 27 with a strong call to the Reagan administration to adopt an "even-handed" policy toward the Arab-Israeli conflict. Khalid echoed the dominant theme of the summit: that the new administration ought to break with the provocative Camp David policy and bring the Palestinians into the Arab-Israeli peace effort.

Khalid's appeal, which was virtually blacked out of the American news media, put a premium on future U.S.-Saudi relations should Reagan take a more rational course on Mideast policy. Khalid offered a new era in U.S.-Arab cooperation, an offer certain to involve abundant U.S. export openings in the developing Arab sector.

In this context, the Islamic Conference adopted a plan for a \$3 billion development fund for the Muslim world, of which \$1 billion will be contributed by the Saudis.

Iraqi President Saddam Hussein also extended an olive branch to Washington Jan. 27 by declaring that Iraq is ready to accept a truce with Iran if Iran shows openness to Iraq's terms for such a truce.

Iranian situation veers toward anarchy

Following the release of the 52 American hostages, the factional struggle for control of Iran's Islamic Republic has intensified. Earlier this week, President Abolhassan Bani-Sadr accused his Islamic Republican Party opponents of two assassination attempts against him. The same day Premier Mohammed Ali Rajai, of the IRP, accused Bani-Sadr of deploying gangs to attack IRP offices in Meshed in northeastern Iran.

Warring factions waged a pitched battle in front of the home of Ayatollah Khomeini two days after the hostages were released, which left 11 dead. Sources report that Iran may soon be consumed in a bloody civil war. Recently the mullahs put a bill before the Iranian parliament to arm the Islamic Guard—the militia of the mullahs—with heavy artillery. This is seen as anticipating a war between the mullahs and Bani-Sadr, who wields power through factions of the Iranian military.

Vatican disturbs South American peace

The Argentine government is preparing public opinion for its expected early-February rejection of Pope John Paul II's recent proposed solution for its long-standing territorial conflict with Chile over the Beagle Islands.

These tiny islands lie in the Atlantic just south of the Straits of Magellan and were awarded to Chile a year back in a thoroughly ambiguous arbitration deci-

sion by the Queen of England. After going to the brink of war, the neighbors submitted the question to papal mediation.

The Vatican's suggested solution, however, breaks down the principled basis on which peace has persisted on the two countries' 2,900-mile border since 1902, the principle that Pacific Ocean watershed belongs only to Chile and the Atlantic only to Argentina.

The Pope's Dec. 12 proposal, as leaked by the Argentines, is for Chile to get not only the contested islands (which Argentina could accept), but also a six-mile swath of Atlantic Ocean to their east, with another six miles of demilitarized zone beyond that.

For Argentine nationalists, Chilean presence in the South Atlantic is intolerable, since both countries claim 200-mile sea limits and Chilean Atlantic claims could cut off Argentina's claims on the Antarctic.

Anti-drug organization formed in Mexico

One hundred and thirty representatives of parents', teachers', law-enforcement, medical and political groups met Jan. 17 in Guadalajara to found an anti-drug coalition. Located north of Mexico City, Guadalajara is a major center of marijuana and opium traffic.

The new group intends to join forces with fraternal anti-drug coalitions in the United States, Colombia, France, Italy, Sweden, West Germany, and other European countries. In particular, spokesmen said they will work to revive the highly successful mid-1970s cooperation between the U.S. and Mexico, which used paraquat to eradicate opium poppies and marijuana plants before the Carter administration dismantled the program.

The coalition launched a magazine, *Guerra a las Drogas (War On Drugs)*, edited by Carlos Mendez Trujillo, whose first issue has been ordered in bulk by leaders of several of Mexico's major trade unions. Following the conference,

the PRI governing party, which had been slow to officially respond to the coalition's organizing effort, asked to meet with the group to discuss joint antidrug campaigns.

Soviet radical faction maneuvers against Europe

Moscow's international department for foreign communist party affairs, headed by Boris Ponomarev, has stepped up its directives to European Communist Parties to toe a militant line, except for cooperation with social democrats on joint agitation for disarmament.

In a message to the Italian Communist Party (PCI) on its sixtieth anniversary, the Soviet Communist Party stressed the tradition of rejecting "reformist agreements and opportunistic adaptation," a slap at the alliance sought by PCI leader Enrico Berlinguer with pro-industry factions in the Christian Democracy, known as the "historical compromise."

A backup article in *Pravda* praised a regional coalition government combining the PCI and the Italian Socialist Party—although the Socialists are increasingly exposed as backers of terrorism—as an example of an appropriate "united front" for Communists.

Pravda also promoted this outlook in a Jan. 23 review of a book edited by V. Zagladin, Ponomarev's deputy, which portrayed the Communist International (where Ponomarev got his start) as a wellspring of superior political cadre.

The Prague-based *Problems of Peace and Socialism*, the multilingual international journal edited from Moscow's International Department, currently carries an article by French Communist Party writer Pierre Hentges arguing that "united action of the left at the base level" is vital to the fight for détente and disarmament." François Mitterand, the Socialist Party candidate sometimes attacked by Moscow as a "right-wing social democrat," should be "subjected to pressure from the base" to make him more leftist, the article concludes.

Briefly

● **HELMUT SCHMIDT'S** government was in serious trouble as of Jan. 30, after a group of left-wing Social Democrats, using the pro-Baader Meinhof magazine *Konkret* as their outlet, accused him of betraying the party. The potential has sharpened for a party split orchestrated by chairman Willy Brandt, who also heads the Socialist International.

● **THE TEL AVIV** Center for Strategic and International Studies ran a computer simulation of the Iran hostage affair four months before it actually took place. According to a Tel Aviv spokesman, the July 1979 simulation was nearly identical to what actually happened in November, including the form of U.S. response to the event. The Tel Aviv Center is the Israeli affiliate of the London International Institute of Strategic Studies.

● **MUAMMAR QADDAFI** plans destabilization operations into Sudan in the next few weeks, according to the Jan. 25 London *Observer*. Sharif al-Hindi, a political opponent of Sudan President Nimeiry, said in London that he expected an internal uprising in Sudan supported from the outside within the next few weeks. The *Observer* reported that a real threat could come from Sharif, financed by Qaddafi.

● **A FUSION ENERGY** Foundation forum in Mainz, West Germany on Jan. 23 drew 250 to hear a presentation on the results of the Voyager mission to Saturn. Eighty more had to be turned away at the door. The main speaker was the editor of *Fusion* magazine's German-language edition, Jonathan Tennenbaum.

● **MARGARET THATCHER** has replaced the Ayatollah Khomeini in the list of the three most hated figures in Madame Tussaud's wax museum in London, according to the *Washington Post*.

Behind Haig's bid for a 'co-presidency'

by Kathleen Murphy

In what one Capitol Hill source characterized as "a replay of the 'coup at the Hotel Pierre' "—the late-1968 meeting where Henry Kissinger successfully plotted his seizure of Nixon administration foreign policy making—Alexander Haig launched a series of maneuvers last week designed to establish himself as virtual dictator of U.S. foreign policy.

The echoes of Ronald Reagan's inaugural address had barely faded from the Washington air Jan. 20 when Haig, whose confirmation as secretary of state was still pending in the Senate, presented the new President with a sheaf of executive orders for his signature.

The orders would have given Haig's State Department effective control over many aspects of international economic policy now handled by the Treasury Department and other branches of the executive. They would have put under Haig's authority several interagency committees dealing with international economics and crisis-management. And they would have placed Haig in charge of nearly all the U.S. foreign assistance programs, including Food for Peace and the American components of the IMF/World Bank and various independent development agencies.

Additionally, Haig proposed to Reagan that most of the substantive powers acquired by the National Security Council under the tenures of McGeorge Bundy, Henry Kissinger, and Zbigniew Brzezinski be transferred to the State Department on the grounds that this would reduce

the rivalry that has developed between the two units.

Although this so-called reorganization plan was almost immediately blocked through the forceful intervention of White House Chief of Staff James Baker and Counselor to the President Edwin Meese, there is every indication that it was simply one aspect of Haig's scheme to bring all U.S. foreign policy under his thumb on behalf of the powerful political faction he represents.

The vicar

In a briefing to State Department employees Jan. 22, Haig bluntly announced that he would be running foreign policy—no matter what the U.S. Constitution might say about presidential authority in this area. "I know we all recognize the Constitution of the United States provides that it is the President who is ultimately responsible for the conduct of American foreign policy," Haig conceded, only to add hastily: "But I'm extremely pleased that President Reagan has clearly enunciated his intention to make the secretary of state the vicar of American foreign policy, and by that I mean the delegation of the general managership, if you will, for the formulation, for the conduct, and indeed for the articulation of American foreign policy to the Congress, to the American people and indeed to the world at large."

Earlier that day, Haig had privately arranged a secret, rush swearing-in ceremony for himself to ensure,



*Secretary of State
Alexander Haig.*

as one reliable informant put it, that he would have “a head start in his race to grab power.”

Although Haig, like his mentor and former boss Henry Kissinger, has a strong megalomaniacal streak, his recent actions stem not from personal ambition, but from the fact that he is a frontman for the most corrupt faction operating in the world at present. According to highly informed sources, Haig’s push to set himself up as the new administration’s pope is being engineered by Max Fisher, the notorious Detroit-based kingpin of the multi-billion dollar international drug empire known as Dope, Inc.

A key controller of Republican Party operations, particularly in the Midwest, Fisher was the evil genius behind the scheme put forth at the Republican National Convention last July to make poor, pathetic Gerry Ford Reagan’s “co-president.” Although Reagan shot that scheme down, sources report that Fisher promised to deliver vital Midwest and Northeastern states to the Reagan column in the general election if Reagan agreed to make Haig his secretary of state. With appropriate flanking maneuvers, Fisher was confident that Haig could systematically bring all relevant aspects of U.S. foreign policy under his direct and total control.

If Haig is successful in implementing the Fisher scheme, the policy ramifications for the country and the world will be calamitous. The oligarchical faction which runs Dope, Inc. (and Max Fisher) is committed to

heading off industrial and technological development at all costs.

To do this, they are prepared to provoke wars, trigger Jacobin insurgencies, and overthrow industrial-ly-oriented governments. Should Haig manage to steer the Reagan administration in this direction, not only would Reagan’s dreams of reviving the American economy be shattered, but a superpower confrontation would become all but inevitable.

Haig’s statements over the recent period amply document his commitment to this policy orientation. During his confirmation hearings before the Senate Foreign Relations Committee, the former NATO supreme commander hinted strongly that he would be prepared to intervene militarily in Latin America—a move that would guarantee a rapid escalation of the “left-right” destabilization which is already threatening to turn that continent into a devastated wasteland. Under those circumstances, Dope, Inc.’s plans for turning Latin America into one vast marijuana-growing plantation could be easily implemented.

In this context, it should be noted that Haig’s éminence grise, Max Fisher, is chairman of the board of United Brands (formerly United Fruit), a British-Zionist controlled entity that has acted as one of the the primary looting agencies in Latin America during the 20th century, and is now a key advocate of dope cultivation.

The fact that Haig had particularly targeted the U.S. foreign assistance programs for State Department takeover is a dead giveaway. According to one source familiar with Haig’s thinking, the new secretary of state “wanted to get all these foreign aid programs under his control so he could use them as a weapon of foreign policy.”

The Kissinger-Carter reshuffle

Although Haig’s reorganization plans have been shelved for the time being, he has been hard at work on other fronts. This is especially true in the area of personnel selection, where Haig has been attempting to stack the State Department with his cronies. Nearly every one of Haig’s known choices worked either for Kissinger or Carter or both. They include:

Lawrence Eagleburger: Haig’s choice for undersecretary for affairs, Eagleburger’s extensive foreign policy background includes a stint as Kissinger’s adviser at the National Security Council and later his principal assistant at State. He was Carter’s ambassador to Yugoslavia.

Chester Crocker: Haig’s nominee to run African affairs at State, Crocker worked directly under Kissinger at the NSC and now operates out of Georgetown University’s Center for Strategic and International Stud-

ies. His prospects for a job with the Reagan administration were nearly dashed when Kissinger began openly lobbying for him shortly after election day.

Richard Burt: The man Haig picked to run the bureau of politico-military affairs, Burt is a "spook" operating under journalistic cover. A member of the London-based International Institute for Strategic Studies and the New York Council on Foreign Relations, Burt has been the New York Times' military correspondent and earned a well-deserved reputation as Zbigniew Brzezinski's chief press outlet.

Brent Scowcroft: Haig's choice for Ambassador to Moscow, Scowcroft served on Henry Kissinger's NSC staff and then succeeded him as national security advisor in 1975.

Haig is reportedly trying to extend his influence into other key departments, including the NSC, the Defense Department and the CIA. In addition to his plans for taking over NSC's policy-making functions, Haig has installed two former underlings, Major Schweitzer and Admiral Nance, on the NSC staff. He is also reported to be collaborating closely with Vice-Admiral Bobby Inman, recently appointed to the powerful number-two spot at the CIA. As for the Department of Defense, the fact that both Secretary Caspar Weinberger and Deputy Secretary Frank Carlucci lack any significant defense background "has opened the door wide to a Haig policy takeover," as one source put it. Furthermore, reports are circulating that Haig collaborator Fred Iklé will be named to the number-three spot at the Pentagon as a means of mollifying Helms and other conservatives. Iklé is a psychological warfare expert and futurist kook who masquerades as a hard-line realist on defense matters.

Containing Haig

Haig's power grab has met strong resistance from Reagan loyalists. Although the media have been insisting loudly that Haig has been Reagan's first choice for secretary of state for a year, Washington observers now acknowledge that "Reagan doesn't like Haig, and he sure doesn't trust him."

One telling indication of President Reagan's real attitude is the appointment, officially announced Jan. 23, of William Clark as deputy secretary of state. The man who will be holding that powerful position which controls the day-to-day function of State was Reagan's chief of staff in Sacramento. Reagan later appointed him to the California Superior Court and then to the state Supreme Court. Clark was also responsible for bringing Ed Meese into Reagan's California gubernatorial administration.

Whether Reagan loyalists like Meese, Baker and Clark can contain Haig from repeating his inside role in the Watergating of Richard Nixon is still an open question.

Who's mapping out 'Reagangate'

by Scott Thompson

Months before the vote in the 1980 presidential election, a series of slanderous "exposés" had been nearly completed which link Ronald Reagan to "organized crime figures."

The news agencies that prepared these icebox pieces—including the *New York Times*, the NBC-RCA constellation, the *Washington Post*, and the Institute for Policy Studies-linked radical press—are precisely the same that were behind the Watergate coup against President Nixon. And, it was these same news agencies, acting in collusion with a corrupt "old boys circuit" in the Justice Department, that were responsible for railroading thousands of local constituency leaders through a series of "trial by press" smears that made Abscam-Brilab possible.

The decision to release these icebox pieces was not, in fact, made until the pre-inaugural fight over Cabinet appointments was underway. A flurry of cut-and-paste slanders followed the appointments of William French Smith and Raymond Donovan, respectively, as Attorney General and Secretary of Labor. Both represent constituency machines targeted for destruction by Abscam-Brilab.

A still heavier barrage of slander is planned as part of the blackmail to assure that Secretary of State Alexander Haig, the notorious "Deep Throat" of the *Washington Post* during Watergate, be named "dual president." Through this barrage Reagan is to be watergated before he even has a chance to do anything.

A trail of lies

Within days of William French Smith's appointment, *New York Times* columnist William Safire, the self-proclaimed paragon of journalistic ethics during Watergate, served as the conduit for a slander that was hatched by McCarthyite attorney Roy Cohn and *Washington Post* publisher Katherine Graham. It was Graham who, according to eyewitness accounts, called for Nixon to be watergated at a secret meeting held before the 1972 election.

Perhaps the crowning irony of Safire's charge that Smith's friendship with Frank Sinatra left him hopelessly tainted by organized crime is the fact that Roy Cohn and his East Side Conservative Club associates who

helped cook up the smear are themselves no strangers to the uglier denizens of organized crime. Among those Cohn claims as a friend and business partner is Joe "Bananas" Bonano.

An even lower level of scurrilous lies was reached during confirmation hearings for Raymond Donovan held before the Senate Labor and Human Resources Committee. Senator Ted Kennedy and his chief staff henchman, Walter Sheridan, former head of the infamous "Get Hoffa Squad," promoted charges by one Ralph "Little Ralphie" Picardo that Donovan had made payoffs to the Teamsters for "labor peace." During a final day of hearings on Jan. 28, the FBI said that despite 68 agents spending over 1400 manhours, not an iota of proof could be found to back "Little Ralphie's" lies. "Had this been a criminal investigation," the FBI spokesman admitted, "it would have ended long ago."

Nonetheless, reliable sources at NBC report that the network is preparing a special TV report on the Reagan administration's alleged links to "organized crime," which is to lead with the Donovan "revelations." And, in the final day of hearings Sen. Thomas Eagleton, the rejected former vice-presidential running mate of liberal senator George McGovern, insisted that both Picardo and Donovan be forced to take lie detector tests. Picardo, a convicted murderer on the payroll of the Federal Witness Protection Program, had already refused three earlier requests.

No sooner had the charade over Donovan's appointment reached its final phase than the *Miami Herald*, a cornerstone of the Knight-Ridder chain, launched an even more outrageous attack against Sen. Paul Laxalt (R-Nev.), who served as President Reagan's 1976 and 1980 campaign chairman. In a piece entitled "Las Vegas Ties Taint Reagan Confidant," Jim McGee and Patrick Riordan charged that Laxalt had maintained "long-standing associations with organized crime figures and Nevada casino officials."

Well-placed sources confirm that this same icebox slander was used earlier to pressure Laxalt out of the Vice-Presidential slot with Reagan.

Footprints of the slanders

As the case of the Roy Cohn-foisted slander against William French Smith highlights, many involved in tainting the new administration as organized crime-linked are directly connected to Dope, Inc., the \$200 billion international drug cartel. Dope, Inc., which was founded by the elite core of the British Special Operations Executive and allied offshore banking institutions after World War II, has good reason to fear such men as Senator Laxalt, who has called upon the new administration to toughen drug laws and enforcement.

The RCA-NBC group represents one of the filthiest affiliates of the SOE-controlled Dope, Inc. crowd in

America. It was RCA that with former SOE operatives founded the National Security Agency, an ultra-secret snooping agency that forms a cornerstone of the "military-industrial complex" against which President Eisenhower warned.

Walter Sheridan, a former chief of counterintelligence for NSA and ringleader of the "Get Donovan" charade, is believed to be a prime "insider" feeding material for RCA's NBC affiliate to run its slander series. As an "investigative reporter" for NBC in 1967, Sheridan was charged by New Orleans D.A. Jim Garrison with harassing witnesses who held critical evidence that could link the SOE-controlled Permindex Corporation to the assassination of President John F. Kennedy.

In a recent shakeup of the RCA board, Thornton Bradshaw, former president of the Atlantic Richfield Co. and board member of the Atlantic Richfield funded Aspen Institute, was installed as the new chairman. Under its chairman, Robert O. Anderson, Aspen has been instrumental in many despicable operations. In 1971, Aspen convened a meeting to counter Vice-President Spiro Agnew's attack upon the liberal, Eastern press. Since then, Aspen has functioned as a higher order outpost of the British Secret Intelligence Service.

Knight-Ridder, which sources report plans further "exposés" on Senator Laxalt, includes on its board John L. Weinberg, a senior partner in the Dope, Inc.-connected firm of Goldman Sachs, and Clark Clifford, senior partner in the law firm of Clifford, Warnke, Glass, McIlwain & Finney. It was Clifford who as President Johnson's defense secretary set up "Operation Gardenplot," a planned destabilization of America through massive urban riots. Clifford is a member of the Socialist International wing of the Democratic Party, which includes Averell Harriman and Clifford's law partner, Paul Warnke, who is on the board of the Institute for Policy Studies (IPS).

One IPS-linked radical journal named *Mother Jones* will keep up a drumbeat of slanders against the Reagan administration to be picked up by other press, according to U.S. intelligence sources. Adam Hochschild, the publisher of *Mother Jones*, is heir to the fortune of a former chairman of American Metals Climax, another SOE-linked firm. The board of directors at Amax includes George Ball, the managing director of Lehman Brothers, Kuhn Loeb, which also maintains a seat on the board of RCA. The son of Amax founder Carl Loeb, John Loeb, is a close associate in many business deals with McCarthyite attorney Roy Cohn.

Co-founders of *Mother Jones* include former *Ramparts* editors Andrew Kopkind and Bo Burlingham, both of whom are on the board of IPS's Boston affiliate, the Cambridge Policy Studies Institute, and part of the immediate circles around KGB-linked "mole" Philip Agee.

Plans mount for a U.S. terror upsurge

by Jeffrey Steinberg

The National Anti-Klan Network, a collection of Institute for Policy Studies-owned left-wing countergangs, plans a convention at Howard University in Washington, D.C. Jan. 30, to plot a campaign of political street violence against the newly inaugurated Reagan administration. In addition to the IPS gangs and corrupted elements within the Southern Christian Leadership Conference (SCLC), the gathering will feature Sen. Edward Kennedy (D-Mass.).

Kennedy's lending a mantle of credibility to a drum-beating session for urban terrorism is reminiscent of the senator's autumn 1979 public endorsement of the Clamshell Alliance and other antinuclear groups then preparing the violent assault against the Seabrook nuclear power plant construction site in New Hampshire.

Despite the presence of Senator Kennedy on the rostrum next weekend, high-level sources in Washington, D.C. are convinced that the meeting is to map out concrete plans for "street-level" violence aimed at destabilizing Reagan before the new administration even settles into town.

One of the most prominent groups belonging to the Anti-Klan Coalition is the avowedly violent Communist Workers Party, well known for its participation in "shootouts" and other terrorist action.

The same sources indicate that an even more serious terrorist threat is posed by related networks burrowed into the nation's prisons who are currently laying the foundations for a new generation of terrorist cells like the 1970s Black Liberation Army, Symbionese Liberation Army and George Jackson Brigade.

Prisoners as terrorists

Preliminary followup investigations by this news service have already confirmed that the prison-centered component of this anti-Reagan effort is being coordinated through a New Orleans and Washington, D.C. based entity called PACE—Prisoners Accelerated Creative Education.

Originally known as the Marion Brothers Collective, and made up of a group of inmates of an Illinois maximum security federal prison known to be virtually run by prisoner gangs, the group gained national status

in 1977. At a conference in Norfolk, Va., sponsored by the SCLC and the Interreligious Foundation for Community Organization (IFCO), the Marion Brothers joined with remnants of the Attica Brothers Defense Committee and formed PACE. The group functions as a bridge between prison inmates involved in proterrorist political activities and outside circles involved in fostering street violence.

A look at the current advisory board of PACE betrays the story. Among the roster are:

- H. Bruce Franklin, the retired Air Force Intelligence captain who founded the Revolutionary Union and was a central figure in the launching of the SLA. On a 1977 Rockefeller Foundation grant, Franklin did a profiling study of the uses of "cultural activities" to shape the behavior of prisoners;
- William Kunstler, the New York-based proterrorist attorney who counts among his clients the Puerto Rican terrorist FALN and the Black Liberation Army;
- Marilyn Clement, the director of Kunstler's Center for Constitutional Rights;
- LSD and Yippie guru Allen Ginsburg.

The most recent addition to the board of PACE is none other than Roy M. Cohn, the New York City lawyer whose connections to international narcotics-trafficking networks and terrorist circles are too numerous to mention here. What has some sources in the nation's capital puzzled is the fact that Cohn had been nominally a supporter of the Reagan presidential campaign and has even recently been cited as possibly influential in some of the new President's choices for top diplomatic posts.

Despite the Cohn presence on the board of advisers, PACE is very definitely at the center of the urban violence plans being programmed this weekend in Washington. In an exclusive interview this week, PACE cofounder Karamoko Baye, one of the original Marion Brothers, confirmed that the group would be actively participating in the Howard University gathering of the Anti-Klan Network. According to Baye, PACE will be providing the "security arrangements" for the conference.

The most visible force in the Anti-Klan Network is the Communist Workers Party (CWP), which founded the Network in the aftermath of the November 1979 gun battle in Greensboro, N.C. which saw five CWP members killed by local members of the Nazi Party and the Ku Klux Klan. Since that incident, the CWP has been increasingly viewed by security services throughout the United States as a prime vehicle for serious terrorist violence. Pentagon sources had confirmed earlier this year that the CWP was high on the watch list of groups profiled as potential assassins of leading politicians including North Carolina Governor Hunt and President Reagan.

'A day of wonderful, if uncertain hope'

by Lyndon H. LaRouche, Jr.

Former candidate for the Democratic Presidential nomination Lyndon LaRouche, currently the chairman of the advisory board of the National Democratic Policy Committee, released to the press Jan. 20 the text of his State of the Union message to President Reagan and the members of Congress.

On this day of wonderful, but uncertain hope, our nation and the world has been freed at last from a dangerous and evil blemish, from the worst presidency in the history of our once-powerful great republic.

Let us rejoice at our own liberation from the petty, sly, grudge-seeking meanness, and insolent, rampaging hypocrisy, which characterized that administration. Nevertheless, let us not be blinded by that joy. Let us not forget that our half-ruined economy and eroded national morality is still floundering in that awful swamp into which the outgoing presidency has misled us.

Let us put hypocritical traditions of public pretenses to one side, and speak plainly of the ominous truth of the situation fostered by the period of evil misleadership through which we have just passed. Only a passion for ruthlessly stated, plain-spoken truth can save us from the horrors looming threateningly toward us out of the perilous days and weeks immediately ahead. We must face with plain-spokenness, not only the truth about the evils of the outgoing administration; we will not find in ourselves the moral fitness to survive the challenge before us unless we also hold up to scrutiny the unpleasant truth of that widespread complicity among ourselves which permitted the past administration to wreak the wickedness whose consequences we presently suffer.

Our new President has taken his oath of office during the onslaught of the most dangerous variety of crises. The hazards to both our republic and civilization generally are more deadly, and we are less adequately prepared to meet them than our republic was even after a Great Depression, preceding and during the last World War. Never, since the period at the close of the 13th century and first decades of the 14th century, has civilization been threatened so profoundly by a crisis of such sweeping implications.

The first weeks of 1981 will probably be viewed by future historians as a turning-point of decision in the ordering of the world's affairs. The special significance of these present weeks of decision is bound up in the coincidence of a variety of developments. Among all of those coincident developments, the conjuncture of three matters is of overwhelming significance.

First, the postwar international monetary crisis, which has been accelerating since the Johnson administration's wrong decisions of 1968, has been pushed to the point of unpostponable decisions by the combined actions of our own Federal Reserve System, the City of London financial center, and the Bank for International Settlements based in Basel, Switzerland. The decisions of the next weeks will determine whether this nation and the world do or do not plunge into an economic debacle worse than the famous depression between the preceding two world wars.

Second and third, both of the two superpowers of the world are passing through a profound crisis of leadership succession. In our own nation, a new President, elected by a landslide of insurgent American nationalism, has entered office with a mandate to reverse in the most

sweeping way almost the entirety of the foreign and domestic policy trends institutionalized during most of the past decade. The impending February conference of the Soviet Communist leadership is the focus of the greatest institutional crisis in that superpower's affairs since the early 1950s.

It is not this conjuncture of those cited and other developments which causes the present weeks to be so profoundly dangerous. Rather, these intersecting upheavals in dominant institutions define the terms of confrontation between the vital interests of the United States and the principal adversary of our republic.

The dangerous, supranational adversary of civilization at this time is a combination of political, financial and religious-cult organizations glued together by a shared commitment to destroying the institution of the sovereign nation-state, and in favor of bringing into being a utopian one-world order characterized often as a "postindustrial society."

This combination of avowed enemies of the United States' constitutional order views the present monetary crisis and general economic decline as an indispensable included means for bringing about general acceptance of conditions leading toward a "postindustrial society." Consequently, these forces, especially the powerful financier interests among our enemies, is dedicated to preventing any action which threatens to stop the economic contraction.

For related reasons, this combination of the United States' enemies, led most visibly by Willy Brandt's Socialist International is determined to neutralize, at the least, President Reagan's commitment to restoring a policy of economic growth. For similar, but slightly different reasons, the Socialist International is working closely with the foreign-intelligence sections of the Soviet KGB, not only against the United States, but against the Soviet nationalist factions around President Brezhnev. The Soviet nationalist factions represent the Soviet side of a vigorous commitment to global technological progress and economic growth.

That is only a broad, brush-stroke picture of the central issues of this present crisis. Now let us examine some of the most important features of this deadly danger, and then focus our attention on the highlights of the actions we must take to crush the enemy forces assembled around the pivot of the Socialist International.

Meet the United States' enemies

A few weeks ago, there was a conference of the Communist Party of Cuba. The central theme and adopted policy of that conference was Fidel Castro's acceptance of a proposed alliance against the United States, offered to Cuba by the combined forces of Willy Brandt's Socialist International and the pseudo-religious international cult-forces of "liberation theology."

gious international cult-forces of "liberation theology."

The pathway for this alliance between Cuba and the Socialist International was completed a few days before the Cuban conference, at a conference of the Socialist International held in Washington, D.C. That Washington conference was attended by Willy Brandt himself, showing off his recent cosmetic surgery. It was also attended by François Mitterrand, who used the occasion to confer with AFL-CIO President Lane Kirkland. It was also attended by the notorious Olof Palme of Sweden. Palme's activities during the conference included mediating exchanges between Henry A. Kissinger and Soviet political-intelligence chief for North America, Georgii Arbatov, in the orbit of the conference itself. The broader activity of the conference as a whole was a shamelessly open discussion of proposed tactics against the United States both domestically and abroad. Socialist International alliance with Cuba and the "liberation theologians" was among the matters negotiated during the course of the overall conference proceedings.

Coordinated with the deployment against the United States by the Socialist International and "liberation theologians," is the captive "conservative" front-organization of the British Fabian Society, the Heritage Foundation. The Heritage Foundation is among the most active of the Socialist International's assets in penetrating aspects of the Reagan administration, and conduiting Socialist International policies into the offices of conservative Republican and Democratic members of the Congress.

The Socialist International's major accomplices inside Moscow itself are centered around two major elements of the Soviet intelligence service. The first of the two most prominent Soviet accomplices against the United States is the foreign-intelligence organization known as IMEMO, for which Georgii Arbatov is a key executive. IMEMO, constituted in 1956, and advised by former British intelligence official Donald Maclean, is the present-day form of organization of the old Comintern intelligence apparatus of the Communist International. Intimately allied with IMEMO and Willy Brandt's Socialist International, is the foreign-intelligence organization of the Soviet KGB, as typified by former British intelligence official and present General of the KGB, Harold "Kim" Philby.

This does not mean that Willy Brandt's Socialist International is an "agent of Moscow." The IMEMO-linked forces represented by Soviet Central Committee Secretary Boris Ponomarev are agents of the Socialist International against the Soviet nationalist ruling factions around President Leonid Brezhnev. *If those Socialist International allies in Moscow should ever capture control of the Soviet government apparatus as a whole, an unsolvable adversary condition would develop between*

Moscow and the United States. In fact, those sections of the Soviet apparatus are more closely allied strategically to leading circles in Peking than to the Soviet interests and policies represented by President Leonid Brezhnev.

This combination of our nation's enemies, pivoted around the Socialist International, is not at all limited to what might be described as "left-wing" forces. The "liberal," "conservative," and "fascist-oriented" elements among supporters of Teilhard de Chardin and Club of Rome neo-Malthusianism are codeployed with the cited "left-wing" adversaries. Despite sometimes bloody, intramural friction among elements of these forces at the lower levels of organization, the various "right-wing" to "left-wing" components of this supranational combination are unified against a common enemy—us—at the top.

This is not the occasion to educate citizens in certain of the more sophisticated knowledge of history and intelligence work needed to understand fully how and why this supranational coalition of our enemies came into being. Just as it was not necessary to know exactly which behind-the-scenes interests created Adolf Hitler to fight World War II, it is more or less adequate today that we mobilize ourselves and our resources to crush those organizations, such as Willy Brandt's Socialist International, which are the fighting troops the behind-the-scenes enemy has deployed against our republic.

However, let me assure you that I have been fighting behind-the-scenes intelligence warfare against the behind-the-scenes enemies for approximately a decade, and that as far as my efforts and my aid to our President are concerned, the behind-the-scenes sides of this defense of our nation will not be overlooked or neglected in practice.

For those among you who insist on learning background information, I strongly recommend to you two current books. The first of these books is published by the National Democratic Policy Committee, and is entitled *A "Gaullist" Solution To Italy's Monetary Crisis*. The second book was written jointly by economic-intelligence specialist David Goldman and myself, and is entitled *The Ugly Truth About Milton Friedman*. It would be dishonest modesty not to assure you that interested citizens will discover both books to be a real eye-opener.

The enemy's objectives

To discover a concrete reference point for the kind of world our enemies are dedicated to creating, we must turn our attention back to the late 13th and 14th centuries in Europe. During this medieval period, Europe was ruled by a group of immensely wealthy feudal families centered in Venice and Genoa, a faction known during that time as the "black nobility." These families

ruled Europe through a system of banking best known as tax-farming, the same evil practices for which the Roman publicans are denounced in the Christian New Testament.

These Venetian and Genoese bankers, typified by the banking houses of Bardi and Peruzzi, imposed upon medieval Europe a program of austerity later copied in all essentials by Nazi Germany and by Milton Friedman, by the International Monetary Fund, by the World Bank, by the Bank of International Settlements, and by the Federal Reserve System under President Carter and Paul A. Volcker's direction.

As a result of this Genoese system of medieval austerity, not only did the economy of Europe undergo a spiral of collapse, but the number of parishes in Europe collapsed by one-half during the period of approximately a century, from 1268 A.D. to approximately 1385 A.D. The final phase of the genocide caused by Volcker-like Genoese banking practices, was the weakening of the biological resistance of the European population to the degree that a series of epidemics erupted, culminating in the Black Death epidemics which wiped out an estimated one-third of the population still surviving by the middle of the 14th century.

That is the conscious and publicly stated policy of neo-Malthusian institutions such as the Club of Rome today. On the lying pretexts provided by the fraudulent *Limits to Growth* concoction, produced for the Club of Rome at the Massachusetts Institute of Technology, the Club of Rome and its so-called environmentalist accomplices have proposed to reduce the world's population to as little as between one and two billion persons by approximately the close of this present century. The Club of Rome and its accomplices have proposed to accomplish this unprecedented genocidal crime against humanity principally by what they have termed the "natural causes" of famine and epidemic.

This medieval looking policy of global genocide was the governing policy of the recent Carter administration. As a direct result of the Carter administration's sometimes brutal pressures on France, West Germany, Italy, Japan, and other nations, the progenicide International Monetary Fund and World Bank, together with the Basel Bank for International Settlements, imposed a so-called *conditionalities* policy, which has already caused a process of genocide through famine and epidemic against tens of millions in black Africa.

There is uncontestable published proof that the Carter administration and its Secretary of State Edmund Muskie were explicitly conscious of the genocidal consequences of Carter administration policies. During late 1980, Secretary Muskie delivered an address presenting a Carter administration policy perspective document entitled "Global 2000." Not only does the Carter

administration's "Global 2000" policy outline propose the genocide we have indicated here, but Secretary Muskie used the cited occasion to praise the reduction of the world's population by billions as outlined in the proposal.

In freeing our government of the Carter administration, we discarded an administration whose policy outlook was vastly worse than the crimes accomplished by the Nazi regime of Adolf Hitler.

The same policy of genocide is at the core of the so-called appropriate technologies dogma adopted by the so-called Brandt Commission. The only possible practical effect of "appropriate technologies" is to cause rapid increase in famine and epidemic among developing nations, causing the kind of genocide now occurring in black Africa on a vast scale.

The fanatical political dogma shared among the forces pivoted around the Brandt Socialist International is best known to the modern literature of the English-speaking world as the medievalist evil proposed by John Ruskin's Pre-Raphaelite Brotherhood during the 19th century. These were the same circles which created the Fabian Society as a project of Ruskin's and John Stuart Mill's students, and which also spawned such Fabian influences in the United States as Charles A. Beard, John Dewey, Walter Lippmann, Thurman Arnold, and many others of that ilk. This is the medieval "guild socialism" project associated in more recent times with H. G. Wells, Bertrand Russell, and the admiring followers of those latter two evil creatures.

These Pre-Raphaelites and their accomplices defined two institutions of modern civilization as targets for destruction, in order to force society back to a 14th-century form of medieval organization. The accomplices of Mill, Ruskin, Shaw, the Webbs, and so forth were determined to crush the institution of the sovereign nation-state in all parts of the world, and to replace nations with a kind of one-world, feudalist order modeled upon the 14th century. They were also dedicated to crushing industrial society, and suppressing the science associated with industrial development.

Most citizens will therefore regard the accomplices of this neo-Malthusian enemy among us as treasonous. The formal, legal difficulty in the path of applying the constitutional definition of "treason." to such cases has been that the enemy agents among us are not, properly speaking, agents of a specific foreign nation-state. They have been and continue to be agents of a medieval form of supranational power, a power loyal to no nation-state, except perhaps Mandarin China, precisely because those supranational neo-Malthusian one-worlders are dedicated to destruction of the sovereignty of all existing nation-states.

Whether we choose to apply the term "treason" to

allies of the Socialist International among us or not, we must understand that our federal constitutional republic is confronted now with a war for its survival, against a supranational force more evil in practice than the crimes against humanity accomplished by the Nazi regime. We must understand that we are engaged in war, a war in which the survival of not only our republic, but civilization, is in jeopardy.

Let us therefore awake, and mobilize our consciences and material resources and potentialities, to fight this enemy as war should be fought.

War on the monetary front

The single most decisive battle of this war will be fought, and either won or lost, on the monetary front.

To reduce the issue of monetary policy to its simplest terms, the question before us is whether the major financial power in the world will be represented by the credit and currency managed by representative governments, or whether the dominant financial power in the world will continue to be embodied in a supranational combination of private insurance and banking institutions, which have used that power over credit and debt to place themselves as a private power above the level of elected governments.

During the first decade of existence of our federal constitutional republic, this issue was understood not only clearly, but brilliantly, by the ruling majority around Benjamin Franklin and George Washington among the leading founders of our nation. The defense of the sovereignty of our republic against foreign private financial powers was mobilized through policies for national credit, national banking, and promotion of technological progress in agriculture and manufactures jointly adopted by the Executive and the Congress under the first administration of President George Washington.

It is true that during the first decade and a half of the 19th century, our republic committed the disastrous folly of not only disbanding our defense capabilities, but of subverting our national banking institutions and subjecting our economy to the ruinous consequences of Adam Smith's so-called "free trade" policies. In the wake of the great economic depression of the middle of the second decade, the administration and Congress under the leadership of President James Monroe re-established national banking and revitalized both the promotion of inventions and the development of the West Point military academy. This return to national banking restored the vitality of our credit and currency, and promoted important progress in our agriculture and manufactures.

It is true that once again, national banking was destroyed under Presidents Jackson and van Buren. The

result of placing our national credit at the mercy of the City of London once again was a monstrous disorder in our credit, banking, and currency, under which circumstances our adversaries in London easily subjected our nation to the famous Panic of 1837.

Although the sovereignty of the United States in credit and currency matters was destroyed by 1879, through the monstrous, virtually treasonous Specie Resumption Act, the institutions of agricultural and industrial progress had achieved such impetus by that time, that our nation grew rapidly toward becoming the world's leading economic power, despite the numerous depressions and other misery caused by submitting our national credit and currency to the whims of financier forces centered in the City of London.

The establishment of the Federal Reserve System consolidated the virtual dictatorship of foreign-linked private financier interests over our nation's credit, currency and economy. Many patriots around this nation rightly opposed the establishment of the Federal Reserve System at the time of President Woodrow Wilson's election. Others, less numerous, rightly hate the Federal Reserve System today.

I sympathize with those patriots who wish to outlaw that Federal Reserve System which has become in effect a government outside and above constitutional government. However, I caution those friends that I do not believe the citizenry of this nation is presently mobilized in the way which would be needed to cope with the difficult and complex work of safely untangling the Federal Reserve System at this crisis-ridden juncture. What I propose for the immediate period is that the federal government must at last resume its constitutional duties to manage the credit and banking affairs of this nation, and to take effective and immediate action to break the Federal Reserve to harness, removing from it all latitude to subvert the institutions of constitutional government.

The greatest single difficulty we face in this matter is not the concentration of financial political power in the hands of banks and insurance firms, domestic and foreign, which control the Federal Reserve. It is not the tangible power of such institutions which is really our greatest obstacle. A great people, using the sovereign powers it has reserved to itself under our Constitution, has the means to crush the insolence of any combination of financial and associated political interest at will. Hence, the most important difficulty in the pathway of defending our vital national interests on this point is the widespread ignorance of the ABCs of competent political economy, especially among the graduates of university instruction given under the misleading title of "economics."

This is not the place to fight out the issue of

incompetent economic education in universities. I have recommended a timely book just out of the bindery, which Economics Editor David Goldman and I co-authored, *The Ugly Truth About Milton Friedman*. For the concerned layman who wishes to begin mastering the subject, I would recommend my *Economics for Conservative Democrats*, published during the recent Democratic Party presidential primary campaign. I have also currently in print a National Democratic Policy Committee book entitled *A "Gaulist" Solution for Italy's Monetary Crisis*. An Italian translation of this book provoked a raging, front-page controversy among a large portion of Italy's leading newspapers. Although the subject of the book is Italy, most of what is written is quite relevant to U.S. problems today.

How the economy works

At this time, I will make one point, to make clear to any mature citizen what the crux of our nation's economic and monetary policies ought to be. I focus your attention on a point well known to anyone who has ever worked for a living producing useful goods, or who has managed a farm, a manufacturing firm, a construction firm, or a transportation firm.

We all know, that with modern machinery or similar capital goods of production, a single workman can produce much more than by hand-labor alone. We also know that the machines and other productive capital which is selected for investment is designed and produced in such a way that the combined cost per unit produced with the machine is seldom greater than and is usually far less than by hand labor without machinery.

We also know from both experience and common-sense understanding application of experience, that the more productive machinery is, relative to other machinery and simple hand labor, the more it costs on the average, and the more energy it consumes.

We also know that administrative and service workers do not produce agricultural or industrial goods, that in fact they produce nothing directly. Administration and services activities are simply the overhead expenses of operating a firm or a national economy. These two items of overhead expense may be necessary expenses, but they produce no goods. They must be paid for out of the income from production of goods.

Therefore, to have a sound and growing economy, we must have three conditions. First, we must have a high ratio of the total labor force employed in production of agricultural, energy, manufacturing, mining, and construction goods—otherwise, the overhead expenses climb. Second, we must increase the productivity of the economy by investing in greater average amounts of productive capital for each agricultural and industrial goods-producer employed. Third, we must increase the

amount of energy available for consumption per capita—otherwise, the economy must either simply stagnate or collapse.

Those three common-sense facts are the knowledge every intelligent citizen uses to decide what is a sound economic policy for both the governmental and private sector of our national economy.

We do not barter goods as a way of circulating what we produce. Children barter occasionally; and some persons have been suspected by agents of the Internal Revenue Service as engaging in barter for purposes of avoiding taxes. Generally speaking, we can ignore barter in studying the way circulation of produced wealth occurs in modern economies.

We circulate goods by buying and selling them for money and credit. Money and credit, together with banking, come under a sub-heading of economics called monetary matters. In a well-managed private firm or national economy, money, credit, and banking are governed by sound economic principles. Unfortunately, over the past decades, the U.S. economy has been badly managed in its private and governmental monetary side.

Instead of channeling money and credit into agriculture, manufacturing, mining, construction, and transportation industries, as we should have been doing, an increasing portion of our total money and credit, especially our credit, have flown into expenditures and investments which have nothing to do directly with either production of goods or with the necessary administrative and service overhead of production. Our policies have had the effect of channeling credit into pursuits which do not lead to the improved production of goods, and which have no necessary connection to the administration and services required by production and the producing labor force.

The result of fundamentally wrong policies of credit and banking have therefore caused an inflationary spiral, a spiral which has ruined the value of our dollar. The flow of savings and credit away from capital investments in improved agricultural and industrial goods-producing capacities has been such that our basic economy had been collapsing while the so-called Gross National Product has been rising. We spend more money than ever before, but we are unable to produce enough to meet the requirements for produced goods by our population as a whole, and for other basic needs of our government and goods-producing private sector.

For example, at the beginning of the postwar period, the United States employed 62 percent of our total national labor force in producing goods. By the most generous estimate, accepting cooked-up government figures which hide millions of our unemployed labor force, the percentile of the labor force employed in producing goods in 1979 was not greater than 38

percent. Gambling casinos and the pornography business expand like cancer. A few years ago, the United States' population spent a minimum of \$90 billions a year on drugs, and since then the consumption of marijuana, heroin, cocaine, and other mind-destroying substances has zoomed. All of these expenses are purely inflationary waste. In addition, the increase in market value of real estate which has occurred on a purely fictitious basis, that is without any improvements to justify those increases, has zoomed. We have more invested, at currently estimated market price, in New York City real-estate values than in our entire national manufacturing plant.

Professor Milton Friedman, who has often described himself as an admirer of aspects of the Nazi economy, says that we have too much money and credit in circulation. Yet, we see clearly that the cause of inflation is too little money and credit flowing into investment in agricultural and industrial production. In a sense, there has been too much money and credit, but not for investment in productive workplaces and capital improvements in agriculture and industry.

So, we have had too little money and credit, on the production side, and too much for the illegal drug traffic, the pornography industry, and quick-buck investments in purely inflationary rises in the price of real estate. The issue is not either that we have had too much credit, or too little credit. The issue has been that a large part of combined money and credit have been flowing away from the needs of the economy into noneconomic, inflationary activities. It is not the amount of money and credit which we have to control; it is the direction of flow of money and credit which has been our most fundamental national policy blunder over the past decades.

Why do money and credit flow into nonproductive, ultimately inflationary investments, rather than productive investments? Because the after-tax profits on nonproductive investments have been generally higher than on productive investments. In other words, we could solve much of the problem of inflation if we would only eliminate preferred capital gains and other tax treatments for the kind of expenditures and investment which cause inflationary, nonproductive categories of investment.

My associates and I have set forth a *Bipartisan Economic Policy*, which includes proposed basic improvements in the Kemp-Roth bill. Those changes in tax policy which significantly change the direction of flow of money and credit in our national economy, thus move us back in the direction of an industrial power once again capable of providing adequate productive employment and meeting the material needs of our communities and citizens.

In addition, we must channel most of the credit of our government and banking system into either research and development for improving our technologies, or directly into sound improvements in and expansion of both our goods-production and related exports. We have two measures which can be taken quickly and simply to set this into motion. First, we must greatly enlarge the authorized capital of our Export-Import Bank, providing low-cost credit both for exports and for capital requirements of exporters and their vendors, in much the same way we organized the flow of credit for increasing production during the last world war. Second, we must oblige the Federal Reserve System to open up a low-cost credit window for local and regional bankers who need Federal Reserve participation in medium- and long-term loans to creditworthy investments in research and development, agriculture, manufacturing, construction, mining, and transportation industries, as well as major high energy flux density energy production technologies.

We must keep the borrowing costs for these categories of participation loans and also for categories of capital improvements by government agencies at a much lower cost than for other categories of borrowing. We must also take related measures to ensure that there is a large volume of credit for the favored categories, and a relatively tight credit market for other categories.

Provided that private industry and government combine efforts to promote advanced-technology energy development and such other measures as water development, these mere changes in taxation and credit and banking policies will be sufficient to turn our national economy away from its recent pathway toward disaster, and back toward the kind of growth we thought our national policy and constitutional birthright prior to the 1967-1968 period.

This will help us to accomplish one very important additional thing.

When Federal Reserve Chairman Paul A. Volcker dries out domestic banking reserves and raises interest rates like skyrocket, this does not stop inflation. It worsens inflation.

First, every 1 percent increase in prevailing interest rates increases the federal government deficit on debt-service account by between \$20 and \$25 millions! It has similar effects on state and municipal debt-service costs. It drives up rents and housing-purchase costs. The businesses which must borrow to keep alive, and which cannot obtain credit from local and regional banks, must go to the Canadian or British West Indies "off-shore" loan sharks, or to New York City or other bankers acting as middlemen for the foreign loan sharks.

By raising the interest rates in that way, Volcker has

inflated the economy and weakened our banks while turning the economy over for looting to foreign off-shore banks. That must be stopped.

How is it that a ruined nation like Great Britain, a relatively small economy like Canada's, or some mere island like those of Hong Kong or the British West Indies appears to have more value to lend than a major economy such as the United States? It might appear to be a physical impossibility! It is not real money which they are lending! It is the phony money generated as credit by the ultra-high-velocity turnover of debits in those banking systems which otherwise handle the greatest volume of the several-hundred-billion-dollars deposits of the international drug trade. On balance, Volcker's policies worsen inflation and increase the rate at which the international drug-pushers take over our economy through mortgaging out our assets to the drug-pushers' loan-sharking activities.

This must be stopped.

Without going into detail, I can report to you that the obscure but vastly wealthy families which today gain a significant part of their aggregate wealth from the illegal traffic in arms, drugs, diamonds, gold, and so forth, are the political forces behind the alliance of the Socialist International and IMEMO-KGB against the United States today. These are the forces which use "radical," "left," and "right" mass-based forces as social battering rams, for the purpose of attempting to destroy both the institution of the sovereign nation-state and the policy of industrial progress. These are the one-worlders behind the deployment of forces such as the Socialist International today.

Therefore, in changing our economic and monetary policies in the manner I have indicated, let us not overlook that these measures are also effective warfare against the deadly enemies of our republic. Let us seize these measures to our benefit. Let us join with our allies and other friends, using our combined forces as national economies to crush the supranational financial interests which are presently deploying the Socialist International and its accomplices against our republic.

Let us make the awareness of our republic's adversaries, as we have identified those adversaries here, the key to the mobilization of the minds of our citizens as for a great war. Let us use the weapons of economic recovery, as I have indicated them summarily here, as the chief weapons we shall employ to crush our republic's enemy, as we march out to crush the Socialist International and its accomplices in concert with our friends and allies among the other nations of the world.

Let us muster this outlook in our government and in our citizenry generally. Let us thus imbue the quality of certainty to that wonderful hope we celebrate thankfully this day.

First Boston strategy: sweatshops in 1980s

A private meeting of bankers and corporate executives in Boston Feb. 9 sponsored by the First National Bank of Boston hopes to lay the groundwork for turning the United States industrial Northeast into a model of the "free enterprise zones" proposed by the Heritage Foundation and already implemented in a modified form in Great Britain by Industry Minister Sir Keith Joseph and Chancellor of the Exchequer Sir Geoffrey Howe.

First National's senior vice president, James Howell III, has personally taken charge of organizing the meeting. Howell handpicked 35 to 40 top corporate executives, deciding to keep the meeting "select and private to encourage wide-ranging discussion."

Howell has arranged for British subject Stuart Butler, the Heritage Foundation's urban policy analyst, to attend the meeting. Butler will take the meeting's recommendations to various congressional sources. An enterprise zone bill is currently in the redrafting stage among the staffs of Rep. Jack Kemp, the Buffalo Democrat, and Sen. John Chaffee, a Republican from Rhode Island. (Chaffee, a board member of the First National-allied Industrial National Bank of Rhode Island, is a "good friend" of Howell.)

Howell burred to a reporter this week: "The Heritage people like to think they're running things. Quite frankly, the good old Eastern Establishment is behind the idea and we're going to shape it."

Howell described the enterprise zones as placing small, nonunion factories in the decaying inner city areas of such cities as New York, Newark, and Boston. A strong emphasis would be on "postindustrial" enterprises like computer hardware and electronic games. Reportedly, both Wang and Digital computer companies are interested in the project, and plan to send representatives to the Boston meeting.

Such industry would meld with small service-related entrepreneurs, employing 10 to 15 workers each. Howell indicated that the low-wage cottage industries would serve as feeders for slightly more skilled, labor intensive, electronics related plants. He described such a "conveyor system" as a "Hong Kong job development program."

Howell, echoing the conclusions of President Carter's

Commission for an Agenda for the '80s, said, "We are talking about making the zones attractive by providing a low-wage labor pool from inner-city unemployed and ghetto residents who can't be moved out to somewhere else. When the idea is compared to the Hong Kong sweatshops, people here get all upset. . . . What we are doing is delivering an ultimatum to some dying cities and desperate people. You do what we say or you are going to depopulate. Even if we don't say this publicly, we are . . . going to convey this message privately."

Howell went on, "It is not even debatable that the country must enter the postindustrial age. The only question is how do we accomplish this transformation."

Normally, such proposals would meet with opposition from organized labor, since Howell et al. propose the elimination of the minimum wage, union shop requirements, and the Davis-Bacon Act that mandates the payment of the prevailing (union scale) wage for federally funded projects. Howell's best hope is to "split the labor movement"; to that end, overtures have been made to the left-wing social-democratic labor leaders in the U.S. like the Machinists' William Winpisinger, and the United Autoworkers' Doug Fraser, both of whom have connections to the social-democratic German Marshall Fund, which is strongly backing the enterprise zone proposal.

The upcoming Boston meeting is not, however, the first time this idea has been discussed. A recent forum in Washington, D.C., sponsored by the German Marshall Fund and the Academy for Contemporary Problems, met to discuss the zones, with speakers like Stuart Butler, the British Fabian Society's former chairman Peter Hall, and Paul McQuail, British minister of the environment. Hall, it should be noted, is the original author of the enterprise zone plan and helped implement it in Britain.

"It is quite remarkable that there is so much agreement among so many apparently ideologically opposed groups on the idea of enterprise zones," remarked Howell. "The archconservatives like Sir Geoffrey [Howe] and the Heritage Foundation have stolen an idea from under the wing of the Fabian Society. I am a radical capitalist," he added. "The enterprise zone says that there really isn't all that much difference between radical capitalism and what is called Fabian socialism."

C. Kenneth Orski, the vice president of the German Marshall Fund, also saw collaboration between "socialists and the Heritage Foundation" as fruitful and necessary. Orski, whose group funded a December conference of the Second International in Washington, told a reporter that "we tip our hat to the work of a Heritage Foundation." Such statements have led many in Washington to speculate that the nominally right-wing Heritage outfit is in fact controlled by Fabian Socialists such as Peter Hall and represents a Second International Trojan Horse inside the new administration.

NASA's outgoing director calls for expanded space effort

by Robert Zubrin

On Jan. 15, 1981, outgoing National Aeronautics and Space Administration (NASA) director Dr. Robert A. Frosch presented NASA's proposed budget for fiscal year 1982. The new budget of \$6.7 billion represents an overall increase of 21 percent in nominal dollars, or a real growth of about 9 percent over fiscal 1981 after inflation has been discounted. If approved, this budget would be the first significant expansion of NASA after over a decade of cuts. In 1964, NASA received almost triple this amount, measured in constant dollars.

The budget places the completion of the development of an operational space shuttle capability as a top priority "on which," as Dr. Frosch emphasized in the accompanying statement, "our future in space depends." The budget also allocates money for the development of a new type of deep-space rocket engine, the Solar Electric Propulsion System, or ion drive, which, with its extremely high exhaust velocities, promises to be over ten times as efficient as conventional chemical rockets in propelling interplanetary exploration missions.

In addition, the budget calls for the development of Venus Orbiting Imaging Radar (VOIR) spacecraft, to be launched from the space shuttle in 1986 to probe Venus's dense cloud cover by radar and to map the planet from orbit. Work will also be continued on the Galileo probe to Jupiter, on the International Solar-Polar Mission, on the Space Telescope, and on the Gamma-Ray Observatory, all of which will vastly expand our knowledge of high-energy and plasma physics (vital to the development of controlled nuclear fusion as a new, infinite source of energy).

Finally, the budget includes a host of satellite missions with vast immediate applications including Landsat-D, which will expand earth-resource observations from space with the emphasis on agricultural applications; the Geological Applications Program (GAP), which will study the earth's geological resources on a continental scale, and which could ultimately lead to large-scale discoveries of resources such as minerals, oil, and gas; and improvement of the National Oceanic Satellite System (NOSS), which, within the decade is expected to be able to help plot optimum maritime routes, to forecast regional fish catches, to help avert

coastal disasters, and provide useful information concerning the oceans, the weather, and the atmosphere. Other NASA projects can result in significant improvements in computer technology and aircraft design.

Frosch's proposed budget is simultaneous with several congressional initiatives designed to help revive NASA as the cutting edge of the nation's scientific and technological base. Such initiatives include Sen. Harrison Schmitt's (R-N.M.) proposed National Space and Aeronautics Policy Act that would set a general calendar and spending parameters for a 30-year space effort, as well as Rep. Don Fuqua's (D-Fla.) proposed Space Industrialization Act, which would set up a fund to encourage private sector innovation in space.

Schmitt, who is chairman of the Senate Science and Technology Committee, has also authored a recent memorandum to OMB Director David Stockman, which pointed out the administration's important role in fostering U.S. industrial recovery, and forbade any attempt to cut the budget either for NASA or for the Department of Energy's nuclear research.

Commenting on the budget, Frosch said, "This budget . . . was produced in a highly constrained fiscal environment. It is good, but not as good as it should be if we are to revitalize NASA as the cutting edge of our scientific and technological progress.

"We need a long-term investment philosophy for NASA, which recognizes that the payoffs will include not only improved knowledge of the Earth and the universe, but improved economic performance and more jobs here at home."

The following is an exclusive interview Dr. Frosch granted to *EIR*.

EIR: As the outgoing director of NASA, what kind of space program do you think this country should have?

Dr. Frosch: Rather like it has, but somewhat larger, and we need to do some more science and technology development around the shuttle, and work into more ability to do construction and assembly in space.

EIR: Which missions do you see as crucial?

Dr. Frosch: It's not so much a case of crucial missions,

but crucial technology areas, robotics, for example—the ability to do construction in space, the ability to use more solar energy in space.

EIR: What kind of budget do you think is necessary?

Dr. Frosch: Large, but not too large; that is, it would be a large amount of money but not a large percentage increase. I think NASA could do very great things with about a 20 to 25 percent increase.

EIR: Do you think NASA is likely to get it?

Dr. Frosch: No, that is unlikely, but it would be sensible. The economic payoff from this type of expenditure would be large. The applications part of the NASA program has translated into direct economics. It is old history now that it has revolutionized communications globally, and right now we are in the process of revolutionizing it all over again. . . . There is a big revolution coming in our ability to manage the environment, agriculture, and so on. There is a lot of technology developed in the space program that turns out to have a whole string of other industrial uses. In the biomedical area, for example, the pacemaker, which comes directly out of space technology. A lot of the basis of the new solar cell technology came out of satellite design. . . .

In fact, it turns out that research on space science and technology is a driver of productivity. Robotics, which was developed partly by NASA and partly by other sources, is going to have an increasing role in making sure that the U.S. is able to put out an automobile, and compete with the highly mechanized Japanese.

EIR: What do you think of the new space program bill Senator Schmitt is going to introduce?

Dr. Frosch: He has introduced several bills. . . . I think that the major point with all his bills is pushing the space program as a way of driving high technology and raising productivity. That makes sense. If it's a very general goals bill over a twenty-, thirty-year situation, I'm not sure it will help the situation very much, however. To the extent that it would produce a better climate for appropriations for the space program, that would be a good thing, but I'm a little skeptical.

EIR: Why?

Dr. Frosch: Because it's not a money bill, and it's not even a direct authorization bill, and I'm not sure that a general bill without authorization will have much effect. What we need is a bill concerned more with authorizations and appropriations, rather than just a group of long-term goals.

EIR: Apart from that aspect, what do you think of the bill's schedule of goals? He poses the 1980s as the decade for perfecting satellite and communications technology,

the 1990s as a decade of developing orbiting manned capabilities, and the first decade of the 21st century as a decade of interplanetary exploration.

Dr. Frosch: I'm not sure dividing it up that way makes all that much sense. I think that the real progress takes place in a much more disorderly way. You have to do some of all those things all the time.

EIR: What about the recent proposal to use space-based laser systems as a means to destroy ICBMs as they emerge from the atmosphere?

Dr. Frosch: Well, I haven't studied the issue long enough to have a definite opinion. I think it's possible, but the energy requirements for the laser would be very large, and it is not all that clear that there aren't equally or more effective ways of doing the same job, such as shooting metal at the missile instead of using a laser.

EIR: Would development of such a system have a significant positive effect on the space effort?

Dr. Frosch: Well, being military, it would not be a NASA program, of course. But the technology of NASA and such a program might tend to support each other. There is a NASA interest in high-power lasers for a different purpose entirely, and that is as a means of transmitting energy from a central power station to an outlying system along a laser. . . .

EIR: What is going on with the development of deep space rocket systems using nuclear power or fusion?

Dr. Frosch: Not much right now; there used to be a program on that 10 or 12 years ago, but it didn't get very far. There is a program for developing nuclear power to provide electricity for spacecraft, and there is some discussion of a nuclear-powered electric propulsion system, to propel the ions, though it's mostly talk. We are doing a lot of work on solar-powered electric systems . . . for the exploration of the outer solar system.

EIR: Do you think NASA's priorities in these areas should be increased?

Dr. Frosch: No, I would keep it as a relatively low priority. NASA should apply them to space after they have been developed on earth for their energy applications in their own right.

EIR: What about manned interplanetary exploration?

Dr. Frosch: I think it will happen, but not before the 1990s. We have to build up a lot of technological capabilities. A Mars mission would be at a minimum a three-year mission, and that would take a lot of support, a very large spacecraft, and a lot of biomedical experimentation before we are ready to do it. I think there is at least a decade's work before we are ready; it might be accelerated, but not much.

EIR: What do you think of the proposal for sending an unmanned probe to Mars to retrieve soil samples, which would enable us to determine if there is life there?

Dr. Frosch: That is the most probable next large step on the agenda for Mars, although there is a school of thought that would rather put a roving laboratory on the surface. I think myself, though, that the consensus in the scientific community is that the Mars soil retrieval is the right thing to do. That might be about 1986, 1987.

EIR: You think it could be done that soon!

Dr. Frosch: I think it could be done in the next few years. But in the line of priorities, unless there was a great expansion of the program, I don't think it would be started until the mid-eighties.

EIR: What would be the major technological barriers?

Dr. Frosch: I think we have the technology now. There are two problems, both of which are probably solvable. One is that you have to land enough mass on the planet so that you can scoop up the soil and get it back to rendezvous orbit, and then you have to make a real robot rendezvous.

EIR: And the problem of constructing a spacecraft that can blast off again to escape from Mars' gravity is not a

major hitch?

Dr. Frosch: Right; in fact, one interesting idea for conserving mass is just to send the fuel down with the craft and collect the oxygen on Mars. That is, not send liquid oxygen down with the probe, but manufacture it on Mars using oxygen released from the Martian soil. That would save the weight of carrying the liquid oxygen.

EIR: What do you see in the way of future probes to Venus?

Dr. Frosch: Well, in the budget there is the beginnings of an orbiter to look at the surface of Venus with radar. We already had a crude one, but this would be high-quality radar. We know that there is a mountain range the size of the Himalayas, but we don't know anything about its structure. This would give us enough information to tell us a lot about its structure and geology.

EIR: And the outer planets?

Dr. Frosch: There is the Galileo program to put an orbiter around Jupiter for a while and send a probe into it, and take a good look at some of its satellites. And there is a plan, though not for startup until 1986 or 1987, for the Saturn orbiter probe, which would be an orbiter of Saturn, a chemical probe into Saturn, and a chemical probe into Titan.

Heritage Foundation: scuttle the shuttle

Below are excerpts from the Heritage Foundation report, "Agenda for Progress," recently submitted to the Reagan administration. The foundation promotes "free market" economics.

An excellent illustration of the pitfalls of federal intervention at too low level is the space shuttle. . . .

Federal officials talk in terms of a commitment to finish the shuttle development and procurement, but the wisdom of this commitment is not clear. An early item of business for the federal government should be a reexamination of the economics and institutional arrangements for space transportation. In spite of the perceived wisdom that there is no turning back on the shuttle commitment, the alternatives should be reviewed thoroughly and soon. Alternatives to be examined include the discontinuation of the shuttle program. . . .

Since matter is everywhere, it might seem that high-energy physics would have wide practical applications. On the contrary, except for some possible applications of accelerator technology, the processes studied involve conditions so extreme that they seem applicable only to phenomena occurring in the smallest subatomic distances or under the most remote astronomical circumstances. As far as we can foresee, the \$359 million high-energy physics program is, like astronomy and space exploration, the accumulation of knowledge for its own sake—with no immediate practical benefits in sight. . . .

A characteristic of research with no foreseeable objective is that it can be slowed down at no known economic penalty (except for increased costs for changing one's mind and accelerating the research soon thereafter). *The stretchout of expensive undertakings, such as new accelerator projects or spacecraft development, can save hundreds of millions of dollars in early years while the U.S. seeks to negotiate international cost sharing* [Italics in original]. Closing one of the three high-energy physics complexes could save on the order of \$100 million per year.

Hearings scheduled on hostage questions

Hearings will be held this month by the Senate Foreign Relations Committee on the hostage crisis. Committee sources indicate it will probably focus on the deal Carter negotiated for the release of the hostages. However, since committee chairman Charles Percy coordinated on a daily basis with Deputy Secretary of State Warren Christopher while Christopher was negotiating the deal with Iran, it is unlikely that Percy wants to allow any analysis of the illegalities of the agreements.

Percy, a leading member of the Council on Foreign Relations, has also had discussions with Senate Majority Leader Howard Baker. The two discussed steering any investigation away from how the Carter administration helped set up the hostage crisis.

The House Foreign Relations Committee will hold hearings in late February concerning the hostage crisis. The committee chairman, Clement Zablocki (D-Wisc.), agreed to the request of the committee's ranking Republican, William Broomfield (Mich.), for a "full airing of what occurred during the past 14 months."

Senate Armed Services Committee chairman John Tower (R-Tex.) is known to be eager to hold hearings on how the United States got into the crisis in the first place. Tower wants to focus particularly on the trip of General Huyser to Iran. Huyser, then a NATO assistant to Gen. Alexander Haig, had

been instructed to prevent Iranian military support for the besieged government, and in fact helped reinforce the mobs. Tower is being pressured by Senator Baker not to focus hearings "on past events."

The Senate Banking Committee Subcommittee on International Finance plans hearings in the middle of this month on the assets transfer Jimmy Carter negotiated with Iran and the authority under which Carter circumvented the rights of U.S. claimants.

Congressmen give backup against Iran deal

A number of senators and congressmen have taken action to give President Reagan full backup if he chooses not to implement the agreements Jimmy Carter negotiated with Iran. On Jan. 22 Sen. Dennis DeConcini (D-Ariz.) introduced a resolution, since co-sponsored by Senator Bob Dole (R-Kan.), which declares that "The Senate hereby expresses its support for the President in any determination he may make in refusing to carry out any obligations assumed by the United States in the declaration . . . or in the claims settlement agreement."

In a statement introducing the resolution, DeConcini declared "it is an established principle of our criminal and civil law that contracts entered into under duress have no validity—morally or legally. . . . I believe that the U.S. Senate should go on record clearly and unambiguously; we should tell the world and our new President that the agree-

ments are not legally and morally binding."

At the same time these two senators have co-sponsored legislation that would amend the Foreign Sovereign Immunities Act to allow American citizens to sue foreign governments in U.S. courts for breach of contract.

The legislation could, depending on interpretation, abrogate part of the Carter agreements. "Dole introduced it now because of its political significance," declared an aide to the senator. "We don't want Reagan to feel bound by the full agreement."

The bill will be referred to the Senate Judiciary Subcommittee on Courts headed by Dole.

Capitol Hill sources report that the senator will let it die if the administration presents good reason for implementation of all aspects of the Carter deal.

Rep. Elliott Levitas (D-Ga.) introduced legislation requiring the President to force Iran to apprehend the kidnappers of the Americans, to pay reparations to the U.S. government and the former hostages, and to satisfy the U.S. corporate and individual claims against Iran.

Buildup signaled on 'union corruption'

Senate Labor Committee Chairman Orrin Hatch (R-Utah) has established a new Subcommittee on Investigations and Oversight, chaired by GOP freshman Paula Hawkins of Florida. The ranking Democrat on the committee will be

Edward Kennedy, and chief minority counsel will be Walter Sheridan, the anti-Teamster Permindex operative, priming speculation that the subcommittee is intended to investigate "labor racketeering." According to the *New York Times*, Hatch has mentioned the Teamsters, Longshoremen, Hotel and Restaurant Workers, and Laborers Union as targets.

Despite their relegation to minority status, the Democratic staff of the Senate Permanent Investigations Committee, chaired by Georgia Democrat Sam Nunn, intends to go ahead with hearings on alleged corruption in the International Longshoremen's Association. In the next month, the staff will also release the results of last year's hearings on the Central States Pension Fund. Sources report that the staff has been told by Nunn to get in touch with the staff of the Labor Committee to coordinate review of labor unions. The Permanent Investigations chairman, William Roth (R-Del.), has made it clear that his focus will not be on labor, but on waste and fraud in government.

Don Edward (D-Cal.), the chairman of the House Judiciary Subcommittee on Constitutional Rights, will convene hearings early this month on whether the Civiletti guidelines were violated by the FBI in the Abscam and other undercover investigations. If the activity did not violate the guidelines, according to a subcommittee spokesman, the subcommittee will examine whether the guidelines ought to be changed.

Donovan acquits himself before Senate labor panel

In the second round of Senate Labor Committee hearings, the FBI testified that despite 1,400 man-hours of investigation by 68 agents, they were unable to turn up any evidence substantiating the charge by convicted murderer Ralph Picardo of monetary payoffs by Donovan in exchange for labor peace.

Following the FBI testimony, Donovan asserted, "I think Picardo is a pathological liar. . . . My attorney tells me that people who have seen him at other trials describe him as 'off the wall,' 'wacko,' and 'full of s---.'" Donovan refused to take a lie-detector test, saying it "would insult my dignity, insult the cabinet office of secretary of labor, and, I would hope, insult the American people in their sense of justice."

Kennedy asked Donovan why he thought these allegations were being made against him. "I'm from the great state of New Jersey," Donovan answered, "and if you're in the contracting business, you're indictable—if you're Italian, you're convicted."

Despite Donovan's Jan. 29 confirmation by the Labor Committee and certain confirmation by the Senate, Hill veterans noted that in the course of proving Donovan's innocence, Donovan and the Labor Committee were maneuvered into making strong statements about the need to root out "union corruption." They could now be forced to carry out Sheridan's vendettas to prove they are not "soft on labor extortionists."

Regan grilled by Senate committee

At Senate Appropriations Committee hearings Jan. 26, Treasury Secretary Donald Regan stressed that an across-the-board tax cut was the answer to the economic crisis. Senator Dennis DeConcini warned Regan that "I don't see how an across-the-board tax cut will ensure investment in capital intensive industries [or] will ensure an increase in productivity that we both want. Don't you have to do something to ensure capital investment and increasing productivity?" Regan insisted that a general tax cut would do the job.

Regan was also challenged by Republican leader Ted Stevens to act on behalf of lower interest rates. "We must get greater response from the federal government and the Fed; we have to get interest rates down," Stevens said. "I don't see how we can do what we have to do with interest rates far exceeding the rate of inflation."

Meanwhile, hearings began in the Senate Budget Committee Subcommittee on Industrial Growth and Productivity Jan. 26 to review the relationship between research and development and industrial growth. The first day of hearings focused on the electronics industry, with the subcommittee hearing abundant evidence that the U.S. does not have an adequate educational system to sustain industrial development of that industry, let alone an overall economic recovery based on developing new technology.

National News

State leaders hear DNC chairman candidates

The Association of Democratic State Chairs elected Marjorie Thurman of Georgia to a four-year term as chairman by a unanimous vote at its meeting at the Washington, D.C. Sheraton on Jan. 23. Thurman, an Atlanta lawyer at odds with the Carter campaign during the summer of 1980, replaces social democrat Morley Winograd of Michigan.

Among machine Democrats across the country, the State Chairs Association has a reputation for standing up to outgoing DNC Chairman John White for his use of the Democratic Party as a Carter campaign asset. It was in this climate that the four announced candidates for chairman of the Democratic National Committee (DNC) addressed the State Chairs Jan. 23, with approximately 200 persons in attendance.

Charles Manatt of Los Angeles, the current chairman of the DNC Finance Committee, told the state chairs that "There can be no honeymoon for the Reagan type of Republicanism . . . for those who would repeal OSHA, support a subminimum wage, who would govern the country without a commitment to equal rights. We cannot relax our commitment to civil rights, to anti-trust, to ethics in government." "The Democratic Party is not the party of \$10,000 mink coats at Inaugural balls."

Patrick Cunningham, former chairman of the New York State Democratic Party from Bronx, New York, called the state chairs, "together with your state organizations, the most important organization in the Democratic Party." Cunningham proposed "watchdog committees" composed of DNC members, congressmen and outside consultants to monitor the Reagan administration as a kind of shadow cabinet. This, Cunningham said, would serve both as a basis for an issues debate in the party and the foundation for the 1984 platform.

Charles Curry, DNC Midwest Caucus chairman, called the chairs "the key

group" in the party. The DNC, Curry said, should "make resources available to state parties and provide training for candidates in the purpose and policies of the party." "We must not go back on the reforms, but we must bring party people in," Curry said.

Joseph Crangle, Democratic Party leader from Buffalo, New York, stated that, "The DNC chairman should be a politician, not as an avocation, but as a vocation." "I am in the trenches and the command posts every day, and I know the importance of the state organizations," said Crangle. "The DNC has to be the creation of the 50 state parties; the 50 state parties are not the creation of the DNC." According to a Curry campaign spokesman, the latest polls show only 11 of the 50 state chairs committed to a candidate. The selection of the DNC chair by the 363 members of the DNC takes place on Feb. 26.

'Global 2000': ready for Implementation

On Jan. 14, the Carter State Department and the anti-growth Council on Environmental Quality (CEQ) quietly released a 250-page document designed to implement the features of the "Global 2000" blueprint that advocates reduction of the world's population by 2 billion people, and advocates "appropriate technologies" and labor-intensive cottage industry for the developing countries.

According to Nick Yost, the CEQ lawyer who oversaw preparation of the new report, titled "Global Future: Time to Act," the report advocates three courses of action for the U.S. First, America must adapt all its institutions to future planning based on zero population growth. "We must not allow the repeat of unbridled industrial growth of the U.S. in the developing sector," said Yost. "We must improve the quality of life by building a global society based on fewer people. Growth must be linked to environmental concerns. The real scarcity of resources must place a limit on growth."

Yost said that the Global 2000 policy has its advocates in the Reagan administration, citing Secretary of State Alexander Haig, whom Yost called a "closet environmentalist."

In addition, a bipartisan committee has been formed to push for implementation of Global 2000. It includes ARCO chairman Robert O. Anderson, Russell Train, head of the World Wildlife Fund, and former Attorney General Elliot Richardson, and former Carter Secretary of State Cyrus Vance.

Illinois Democrats haul governor into court

Liberal Republican Governor Jim Thompson of Illinois has been charged with illegally usurping control of the state senate, and with attempted blackmail and corruption. This month the governor, a political ally of Chicago's austerity mayor, Jane Byrne, wrangled the election of a Republican as president pro tem of the senate, although the Democrats hold a one-seat majority, by holding a vote in the absence of a quorum.

State Senator Richard Gitz (D-Rockford) charges that Thompson attempted to entice and blackmail him into switching to the GOP, and challenged the governor to a lie-detector test, with no response. Thompson comes up for re-election in 1982.

Chain reaction hits Connecticut's cities

In a stunning doublecross, newly appointed governor Thomas O'Neill demanded in his first State of the State message that Connecticut's major towns and cities accept a \$23 million cut in state aid which they had already budgeted and spent. The request was passed by the lower house Jan. 28 by a 90 to 58 vote, with approval expected in the state senate.

Briefly

Cities hit hardest include Hartford, New Haven, New Britain, Waterbury, and Bridgeport. William McMahon, comptroller of Bridgeport, said, "This is unbelievable. We were to get a \$3.5 million check in March. In order to address this cut now, I will have to effect \$8 million in economies. We are eight months into our fiscal year, and this money has already been spent."

Areas that receive little money from the state Urban Problems grant are being rallied by the governor, who recently filled ailing Ella Grasso's post. The rationale for the cuts is that in December, Congress voted up a three-year authorization bill on revenue sharing which takes away federal revenue sharing funds to states, but continues them to cities. When the State of Connecticut lost \$23 million in these funds, O'Neill turned around and axed \$23 million of the state's traditional grants to cities, to balance the budget.

O'Neill's current cuts are not going to avert a tax increase in this legislative session, according to Dennis Schain of the Connecticut Conference of Municipalities. Nor is there any law against an unbalanced budget, which could be covered by bonding. The state is polarized on the issue, with no clear lineup according to political party.

Anti-Volcker resolution in South Dakota

State Senator Doris Miner introduced a joint senate-assembly resolution, SCR-9, into the South Dakota legislature on Jan. 27, which calls for lowered interest rates and the resignation of Federal Reserve Chairman Paul Volcker. The state senator, an active Democrat and farm leader, introduced the legislation at the urging of the National Democratic Policy Committee.

Miner was among those who pushed at the Democratic National Convention in August to suspend party rules so that a stronger pro-farm party statement could be discussed for inclusion in the party's platform.

South Dakota is the sixth state to have anti-Volcker resolutions pending before their legislatures. The others are California, New Jersey, Virginia, Texas, and Washington.

Philadelphia battles over tax assessment

The Philadelphia City Council, led by Councilman Alvin Pearlman, overrode the veto of Mayor William J. Green to enact a three-year freeze on property tax assessment in the city. The action has embroiled the mayor's office, the Board of Assessors, and the city council in a battle over who has the right to tax, and at what rate.

City Solicitor Alan J. Davis has advised the council that their action is illegal since a state law mandates that all properties be reassessed annually. But since the Board of Assessors has only been able to reassess approximately 13 percent of the city's properties due to manpower shortages, the council considers this a moot point.

Councilman Alvin Pearlman, author of the assessment freeze, said that the Board of Assessors is repeatedly reassessing the same properties in "activity areas," and throwing the burden of the city's property taxes on only a few taxpayers.

Mayor Green, whom Councilman Pearlman described as "a liberal," had requested a double-digit tax increase this year. "We [the city council] gave him 2.6 percent, and now the Board of Assessors is trying to make up the difference," said Pearlman.

Pearlman's proposals call for freezing tax assessments at 1980 levels and providing the Board of Assessors with \$237,000 to hire the necessary assessors. "When the assessment is finished, then we can roll back the mil rate," Pearlman said. "At least then everyone will be taxed equitably."

The mayor has told the council that he intends to hold the council liable for the money the city will lose by this move, and a court battle is expected.

● **ROY COHN**, the mob attorney, has reportedly arranged a deal whereby the GOP will not oppose the most hated mayor in New York City's history, Edward Koch, but will ask Koch, a nominal Democrat, to run on its line, according to local press reports.

● **KENNEDY** and Mondale Democrats want to create a new liberal think tank tentatively named the Democratic Forum. Thirty-six of them met recently to "define the new ideology" for the party, including Stu Eizenstat, Hodding Carter III, Pat Derian, Anne Wexler, Peter Edelman, Milton Gwartzman, Paul Warnke, Willard Wirtz, Adam Yarmolinsky, and John Gilligan.

● **THE FEC** reported the day after the inauguration that the Carter/Mondale campaign overspent the legal limit in the election primary states of Iowa, Maine, and New Hampshire, and must repay the government at least \$129,443. The FEC spent the primary period investigating Carter's opponents.

● **CARL SAGAN** provided portions of Jimmy Carter's farewell address, word for word, in Episode 13 of his book *Cosmos*. Prior to his presidency, Carter's acquaintance with extraterrestrial life was limited to his claimed personal encounter with a flying saucer in Plains, Georgia.

● **EDWIN MEESE** said on the MacNeill-Lehrer Report TV program Jan. 26 that the administration is carefully looking at whether Carter's deal with Iran is legal. "There may be some portions of the agreement or extensions of it that would be in violation of U.S. or international law or that would unfairly cut out the rights of someone," Meese declared.

U.S. nuclear bottleneck

What it will mean to reverse four years of antinuclear government policy.

Idaho Sen. Jim McClure, new head of the Senate Energy Committee, told a meeting of the Chemical Manufacturers Association recently that there will be a major push in the new Reagan administration to get the nuclear-power construction program back on the track. This decision is one of the most important ones a new administration could make to renew real industrial growth and exports in the American economy.

It is useful here to look at the damage we need to repair.

In the first nine months of 1980, more than 48 nuclear power projects in the U.S. were delayed; eight reactors were canceled. The total electric power loss comes to over 61,000 megawatts. For comparison, the present total of the domestic reactor output is approximately 55,000 megawatts.

A typical 1,000 megawatt plant saves the annual equivalent of 10 million barrels of oil. So, last year alone, because of the post-Three Mile Island chaos and regulatory obstruction, we lost the future equivalent of 610 million barrels of oil, almost 2 million barrels per day!

But this is not the end of it. Aside from the loss of construction orders totaling between \$55 and \$100 billion, conservatively estimated, we have frozen progress on development of nuclear fuel-reprocessing or recycling.

When the Carter administration

took office, they halted development of the nuclear fuel-reprocessing facility being built by General Atomic at Barnwell, S.C. In his Senate confirmation testimony, Energy Secretary James Edwards, who had strongly supported Barnwell as governor of South Carolina, stated that this delay has halted production of reprocessed uranium from spent fuel rods. Had we gone ahead with Barnwell, now mothballed, we could be saving the equivalent of 1 million barrels of crude oil imports per day.

In December, we imported a total slightly less than 5 million barrels per day.

The pattern of the last several years is also worth review. In 1973, during the height of the OPEC oil embargo, 41 nuclear-reactor orders were placed, followed by 26 more in 1974.

By 1975, it had dropped sharply down to four, the next year to three, down to two in 1978, and zero for the last two years of the Carter administration, due to cost overruns that were caused primarily by absurd environmentalist and legal challenges.

Right now, we have 87 nuclear plants totaling 96,000 megawatts of power under construction. Since the hysteria around Three Mile Island, the environmentalist-infested Nuclear Regulatory Commission has succeeded in imposing a de facto moratorium on new construction permits.

Last week, the NRC finally indicated it may get off dead center to impose a new rule which could unclog the pipeline and allow the approval almost immediately of some 19 nuclear reactors, including 8 awaiting approval by the Westinghouse Offshore Power Systems subsidiary. The decision awaits agreement on procedure from the NRC's Advisory Committee on Reactor Safeguards, another encumbrance added to complicate an efficient and reasonable regulatory process in the post-Three Mile Island climate.

The case of Westinghouse Offshore Power Systems is worth special note. The facility, in Jacksonville, Florida, has been in limbo for the last two years since New Jersey Governor Byrne and his state energy commission Joel Jacobson came down against four floating nuclear-plant units to be stationed three miles offshore from Atlantic City.

Since then, one of the most important advances in the nuclear industry has been kept in limbo.

The Jacksonville facility would have been one of the world's first assembly-line manufacture of nuclear plants to be assembled on barges floated to final siting, either offshore or inland.

The Jacksonville facility, if it is revived, could provide up to 7 complete plants per year.

By contrast, under present regulatory absurdities, it can take as long as 12 years to build a single custom-built plant.

Of course, as with other areas, the rest of the world has not stopped while we did. The U.S.S.R. just announced that its Atomash plant at Volgodonsk will begin turning out mass-produced fission plants on assembly lines.