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EIR

From the Editor

Our cover story this week on the crisis in the Western alliance takes as its starting point the debate over stationing medium-range Pershing II NATO missiles in Europe, within five minutes of Soviet territory, and examines the two solutions predominantly offered at present to the declining military and economic capabilities of the West. First, the “American cowboy” policy of playing chicken games with the U.S.S.R. on the basis of existing technologies, and holding down America’s defense budget as the International Monetary Fund demands. In opposition, a faction associated with British Foreign Secretary Lord Carrington, the British Crown, and the U.K. military leadership proposes a rapid high-technology NATO buildup whose industrial base is to be scraped together by imposing fascist “emergency management” of Western economies. Air Vice-Marshal S. W. B. Menaul’s analysis of the space-based strategic defense potential is reproduced here, along with Editor-in-Chief Criton Zoakos’s assessment of the two policies and of the Kremlin’s view of the strategic situation.

Our Economics and International coverage reveals the deployments against U.S. sovereignty within the alliance—and the historic “Princeton Declaration” by *EIR* founder Lyndon LaRouche on reshaping American politics.

Our Special Report is a document by LaRouche identifying the theological doctrine of consubstantiality as the concept, over the centuries, underlying the most advanced achievements in science and in nation-building, as against the cult-based notions of mind and matter associated with enforced backwardness and devolution throughout history.

The rulers of China, imperial or “communist,” have been the exemplars of the antiscientific policy for millennia: our International section describes how—contrary to Western news reports—the People’s Republic is in extreme turmoil, and the ancient secret societies dominate whatever policymaking exists.



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LaRouche reports on the notion of consubstantiality held up by the partisans of civilization from the lifetime of Plato through the contributions of Plethon, Kepler, the New World republicans, and the mathematical school of Georg Cantor. This is the notion defining the species-nature of human beings, and hence their temporal tasks.

International



Britain's Prince Charles reviews a French paratrooper demonstration in Pau, France, 1980.
Gerard Rancignan/Sygma

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IMF already dictating American policy

by Kathy Burdman

The highly classified 1981 Annual Report on the U.S. Economy of the International Monetary Fund, released to governments July 17, marks a new phase in the open direction of U.S., and world, economic policy by the IMF and its senior advisers at the Basel-based Bank for International Settlements.

The IMF report, as officials reveal in the accompanying interviews, calls upon the Reagan administration to reduce budget expenditures to the point of actual reductions in the U.S. budget deficit, in order to pay for an estimated \$20 billion or higher annual increase in government interest-rate payments. The IMF specifically joins with the BIS and Europe's Second International Socialists in demanding a *cut in real U.S. defense outlays* which makes mincemeat of President Reagan's defense program.

Under advice from Treasury Secretary Donald Regan, Federal Reserve Chairman Paul Volcker, Office of Management and Budget Director David Stockman, President Reagan has already "agreed" fully to the IMF's demands, according to an aide to Assistant Treasury Secretary for Economic Policy Paul Craig Roberts. Commenting on projections by Deputy Defense Secretary Frank Carlucci July 12 that the Fed's interest rates could result in \$10 to \$20 billion in annual cost overruns to the defense budget alone, Roberts's office stated that any such interest-rate costs must be taken directly out of real defense outlays. "Stockman and Regan have made it perfectly clear that they will not allow" any overruns, the aide stated. "Stockman is telling the Defense Department: 'Get

your act together and come in under your budget.' "

The total subordination of U.S. budget policy to IMF guidelines was underlined in public press briefings by Stockman July 15, on the administration's Mid-Year Economic Report to Congress. Stockman revealed that to pay for an unexpected \$17 billion increase in fiscal 1981 and 1982 interest-rate costs, U.S. defense outlays have already been cut for 1981 by \$1.6 billion, and the administration's vaunted supply-side tax cuts reduced by \$6.7 billion. "Our policy is to cut whatever is necessary to offset interest-rate increases," Stockman told an amazed press.

U.S. economic policy, in short, is no longer made by the elected national government of the United States.

The end of national budgets

The policy guidelines of the BIS annual report, issued in Basel June 16, have thus been realized in significant part. There, BIS Chairman Jelle Zijlstra warned that unless "a high degree of international cooperation" was imposed over all national economic policy, the world would soon see "a repetition of the events witnessed in the 1930s, which ultimately resulted in a disintegration of the world economy."

We now have both conditions. By openly imposing the IMF as the official dictator of U.S. budget policy, the BIS and its old Venetian shareholders have hoisted their banner for all to see. The BIS and IMF are going to impose a world depression, which is this time to be managed by the supranational institutions. The depression will be the weapon used to destroy the remaining

political power of elected governments.

Although much was made of BIS Chairman Zijlstra's criticism in June of high U.S. interest rates, this attack on American policy can now be seen as a means to an end. Indeed, the IMF's classified Annual Report on the U.S. Economy is said to fully endorse the continuation of the Volcker Federal Reserve's interest rates, provided additional actions are taken. If the U.S. moves as demanded to slash its budget expenditures further, the Volcker policy "is very good," IMF North American director Joaquin Ferran, author of the IMF report, said in an interview, noting that the main problem of the U.S. is inflation.

The high-interest policy of the Fed, and the other BIS member central banks such as the West German Bundesbank and Banca d'Italia, are in any event already fixed policies of those very independent institutions, well out of the control of nation-states. The point is, what other new policy controls can the BIS and IMF devise?

Direct hands-on "surveillance" of not only Third World debtors but of all the "surplus" countries, including the U.S., West Germany, Japan, and every industrial power, is the current goal of the IMF and BIS. The Reagan administration, according to the office of U.S. Executive Director to the IMF Richard Erb, has already agreed to IMF surveillance beyond anything permitted by the Trilateral Commission government of Jimmy Carter; the IMF is well on its way to such power over the industrial world as a whole.

The Reagan White House, Mr. Erb's office said, has agreed to regularly submit the U.S. to the "Article 4 surveillance" procedures of the IMF. In a series of meetings on June 2-4 and 10 of this year, President Reagan's National Advisory Council on international monetary policy (NAC) met with IMF Western Hemisphere Director Thomas Beza to submit all U.S. international monetary and domestic budget policy to IMF scrutiny. U.S. officials from Treasury Secretary Regan, and Fed Chairman Volcker, who head the NAC, down to representatives from the Budget office and State, Commerce, and Defense Departments, were grilled on U.S. policy for interest rates, currency markets, foreign aid, and budget and defense programs.

"The point of surveillance is to strengthen the role of the IMF in the entire world economy," Mr. Erb's office stated. "Now surveillance will give the IMF control over the U.S. . . . How can we criticize Zaire for not adhering to IMF conditionalities, if we won't do as we're told?"

Control the national budget, and you control the nation. The BIS Annual Report made this quite clear: "It is urgently necessary to alter the current policy mix by reducing public-sector borrowing requirements."

Urging the same supranational control over national

budgets was the latest semiannual report of the Paris-based Organization for Economic Cooperation and Development, issued July 10 as a policy document for the July 20-21 Ottawa heads of state economic summit. The report urged that nations "conduct monetary and fiscal policies in a complementary fashion, [taking] international implications" into account. The report noted in particular that European budget deficits are growing rapidly, and that if European governments wish world interest rates to be brought down, they must first join with the United States in an effort to sharply curtail budgets.

In other words, "surveillance." Indeed, the IMF is already quietly urging West Germany to slash budget expenditures, according to infuriated German official sources. "The IMF is moving strongly on all nations to urge budget cutting," the source stated, "and here, too."

The OECD report goes beyond recent BIS and IMF prescriptions to point to the next policy phase of the supranational institutions: the top-down *enforced reduction of wage standards in the West*, and the destruction of organized labor as a political power support constituency for the nation-state. The greatest cause of the coming recession in Western Europe, they write, is *overpopulation*: the "sharp rate of increase in working age population," which is projected to rise by millions during 1980-1985. It is the resultant unemployment and need for federal assistance outlays, writes the OECD, that is the cause of uncontrolled budget spending in West Germany and elsewhere.

As a solution, the OECD proposes a return to the corporatist methods of Mussolini: "a stronger consensus through an improved dialogue between the social partners" of government, labor, and business. According to former Federal Reserve Chairman Arthur Burns, now U.S. ambassador to Bonn, the aim of such "consensus" must be to *cut in half* prevailing industrial wage rates in OECD nations, as the "root cause" of inflation.

The end of national currencies

Parallel to the IMF's new hands-on approach to national budgets is the sudden re-emergence of the IMF Special Drawing Right (SDR) as the new standard for a revamped world monetary system. The Fund is now working closely with private banks and oil companies to encourage a private market in SDR-denominated loans, bonds, and bank deposits, a sort of "parallel market" to the \$18 billion in official holdings of SDRs proper by governments.

The BIS, he said, may soon set up a new clearing house, modeled on the CHIPS computer which clears international payments for the New York commercial banks, to encourage SDR-denominated banking deposits. Already, Chemical Bank Ltd. in London told *EIR*

July 13, the major London banks are encouraging corporations and Arab monetary authorities to set up SDR-denominated accounts. Royal Dutch Shell and other oil multinationals are encouraging Arab nations to take oil payments in SDR-denominated accounts.

The idea is, and sooner rather than later, to replace the current dollar monetary system with a balkanized set of at least three currency blocs, a dollar-based Western Hemisphere bloc, a European Currency Unit bloc, and an Asian yen bloc. As outlined by former Italian central bank governor Rinaldo Ossola this past March, only the SDR would unite the blocs, clearing payments between them—and the IMF would have world liquidity control.

In "A Possible Gold-SDR Standard," Mr. Ossola writes that the IMF and central banks should organize intervention to "tighten parities" first between currencies in these blocs, as has been done in the European Monetary System, following which the three blocs could be tied together in a new monetary system. To do this, however, governments must give up sovereign control over international payments, and use supranational instruments such as the European Currency Unit within the blocs. Central banks would then feed their gold and dollar reserves into a new IMF "substitution account," and receive SDRs in return for use in international payments.

The IMF, in a March 20 Executive Board decision has already sanctioned exchange controls for such currency blocs, called "multiple currency practices," to facilitate this arrangement. The French government, meanwhile, has floated its first ECU-denominated loan. Only a crisis for the U.S. dollar is needed to cause a stampede into such an SDR system.

'U.S. must cap defense'

The following excerpt comes from a July 13 interview with a senior IMF official.

Q: What do you consider the future of Special Drawing Rights?

A: If the SDR grows into a private market out of the current problems on the currency markets, my response would be hallelujah. . . . Right now, the difficulty is that the market is unbalanced. The banks have SDRs on the liability side, that is, people who have deposits in their London branches in SDRs. But the banks do not have assets, investments in SDRs. You have to encourage people to take out loans or issue bonds in SDRs to get balance. You need to institutionalize a market in private SDRs. To do this, you need a clearing mechanism in

SDRs. The IMF can't fill this role, because it is an institution that deals in official government-to-government relations in SDRs.

There are two ways that you can get this SDR private market mechanism. First, it could be run through and by the Bank for International Settlements. Another way is for Chemical Bank International in London and maybe 10 other banks over there to set up a clearinghouse there, like the New York bank clearinghouse, to trade in SDRs.

Currently, outside the IMF, the other official institutions that can trade in SDRs are the BIS, the World Bank, the International Development Agency, the Caribbean Development Bank and a few other public agencies. . . . To get it going in a big way, you need some big multinational companies, like Royal Dutch Shell and some of the other oil companies, as well as some of the manufacturing multinationals to have SDR accounts. If oil were to be priced in SDRs, then you would have governments and big multinational corporations dealing in SDRs and this would create a private market.

'The surveillance power'

The following interview was conducted with a member of the U.S. delegation to the IMF.

Q: How does the U.S. administration react to the IMF's latest report on the U.S. economy?

A: I haven't seen it yet, but in general, they are very happy with what we are doing and I assume this agreement will be reflected in the report.

Q: How does it happen that the IMF makes recommendations on U.S. budget policy?

A: Article 4 of the IMF agreements states that we will submit to surveillance on our exchange rates, and our domestic finance impacts on that. The point of the surveillance policy is to strengthen the role of the IMF across the board in improving the world adjustment process. Surveillance is a key part of that process, because it is an attempt to get at the *surplus countries*. The IMF already has leverage over the debtor countries through its conditionalities, which impose controls on borrowers from the IMF. Now, improved surveillance will give the IMF control over the surplus countries, like the United States, Germany, and Japan, and give the IMF influence over their domestic programs.

Q: But this has been true since the Jamaica accords amended Article 4 in April 1977. Michael Blumenthal wrote Article 4 under Jimmy Carter. Are you saying

there is nothing new in Reagan administration policy?

A: Sure, there is something new—the fact that *this administration reiterates the policy*; that is big news in itself! The Reagan administration, I would have thought, would have perhaps moved to get the IMF out of U.S. affairs. Not so. The big news is the fact that they are allowing us, indeed encouraging us, to continue to encourage the Fund to criticize U.S. policy and help to change it.

Everything we are doing now on international monetary affairs is credited to the IMF and its growing role. Look at Beryl Sprinkel's new policy of nonintervention in the exchange markets. That is straight IMF policy, as detailed in the 1980 Annual IMF Report.

Q: To whom would you attribute this surprising Reagan administration attitude? Sprinkel?

A: No, the Federal Reserve has had a lot of influence. Paul Volcker used to be the Undersecretary of the Treasury for Monetary Affairs, and he is very powerful. Then, Donald Regan and his deputy Tim McNamar had a lot of influence.

'A private SDR market'

From a July 13 interview with Joaquin Ferran, director of the IMF Secretariat's North American Division, which division studies the U.S. economy. Ferran headed up the IMF's Annual Report on the U.S. Economy to the fund's Surveillance team. He reports to Walter Robichek, director of the Western Hemisphere Department of the IMF, and to his deputy director, Theodore Beza, who chairs the IMF Surveillance division.

Q: What are the conclusions of your Annual Report on the U.S. economy?

A: The report is just being sent to the printers and is totally confidential to governments. I cannot divulge the contents.

Q: Perhaps we can discuss specifics. Did you criticize the U.S. tight-money policy, as the Bank for International Settlements did, or do you give support to Mr. Volcker?

A: The most fundamental problem in the U.S. economy is inflation, which must be dealt with at all costs. From that, you can easily conclude our opinion of the U.S. monetary policy.

Q: Why do the Europeans and the BIS complain so?

A: Perhaps Mr. Lamfalussy, Bank for International Settlements executive director, is too sensitive to European

charges that U.S. rates are the cause of their difficulties. But this is nonsense. The poor effects on European economies arise from their own inflationary budget policies. . . . Europe will have to take it the way it comes, or change their budget policies. I think, really, Mr. Lamfalussy had this in mind—he is trying to present an argument for the international partners to get together and work out the inflation problem by dealing with the root cause, which is the individual budget programs. All he is saying is that monetary policy can merely mitigate, but not solve, the problem.

Q: Many economists now believe that the Reagan budget deficit will be way out of line with the \$50 billion or so deficit projected by the administration for 1982.

A: Certainly, because there will be quite unexpected price pressures on the U.S. budget. The wage and price pressures in the defense budget, in particular, will be tremendous, and are not accounted for in the administration's projections sufficiently. If you expand demand in any sector, such as defense, you get a very strong pressure for price increases. It will be just like what happened in the oil equipment industry, when many people tried to get into a limited sector. The price of equipment rose such that a project's price may have doubled. . . .

Q: Will the administration be forced to cut other programs to pay for its buildup?

A: If there is such a buildup. With such a buildup, this might occur, but I don't think the administration will therefore go that far. They are going to have to curtail the budget, and in particular, they are going to have to constrain parts of the defense budget. This is very clear.

Q: Mr. Carlucci says they will have huge overrun costs.

A: I wasn't aware of this statement, but I do not believe that they will allow [overrun] costs to be actually translated into greater spending. They cannot afford to do so.

Q: The administration projects single-digit interest rates, perhaps 9 percent or lower, for 1982. What does the IMF think will happen? The Fed disagrees.

A: The administration will soon be changing its projections on many areas, and interest rates should be one. It is quite possible that the rates will not come down that fast. This point is clear: There are many, many reasons why the U.S. deficit will be larger than expected by the administration. For example, the U.S. economy, according to our projections will not grow as fast as they expect. This means tax revenues will not be as large as projected.

The administration has said they want to make more adjustments in Social Security. This should be done. If there are cost overruns in certain defense areas, they can cut other defense areas. But they will take the appropriate steps.

The pretexts for cuts in military outlays

by Peter Rush

Mammoth cost-overruns, misestimations of inflation, and a growing clamor to subject the defense budget to the same fiscal ax hitting every other federal program, are being employed to blow apart the defense buildup originally projected by the Reagan administration. Unless legislative leaders take some extraordinary steps they presently show no sign of envisaging, there will in fact be no defense buildup, congressional euphoria over the prospect of finally reversing the Carter era military decline notwithstanding.

The Defense Authorization Bill (H.R. 3519) presently before the House of Representatives is laced with fantasy assumptions about both future inflation and future costs of programs mandated in 1982. Passage of the bill in its current form would ensure that within a year the administration will either have to request very large supplemental appropriations or accept deep defense cutbacks. Under the former course, President Reagan will have to

either compensate for the spending increments by further gouging programs like Social Security, or scrap his timetable for balancing the budget. The second course will render chimerical his minimal program to redress the nation's military decline.

David Stockman's OMB, having imposed fraudulent inflation estimates in the first place, admits that Stockman will oppose any net increases in the defense appropriation, forcing deep cuts in the actual weapons and materiel to be acquired. Moreover, since pay increases and operations and maintenance increases cannot be slashed, the brunt of the cuts will fall on weapons procurement. In the current FY 1982 budget request, procurement is slated for a \$17 billion increase—most of which could disappear based on the factors cited above!

The overrun question

A July 12 *Washington Post* article opened the field for a general assault on the defense budget. The *Post* leaked a secret Pentagon memo circulated only to the Office of Management and Budget (and apparently not ever seen by the White House), which asserted that the weapons systems ordered in fiscal 1982 will require that at least \$6 billion more be spent in 1983 than currently outlined in DOD projections to Congress. Deputy Defense Secretary Frank Carlucci confirmed that the overrun could run up to \$10 billion.

Looking beyond 1983, the Pentagon memo stated that the planned 7 percent real increase in defense spending for each year between 1983 and 1987 might

Figure 1

Inflation in defense procurement costs

	Change from previous year 1979	Change from previous year 1980	Change from previous quarter 1st quarter 1981	Change from previous FY FY81	Change from previous FY FY82
GNP Deflator¹	8.5%	9.0%	9.8%		
Coopers & Lybrand²					
Adjusted aircraft	10.0%	14.9%			
Unadjusted aircraft ³	11.9%	17.6%			
All systems ⁴	7.8%	15.0%			
Materials	9.9%	19.2%			
Bureau of Economic Analysis					
All defense, less personnel compensation		14.0%	10.0%		
Above, less petroleum		9.9%	12.0%		
Office of Management & Budget					
Projections				9.7%	8.7%

1. GNP Deflator is deflator used for government purchases of goods and services, excludes housing and some other consumer-only indices that push the Consumer Price Index way above this measure.

2. Coopers & Lybrand study, done for the Defense Department in fall 1980, compared cost increases for five selected aircraft systems, and

some other systems; not a comprehensive study.

3. Unadjusted, raw figures are adjusted to factor out increased costs due to improved technology and factors other than pure inflation.

4. Includes five aircraft and some other systems.

have to be upped to 9 percent to accommodate the costs of the programs envisioned. The *Post* declined to spell out the budgetary implications beyond 1983, but by 1986, a 9 percent annual real increase in defense spending would cost an additional \$40-\$50 billion—all of it to come from further cuts in other programs, or be added to the deficit.

The *Post* article also revealed the next step of the anti-defense budget campaign: it reported that “other administration executives” are “zeroing in” on the defense budget, calling for the DOD immunity from cuts to be lifted.

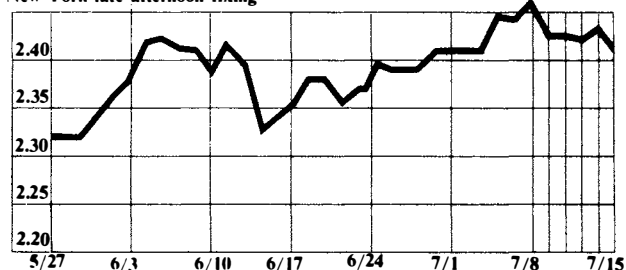
The second element of the picture is the Office of Management and Budget’s sabotage of the Pentagon’s—and the Congress’s—ability to estimate inflation costs in their budget. Despite prolonged criticism of the Carter OMB’s perennial acute underestimation of actual inflation costs for defense programs, David Stockman’s group has taken the last inflation estimate of the previous administration, an absurdly low 9.7 percent (actual inflation ran between 12 and 15 percent), and *dropped* it a point, to 8.7 percent, for fiscal year 1983, and to 5.3 percent by 1986. The Department of Defense is obliged to use the OMB figure, despite the universal recognition that it bears no relation to actual costs. For every point inflation moves above the OMB’s estimate, the defense budget will rise by over \$2 billion. In 1980, according to the report of the House Armed Services Committee, citing Congressional Budget Office figures, defense inflation was 14.9 percent, compared to 9.7 percent OMB allowance. Exclusive of salaries and petroleum, military expenditures rose from 9.7 percent in fiscal 1980 to 12 percent in the first quarter of 1981. Thus, by the most conservative estimates, inflation looks to be 3 to 4 points above OMB’s, or \$8 to \$9 billion dollars in fiscal 1983, beyond the \$6 to \$10 billion admitted by Carlucci and the Pentagon.

Moreover, the historical costs as above have risen further for purchases being ordered now. In January 1981, a panel of defense industry specialists reported to the Defense Science Board on the astounding rates of inflation for selected components of some leading weapons systems, with increases ranging from 50 percent to 150 percent for most items. While subsequent studies showed these rates to be unrepresentative of the industry as a whole, the accuracy was not questioned; and they demonstrate the volatility of many items in the defense procurement pipeline. A more detailed study issued the same month by Coopers & Lybrand, a large accounting firm, showed increases in aircraft procurement costs of 14.9 percent in 1980, compared to 10.0 percent in 1979, and costs of materials leaping from 9.9 percent to 19.2 percent in one year. These cost increases will only demonstrate their full effect at the end of fiscal 1981, and in 1982.

Currency Rates

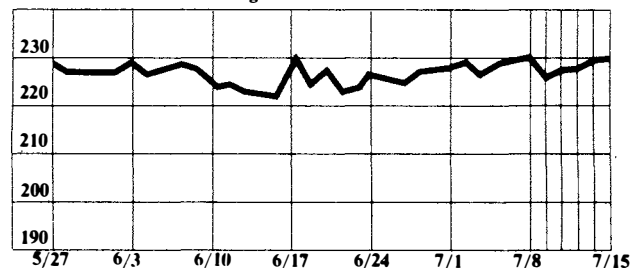
The dollar in deutschemarks

New York late afternoon fixing



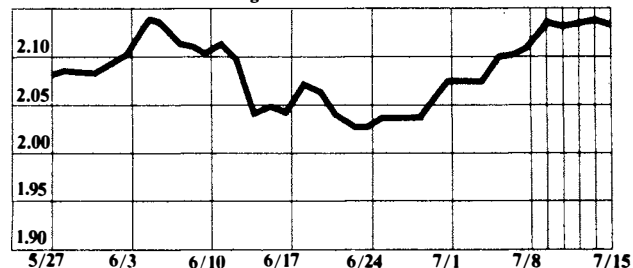
The dollar in yen

New York late afternoon fixing



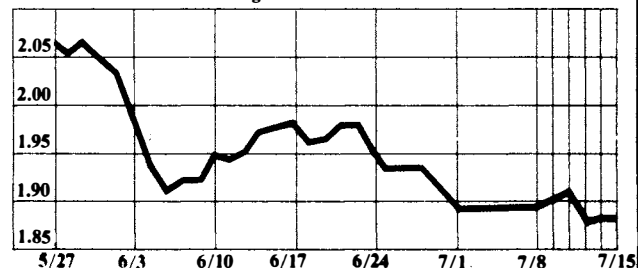
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A prolonged battle over farm programs

by Susan B. Cohen

The Senate's Republican leadership decided not to bring the 1981 four-year farm bill to the floor as intended for the week following the Fourth of July holiday. Official explanation of the move cites the urgency of action on the President's tax program, but observers note that even after the budget reconciliation process forced both House and Senate Agriculture Committees to pare down their farm proposals considerably, neither bill conforms to the destructive Reagan-Block specifications.

Already unsatisfactory to producers, any attempts to undercut the farm programs further will certainly meet stiff resistance that may in any case include a filibuster and a host of pro-producer amendments. While Senate spokesmen aren't saying publicly, it is unlikely that the bill will receive floor consideration until September, after the August recess.

Just a week before Senate leaders announced the change in plans, Agriculture Secretary Block had issued a second warning in as many months that he would recommend a presidential veto of the farm legislation if it contained unacceptable provisions—in particular a dairy price-support program at any higher than 70 percent of parity, maintenance of the target price program, and several other items.

The first farm policy move the new administration made last April, was to freeze dairy price-support levels. The dairy program has been the best and strongest of the farm programs, with its price-support level at 80 percent of parity and adjusted semi-annually—compared to the other major programs which “support” grain prices at below 50 percent of parity. For the administration's “free market” ideologues and the budget-cutters, the dairy program was like a red flag. And during the past year the combined effect of the weakness of the other commodity programs, combined with the effects of the high interest rates, distorted the dairy economy such that more government intervention than usual was required. Opponents of the dairy program were handed the pretext to attack.

Having won its April bid to freeze dairy prices, the administration insists that the dairy program be set at 70 percent of parity, with discretion in the hands of the

secretary to adjust support levels according to the projected accumulation of government stocks. The price-support level would only be adjusted once a year. While the Senate Agriculture Committee conformed on this issue, the House has so far backed the dairy industry and set 75 percent of parity as the baseline.

But the April 1 fight was won at a price—Sen. John Melcher (D-Mont.) was only persuaded to withdraw a winning amendment mandating government quotas on casein imports that were flooding the U.S. dairy market with the promise that the casein issue would be investigated. The administration has been “investigating” the issue, as promised, but the action is strictly pro forma. Melcher will bring up his amendment again from the floor to force action on the matter. The senator, who proposed his own farm bill centered on an across-the-board price-support program at 75 percent of parity for all major farm commodities, has already announced that he intends to vote against the farm bill as it now stands.

The administration also wants to eliminate the target-price program under which producers are guaranteed checks from the Treasury for the difference between the target price and the average free-market price over the year for their commodities. With crop loan rates set at 50 percent of parity or less, the target-price program is producers' only backstop for low prices. Both the Senate and House have retained and extended the program.

There are also indications that the administration will seek a reduction in price-support loan rates, already dangerously low at \$3.50 to \$3.55 for wheat and \$2.60 to \$2.65 for corn. These rates, which act to set a price corridor for the major grains, amount to about 50 percent of the cost of production as calculated by the USDA!

The administration's miserly approach overall, a combination of “free market” stupidity and austerity, was exemplified in legislation passed in the Senate and House and sent to the White House in a rush on July 9. The bill repeals the existing waiver of first-year interest charges on 1981 grain that producers place under three-year reserve loan. Wheat prices have tumbled over the past six mo

another bumper crop. They are anxious to be able to get some of their crop off the market to bolster prices. And the government stands to lose as much as \$500 million in deficiency payments if the present low market prices prevail.

Nonetheless the administration decided to play on producers' desperation to siphon an extra \$165 million in interest payments out of their pockets: Secretary Block declared that the reserve program would not be opened to any 1981 grain until the interest rate waiver was repealed.

The same bill also rescinds provisions of the 1949 law which would require USDA to hold a referendum among farmers on wheat price-support provisions on August 1 if legislation hasn't been passed by then.

Shall nations employ exchange controls?

by Lyndon H. LaRouche, Jr.

The June 9 declaration by the Open Market Committee of the Federal Reserve System leaves nations wishing to avoid the looming new depression no alternative but to institute exchange controls.

Exchange controls are restrictions imposed upon a nation's financial institutions and customs agencies, regulating the flow of financial capital into and out of the national economy. These measures have been employed by Switzerland, by Britain, and with less efficiency by Italy. Any objection to such measures by the International Monetary Fund, World Bank, or Bank for International Settlements (a Swiss private banking institution), would therefore be discriminatory and capricious, objections which any nation must reject as unacceptable on grounds of its own national sovereignty.

The Federal Reserve's announced decision was that U.S. rates will continue within a band of between 19 percent and 21 percent for at least the coming two months. If we could presume that the Governors of the Fed are honest patriots, which we cannot, we would describe their actions as those of bungling, ideology-ridden fools. Two more months of U.S. interest rates based at the 19 to 21 percent level, mean a monetary collapse of the United States threatening to set off a general depression throughout the world.

Therefore, nations which choose not to join Paul A. Volcker's pack of Friedmanite lemmings over the cliff are obliged to take virtual economic-warfare measures to defend their nations from the consequences of Federal Reserve System madness. The combination of measures required include resort to exchange controls.

The principal function of exchange controls under present circumstances is to permit nations to provide credit at lower borrowing costs, probably between 6 and 8 percent, for essential domestic borrowing, but to ensure that funds borrowed in this way do not flow out, directly or indirectly, to high-priced money markets such as those

of London or New York City.

Granted, such procedures incur bureaucratic measures. It requires that no money transfers can leave a nation in excess of small personal amounts except that that transfer bears a number identifying a license for such transfer or a coded number indicating an import license. It requires that all incoming deposits be registered and controlled in such a way as to prevent the use of transactions for speculative manipulations of the nation's credit capacities and currency-exchange values. To make such controls efficient, various degrees of painful penalties, including substantial presumptive prison sentences and fines are imposed for violators, including officials of financial institutions participating in unlawful transactions.

There is no other choice. Bureaucratic, painful, "repressive," or not, such measures are demanded under the conditions created by the madmen of the Fed.

It also means controls over import licensing, to prevent importers from incurring excess external payments obligations. This is ugly and bureaucratic, but nations threatened with depression have no choice but to defend their economies and their citizens' welfare by such measures. Every nation-state has an inviolable sovereign right to do so, just as the United States maintains strict export licensing of categories of goods.

Alternative sources of credit

Granted, exchange controls are not the entire solution by themselves. To maintain two-tier credit systems, as a defense against the insanity of London and Manhattan, a nation must resort to national banking as the means for ensuring an adequate supply of low-cost credit for its economy.

The treasury and a national bank must generate a series of currency-notes which are distributed only

through secured loans for goods-producing capital investments. That is, such notes should not be distributed through state deficits for bureaucracy, services, and social-welfare expenditures by the state. These should be distributed chiefly through participation in capital-goods investments and other goods-producing capital improvements, by way of loans issued by local private banking institutions. In exceptional cases, the loans may be made directly through national-banking institutions.

The basis for such credit issuance is twofold.

In the final analysis, the advance of credit for a capital improvement in goods-producing capacities is secured by the increased wealth, in the form of produced goods, accomplished with aid of that improvement in capacity.

The potential credit of a national economy internally is the mass of idle capacity and labor which can be employed to produce new goods only through the addition of such credit.

In general, lending should be limited to cases in which increased capital-intensity of capital improvements will result in increased per capital productivity, as well as increased total output of goods for the national economy.

The thrust of lending policy must be to increase the proportion of the national labor-force productively employed in producing agricultural and industrial goods, while reducing the ratio of the labor-intensive services and commercial activities. At the same time, the effect of lending must be to increase the average productivity in each sector benefiting from such credit.

The other feature of such credit creation is monetary. We must keep the monetary processes from becoming disorderly during the period we are waiting for the economic benefits of credit expansion for goods production to be realized. The obvious instrument of national banking for accomplishing this is to put the nation on a gold-reserve basis, at a competitive price for gold of U.S. \$500 or market, whichever is higher.

It is true that the market price of gold has been driven below \$500. This, however, is a rigged market. Speculators, informed of the actual policies of London and Switzerland, have taken advantage of the squeezing of major commercial banks and others who were formerly major gold buyers to drive the market down, so that the speculators might quietly buy up gold stocks at an artificially reduced price. Once the crash hits, the price of gold is intended to zoom upward, resulting in a titanic financial profit on speculation for those who have been operating on the basis of "insider's knowledge" of the swindle being conducted.

By adopting a gold-reserve policy, and by restricting settlement of balances in gold to nations which enter into the same monetary system, a nation can issue its

national-banking currency notes with gold-reserve backing.

Italy and Germany

At present, Italy and Germany, as well as a number of developing nations, are being forced to nationalize their central banking, and to use exchange controls as a temporary defense of their economies against the madness of London and Manhattan.

At the moment, Federal Reserve Chairman Paul A. Volcker should be viewed as a reincarnation of Benedict Arnold and Aaron Burr combined. He is an instrument of the policy of London. London's policy is to cause a deflationary collapse of both the United States and continental Europe. The Federal Republic of Germany is being targeted for an almost immediate collapse of its industry and commercial banking system by London.

This is to be aided by the treasonous proposal supported by Rep. Jack Kemp, to create so-called free-enterprise Sodom and Gomorrah in cities such as New York. That arrangement turns those sections of the United States into "Hong Kong Wests," a resemblance not irrelevant to HongShang's takeover of New York's Marine Midland and de facto takeover of Chase Manhattan Bank. Coolie labor and drugs, together with the unnatural delights of Sodom and Gomorrah, are to be the outstanding features of these "zones."

Apart from such bestiality, the "zones" will function as a conduit for takeover of the U.S. banking system by unregulated, "offshore" financial institutions of Canada, the British West Indies, Hong Kong and Singapore. With the internal deflationary collapse of the United States, London, the coordinating center, together with the Bank for International Settlements, of the world's offshore, unregulated financial institutions, will loot the United States and continental Europe. By such a grand swindle, London intends that the pile of worthless wreckage called Britain, will skim sufficient profit from the United States and other parts of the world that the British pound will replace the tattered U.S. dollar as the world's ruling reserve currency.

Therefore, any nation which chooses to survive must conduct ruthless economic warfare against London, Hong Kong, and the offshore, "unregulated" financial system as a whole. When and if the United States government comes to its senses, the U.S. dollar will be restored to a gold-reserve basis, at a competitive cost for producing monetary gold, and we shall crush these evil swindlers of London, Canada, Hong Kong and Singapore, as they deserve. In the meantime, only a combination of "exchange controls" and national-banking credit-issuing policy can defend nations from collapsing under the full force of the depression Paul "Benedict Arnold" Volcker is organizing on behalf of Great Britain.

Domestic Credit by Richard Freeman

Water, water, everywhere. . .

Volcker has his own two-tier loan system, which leaves very few drops for productive activity.

Preliminary figures from Dun & Bradstreet, the bond-rating service, show that business failures in the first 25 weeks of this year were 44 percent higher than for the same period in 1980. Yet the volume of commercial bank commerce and industry (C&I) loans is up a sizzling 26 percent over the last three months.

How is that possible? How can credit availability appear to be growing at a rapid clip, while corporate bankruptcies are at a post-war peak of 8,000 thus far in 1981? The answer is that Federal Reserve Board Chairman Paul Volcker and the Wall Street banks have managed to put the United States on a two-tier credit system. Not of the sort recommended in the pages of *EIR*, in which investment borrowing for productive industry and agriculture is made cheap and abundant, while borrowing for speculation, arbitrage, re-insurance swindles, etc. is put at a prohibitive interest rate. Just the opposite: Volcker is starving the productive sector of the economy of credit—and hence the record number of bankruptcies—while the speculative side of the economy can get, and afford, all the credit it wants.

The lending by U.S. commercial banks over the period since April 15 has been sizable. On that date, total commercial bank C&I loans outstanding totaled \$170 billion. That number climbed to \$181 billion by July 1, including an increase of \$2.8 billion during the

week ending July 1. And the amount of outstanding commercial paper—that is, corporate IOUs of 30- to 90-day maturities—rose by \$6 billion over the last five weeks. Thus, short-term bank loans were not substituting for commercial paper. Rather both rose, by hefty amounts, at the same time.

But these funds were not finding their private way into auto production, public or private housing construction, new nuclear plant production. These sectors could not get credit, because they could not promise a rate of return of 19 to 20 percent equal to the cost of interest.

The first area where a lot of this credit went was to corporate takeovers and mergers. According to W. T. Grimm & Company of Chicago, which compiles data on mergers and acquisitions, in the second quarter of 1981 there were \$17 billion in completed corporate takeovers during the first quarter, and at \$34.5 billion for the first half of this year, the largest volume of takeover activity ever. This does not even include the DuPont bid for Conoco, the reputed Texaco bid to take over City Service, etc. which are being negotiated. Assuming that at least half of the corporate takeover activity in the second quarter was financed by bank loans, then \$8.5 billion of short-term borrowing over the last three months fueled corporate takeovers.

If the Justice Department continues to encourage corporate takeover mania, then we can expect the

takeover specialists, including the large oil companies, to crowd out of the credit market the medium-sized productive industries.

A second major area of the borrowing is not for industrial expansion, but for firms to finance involuntary inventories because real sales have collapsed. Inventories jumped by \$3.25 billion in May over April levels, and according to Leonard Santos of Henry Schroeder and Company, will rise by at least that amount in June. Sales meanwhile fell \$1.5 billion from April to May, although they rose in June, balancing out sales for the two-month stretch. Thus, inventories increased, without compensating sales, by about \$6.50 to \$7.0 million in May and June alone. Assuming that, again, half of this inventory buildup is financed by bank borrowing (a very reasonable assumption because the companies that build up inventories have the most deteriorated cash flow), involuntary inventory buildup added \$3.25 to \$3.5 billion in commercial bank borrowing in May and June.

Another area is debt financing. According to Gert von der Linde, an economist at the Donaldson, Lufkin, Jenrette investment firm, "Lower business activity is placing more and more firms in a situation where they have to borrow from their banks just to pay interest on their outstanding debt."

A fourth area is credit to the oil, gas, and mining sector, which borrowed \$3.3 billion. Some of this was oil multis' financing their takeovers, which involves double counting, but some was for just plain investment in the superheated energy sector. This investment in itself cannot upgrade U.S. productivity significantly.

No fat for Richard Pratt

The Federal Home Loan Board chairman has bought a plan to cut back the nation's S&L industry.

A chorus of Federal officials raised the specter of the imminent collapse of America's \$600 billion savings and loan industry in mid-July.

Deputy Secretary of Commerce Joseph Wright, Jr., addressing a Washington meeting on electronic funds transfer, warned July 13 that the U.S. Treasury may have to spend \$70 to \$80 billion by the end of the year in taxpayers' money to bail out S&Ls.

The next day, before a packed House Banking Committee, Federal Home Loan Bank Board Chairman Richard T. Pratt announced that up to 80 percent of the nation's 4,700 S&Ls are now operating at a loss, and that a full one-third of them, with assets totaling over \$200 billion in home mortgages, are bankrupt. These institutions "are not visible under present economic conditions, and may not survive," Pratt stated.

The cause of the S&Ls' troubles is the continued 20 percent plus interest rates of the Paul Volcker Federal Reserve, which has driven the cost of money to S&Ls up above 15 percent, while they still earn an average of 9 percent or below on most mortgages.

Mr. Pratt, the chief federal regulator responsible for S&Ls, warned that if one-third of the nation's S&Ls did go under, U.S. Federal Savings Insurance Corporation with \$5 billion in assets would be emptied, and the U.S.

Treasury would have to spend up to \$45 billion on emergency bank bailouts.

What's wrong with this picture?

The problem is that this is a panic being deliberately created by people such as Joe Wright and Paul Volcker, who want to phase out the nation's S&Ls of home-mortgage lending altogether, to reduce the number of homes built.

The S&Ls are sound; they can be saved—can only be saved—by an immediate lowering of the Fed's crushing high interest rates.

A hint of what's really afoot here is contained in the conclusions drawn by Deputy Commerce Secretary Joe Wright, a former top official of New York's Citibank. Mr. Wright is pushing Citibank Chairman Walter Wriston's program of restructuring the U.S. banking system to rationalize all but a handful of banks.

To avoid the need for a federal bailout of \$80 billion, Wright told his audience, Congress must move rapidly to "wipe out unnecessary bank regulation." He particularly backed the so-called Regulators Bill, written by Volcker, which could allow big commercial banks like Citibank to move across the industry, and across state lines, to buy up failing S&Ls.

Mr. Pratt, who is supposed to look out for the S&Ls, has meanwhile introduced just such legislation into Congress.

The "Thrift Institutions Re-

structuring Act of 1981," just released to Congress by the Home Loan Bank Board, will mean the end of the S&L industry as we know it, and its transformation into a small number of commercial banks, mostly owned by big New York banks like Citibank.

The bill, according to Treasury officials who have seen it, "gives S&Ls so much power that Citibank might recharter itself as an S&L." Under the bill, S&Ls can do commercial banking, invest in real estate through direct ownership, make speculative real-estate loans, give regular checking accounts, and operate short-term speculative "money market funds."

The bill's Sec. 401, however, also incorporates verbatim the Volcker provision to let Citibank go cross-industry and interstate to buy up every S&L in, say, Illinois, the Treasury official said. So the while S&Ls may be doing all sorts of business, they will have in the meanwhile, been bought out by the big boys.

To make a long story short, they won't be S&Ls anymore. "The whole purpose of this act is to allow the S&Ls to get out of the unprofitable business of home lending," said the Treasury source. "They will be owned by commercial banks, and they will do commercial lending. They will essentially be more commercial than commercial banks."

As a result of the broadened powers of these "neocommercial" banks, as S&Ls may now be called, big industrial corporations may even start to buy them up in droves to "gain a captive source of finance," the Treasury man said. Unlike commercial banks, the new S&Ls will be eligible for such purpose.

A war of attrition

Two rules for private investment amidst a protracted battle by the banks and central banks.

London gold dealers fixed gold at \$412 at the July 15 fixing, not substantially higher than its range of the past two weeks. The slack price movement since the sharp decline of last month is a symptom of *sitzkrieg*, the sitting war, before reserves have been committed and the test of strength begins.

The group of banks that began the price decline, mostly Italian and Swiss, are not so foolish as to disgorge their and their clients' gold reserves quickly. Indeed, the entire decline between the \$500 and \$400 range for the gold price took place on remarkably thin trading volume, in which a few tons of gold trading hands produced price swings of \$20 to \$30 per ounce.

In legend, old Nathan Rothschild may have flanked the competition at the London Bourse of 1813, pretending a panic in order to buy gilts at distress prices. But although the present "bear raid" is similar in character, all the market participants enjoy more or less the same degree of information. The victor must therefore win a war of attrition.

The secret to the success of the "Venetian" raid against the gold price is the close collaboration of private and central banks, particularly those of France and Italy. Small investors in France hold perhaps a fifth of the 25,000 tons of gold in private hands. The largest single private hoard I know of is that of the Jesuit order, a mere 30

tons. To accumulate gold in significantly large volume, the raider must somehow persuade many private individuals to sell off their hoards.

But the difficulty in obtaining this result is the simple fact that the great concentration of private hoards is among those investors who see gold as a personal insurance policy, particularly in France, where families buy gold rather than insurance policies. Against this must be weighed the brutal consequences of M. Mitterrand's present monetary policy, which has placed the majority of French small businesses at the brink of ruin. They must draw on the reserves of their present insurance policy, or perish. The Banque de France has acknowledged the crisis of the multitude of small businesses, insofar as it has made palliative credits available, but with a ceiling per firm of only 100,000 francs, hardly sufficient to stem the crisis.

Interest rates are the beaters in the hunt, and the position of the small French businessman who considers whether to sell his reserve of gold is not much different from that of one of Europe's giant commercial banks, which lately sold its gold portfolio in order to raise cash to cover bad debts.

Even those who accumulate gold to strengthen their position should the present credit system collapse must, ironically, have ready means of credit in order to

maintain their gold position. It is possible to say with confidence that the present price will drop after another tier of gold investors is compelled to sell off, perhaps to \$350, perhaps even lower; and that the price will rebound upward with a vengeance as present currency arrangements disintegrate.

Yet the price will not break smoothly, but with violence, the way defending troops yield territory to an enemy assault. Rapid price recovery in the short-term followed by an even deeper fall is not to be excluded.

Therefore the first rule for investing in gold is *liquidity*. The investor should not exceed his capacity to endure a financial war of attrition, especially when local credit conditions may become dangerous.

Gold below \$400 is a bargain, and gold below \$350 would be perhaps the bargain of the decade; nonetheless margin positions are in general to be shunned.

The second rule is that the longer the term of the investor's expectations, the greater are the chances for success. Those who say that gold is no different from porkbellies are fools; the phenomenon of rapid gold-price fluctuations comes from a change in monetary era. Ten years ago to the month the Bretton Woods System collapsed, and the interregnum that ensued had no sound basis for continuity. It seems that the apex of the crisis of transition is a matter of months.

Even the most powerful participants in the tactics of this crisis are uncertain to what course of action they should take in a particular week or month. How much more dangerous is it, then, for a small investor to plunge into the short-term ebb and flow of the market?

Old Masters for new investors

Paintings from 17th-century Italy in the Renaissance tradition can be an excellent purchase.

With most media coverage given to spectacular million-dollar prices for a small number of art works sold at auction, few Americans realize that there is another side to the art market. A major auction house reported last year that close to 90 percent of its Old Masters sold for under \$10,000.

These works are not by the very greatest Renaissance masters, although some few are actual "finds" of overlooked important paintings by major artists that only an art expert could expect to make, but the fact remains that hundreds of authentic Old Master paintings are available to even a new collector for a few thousand dollars. When compared with Impressionists—of which 90 percent sold for under \$250,000—it is clear that Old Masters are far more accessible to the public.

Such paintings, if bought on the basis of a few key criteria, are a very sound investment. Despite the current falling-off of prices driven up by speculation, reasonably priced paintings, particularly those from periods as yet undiscovered by the general market, continue to rise at a fairly steady 20 percent per year.

At the same time, certain tax advantages are available to the art collector, in particular advantageous writeoffs of the market value of a painting donated to a museum or other tax-exempt institution whose primary purpose is to display

and study art. But here even the IRS recognizes that there is a basis for the financial value of art: the collector must demonstrate that he has genuinely enjoyed and appreciated his art work while he owned it to qualify for the deduction.

One period from which many fine paintings are still accessible to the new collector is the Italian Baroque from around 1600-1750. Works by even the most important artists of this time are still priced well under those of the Impressionists, or such artists as Picasso, in the tens, or hundred-thousand-dollar range, as opposed to millions, and works by relatively minor artists can be bought for a few thousand dollars.

There are clear historic reasons why this is the case, such as the influence of the art critic Bernard Berenson. His basic theory was art for the connoisseur, that great art can only be appreciated by the person of leisure. The greatest artists are those that evoke a "tactile" response in the viewer, by which Berenson—the brother-in-law of logical positivist Bertrand Russell—literally meant that the viewer actually feels the same physical sensations as the figures in the painting. Art appreciation is thus reduced to muscle twitchings.

Berenson was an art dealer as well, who lectured the industrial tycoons of Chicago and Pittsburgh on this mindless theory, and de-

spised their lack of "taste."

Berenson deliberately disparaged the art of 17th-century Italy, because the art of this period was a direct revival of the traditions of the High Renaissance.

Some 75 years after the deaths of Leonardo and Raphael, the Carracci family spearheaded this revival with their academy in Bologna, dedicated to the close study of nature, antiquity, and Raphael and Michelangelo. They took this style to Rome, where it replaced the stultified, elaborate Mannerist style as the major influence on painting and architecture for the next 150 years.

Such works were not done for the connoisseur, however. They were public monuments in churches and town halls. Art must have a clearly intelligible meaning for the population, and must move people to moral values.

Although such a conception was not on the level of the greatest works of the Renaissance, a standard of inherent value was set. History painting, of scenes from religious and ancient history, often commemorating important contemporary people or events, was the most important subject an artist could treat, followed by portraits and genre paintings (scenes from everyday life). Landscapes and still-life were least important.

The effect of Berenson's "connoisseur" theory has been that most Americans "like" the kind of art that pleases easily, but shy away from paintings that were done in the most important tradition of their time. However, it is these paintings which actually will retain the greatest value.

This column was contributed by Mary McCourt.

World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$815 mn.	Venezuela from U.S.A.	Brown and Root was awarded contract to plan and supervise construction of LNG plant. State-owned Me-neven gave Brown and Root contract to build LNG plant on turnkey basis. Will use local contractors.	Local building industry screaming.
\$500 mn.	Saudi Arabia/ U.S.A.	Ashland Oil and Petromin, the Saudi state oil company, will build a lubricating oil refinery in the Yanbu petro-chemical complex. Petromin will supply feedstocks, Ashland will supervise construction and manage opera-tion, hiring, and training.	Agreement on 50-50 venture runs 50 years.
\$175 mn.	U.S.A. from Italy	State-owned Breda Construzioni Ferroviarie won con-tract for supplying 294 more subway cars to the Wash-ington, D.C. Transit Authority.	Breda also made D.C. Transit's first 94 cars.
\$800 mn.	Egypt from France	Interinfra consortium won the Cairo subway contract, which has been hotly contested for 10 yrs. Line is 3 miles between Ramses Sq. and Bab el Louk.	French govt. offering excellent credit terms.
	Iraq from Holland	Govts. have reached agreement in principle for joint development of 50,000 hectare Hilla-Hashemiya agri-cultural project south of Baghdad.	Will involve irrigation, drainage, and desilting of part of "Fertile Cres-cent."
\$180 mn.	Malaysia from U.S.A.	Malaysian Airlines System has bought 2 Boeing 747-236 jumbo jets which British Airways had on order from Boeing. Jets have Rolls Royce engines.	British Airways had al-ready substantially paid for 747s; resold planes because of slack long-haul passenger traffic.
\$106 mn.	Greece from Sweden	Swedvelop, Hospital AB will build university teaching hospital in Ionnina for Greek govt.	Turnkey basis.
\$300 mn.	Switzerland from U.S.A.	Northrop won order for 38 F-5 fighters. Most compo-nents will be from U.S.A., but final assembly in Switzerland.	In return, Northrop will give Swiss parts orders and help market Swiss aircraft products world-wide.
\$10 mn.	Japan from U.K.	Rolls Royce won an important opening in Japan's marine gas-turbine engine market with Japanese De-fense Agency decision to use RR Spey engines in new guided missile destroyers. 2 Initial engines will be built in England, but Kawasaki will do half the work on future orders.	General Electric-Ishika-wajima partnership lost out in tough competition for market of up to 50 big ships.
\$100 mn.	Persian Gulf states from South Korea	Hyundai won order from United Arab Shipping Co. for nine 35,500 ton container ships, each capable of carry-ing 1,800 container units, and 14,000 containers. The buyer is the joint flag carrier for all Persian Gulf states, except Iran, and currently owns 60 vessels.	Hyundai beat 10 com-peting yards for con-tract.
\$370 mn.	Saudi Arabia from Holland	Saudi govt. has ordered houses and urban infrastructure from Ballast-Nedam Groep of Holland, which has been building towns there since 1975.	Amsterdam-Rotterdam Bank leading consor-tium for guarantee facil-ity.
\$26 mn.	Colombia from Sweden	Asea will supply 8 substations for Mesitas hydroelectric project.	Contract signed.

Business Briefs

Trade

Japan sells Soviets steel pipeline

Japan has broken the post-Afghanistan anti-Soviet sanctions with a deal to ship 750,000 tons of steel pipeline to the Soviet Union for the natural-gas project Moscow is presently negotiating with Western Europe.

It had been expected that Japan would lift the sanctions following the firing of Foreign Minister Masayoshi Ito, a Haig ally, last May.

To get around OECD restrictions against Export-Import Bank interest rates lower than 8 percent, the financing for the deal is as follows: the steel firms are providing Moscow with suppliers' credits at 7.75 percent and the Japanese Export-Import Bank is in turn lending \$400 million to the steel firms at 8 percent, according to Japan's Kyodo news service.

Japan's decision to go ahead with the deal and to evade obstacles on the interest-rate question—which has been used to obstruct the European side of the deal—is likely to stiffen the resolve of Europeans to resist pressure from U.S. Secretary of State Haig at the July 20-21 Ottawa economic summit against the Siberia to Western European natural-gas deal.

Antitrust Policy

McCloy, oil companies oversee U.S. buyout spree

The hands-off attitude of the U.S. Justice Department regarding the speculative buyout of American industry by oil companies and London-Venetian fondi (family funds), was actually worked out in 1975 by John J. McCloy, the former high commissioner of postwar occupied Germany, who chaired the American Bar Association's Commission on Law and the Economy.

The commission's study was heavily financed by the Ford Foundation, as well as Gulf, Mobil, Exxon, and Arco oil companies, the very beneficiaries of the current buyout spree. The commission then filtered its people into high places in government.

One commission participant, Stanley E. Morris, was the deputy associate director for economics and government at the Office of Management and the Budget, and later deputy associate director for regulatory policy and reports management at the OMB, during the period 1973-1979. Morris is now deputy attorney general in the Justice Department, whose responsibility deals with antitrust legislation.

The current director of the Justice Department's Antitrust Division, William Francis Baxter, while not a member of the McCloy Commission, is a graduate of the monetarist University of Chicago, and spent 1968 working with Lyndon Johnson's Antitrust Task Force. He has spent most of his career at Stanford University, where he is a fellow at the Stanford Center for the Advanced Study of Behavioral Sciences, a brainwashing institute.

Foreign Exchange

Attack begins on the dollar

The U.S. dollar fell sharply on foreign-exchange markets on July 16, to DM 2.41 in Frankfurt compared with 2.44 yesterday and 2.47½ on July 11. The dollar's decline follows predictions from several leading British banks that the dollar would fall sharply as soon as interest rates in the United States were to come down.

In fact, the dollar is weakening despite clear indications that interest rates will *not* come down. Following what is expected to be an acrimonious exchange over American interest-rate and dollar policy at the Ottawa summit meeting July 20-21, the dollar is expected to get

clobbered as a result of currency warfare initiated by the British Thatcher government and the Mitterrand government in France. This follows a campaign by French Finance Minister Jacques Delors at the annual meeting of the Organization for Economic Cooperation and Development in Paris in June for a currency bloc in Europe counterposed to the dollar.

Britain's parliamentary delegation to the European parliament has already demanded that Britain join the European Monetary System to further this currency bloc, and British press comment predicts that Britain will join the EMS after the pound falls slightly further against the West German mark. From the Labour Party side, former adviser to Harold Wilson, Lord Lever, mooted a dollar crisis in a July 15 op-ed in the *London Times*, warning of the "destructive" and short-term nature of the international markets. The *Times* article is accompanied by a cartoon showing a dollar bill ripped in shreds.

Domestic Credit

Are high interest rates permanent?

The current high level of interest rates is now determining for many investors what appears to be a permanent plateau. This is the sense conveyed by the First Pennsylvania Bank in its July 9 newsletter. The bank states that the U.S. yield curve is inverted—that is, short-term maturities are at a 16 percent interest rate, while long-term rates of 30 years are 13 percent.

This is the reverse of what the yield curve should look like in a normal, healthy economy and First Penn believes that this is the way things may remain for a while. "The persistence of an inverted yield curve makes it unnecessary to 'reach out for yield' at the longer end of the maturity spectrum," writes First Penn.

Instead, First Penn outlines what it

thinks is the ideal investment strategy for a bear raid on the U.S. economy: keep 25 percent of one's investment portfolio in repurchase agreements, commercial paper, etc. that have a 1- to 30-day maturity level; keep 50 percent in short-term U.S. government agencies issues, which are 3 to 12 months; and another 25 percent in 2 to 4 year primary U.S. Treasuries and agencies. Keep zero in corporate bonds of 10 to 30 years' maturity.

Fiscal Policy

'Five Wise Men' berate German economy

The German Sachverständigenrat, more commonly known as the "Five Wise Men," unofficial advisory body to the West German government on economic matters, released a report July 7 that would significantly deepen Germany's economic recession.

The report states that there should be a linear cut across the board in all German federal budget programs, including social programs, health insurance, subsidies for agriculture, promotion programs for housing, construction, etc. The "Wise Men's" report admits that May industrial production in Germany is actually up 3 percent, primarily due to foreign orders.

However, the report states that the increase in German interest rates since the spring because of U.S. Fed Chairman Paul Volcker's high U.S. interest rates will damage the German economy. Instead of repudiating the damaging Volcker high interest-rate policy, the report warns of "risks" for further production.

The report attacks the German export program, saying that "there is no reason to base expectations on the old experience that internal demand and the domestic economy can be pulled along by exports."

Finally, the "Wise Men" blast the trade unions for high wage increases, even though wage increases in Germany

over the last year, as they admit, have only been 5 percent, probably the lowest wage increase demands in the advanced sector. The Wise Men call for lower wage increases to offset the deterioration of the German deutschemark also caused by Volcker's interest rates.

If you wonder why the "Wise Men's" report seems to be all wet, the reason can be found in the fact that they are run directly by the Mont Pelerin Society, the semisecret economics organization of the European oligarchy.

Research and Development

Genetic engineering produces results

Several weeks after announcing that genetic engineering research had produced a cure for hoof-and-mouth disease, U.S. Agriculture Secretary Block announced the development of a technology for successfully moving genes from one kind of plant to another.

"This breakthrough achievement opens a whole new era in plant genetics," Secretary Block said. "It is the first step toward the day when scientists will be able to increase the nutritive value of plants, to make plants resistant to disease and environmental stresses, and to make them capable of fixing nitrogen from the air."

Scientists at the U.S. Department of Agriculture and the University of Wisconsin have successfully transferred a gene that directs the production of major protein from its native location in the French bean seed into the foreign environment of a sunflower cell. The scientists have named the new plant tissue "sunbean."

The gene is stable in its new environment and is producing messenger RNA, the cellular vehicle that carries genetic information from the genes to the protein-synthesizing machinery of the cell. The scientists are now looking for the production of bean protein in the "sunbean."

Briefly

● **DONALD REGAN** held private meetings in Washington with European Commission President Gaston Thorn and agreed to a "common approach" to world economic problems with the Socialist Luxembourgish official. Treasury Secretary Regan will tour European capitals in the fall to discuss the "common approach," which reportedly includes cuts in the U.S. defense budget.

● **OTTO VON LAMBSDORFF** told the press that even if the United States lowers interest rates, the West German central bank has no intention of doing so. "West Germany still has a large budget and current account deficit," and must maintain tight credit, said the Free Democratic economics minister, criticizing the budget policy of Chancellor Schmidt.

● **U.S. LABOR** contracts up for negotiation may be headed into a confrontation with Reagan's budget-cutting program. Beginning with the current postal workers' contract, on which the National Association of Letter Carriers has already accused the administration of stonewalling, Budget Director David Stockman plans to increasingly intervene in labor negotiations to ask lower settlements in the name of "fighting inflation," Washington sources say. Other contracts Stockman is watching include upcoming negotiations in railway, trucking, oil refinery, rubber, apparel, electrical, food, and auto.

● **JOHN MUIR & CO.**, the go-go Wall Street investment bank, is under investigation by the Securities and Exchange Commission for the promotion of questionable new stock offerings of tiny companies. Disgruntled investors have lost heavily in the offerings, which tend to rise and then quickly plummet in price.

The strategic significance of the ecumenical negotiations

by Lyndon H. LaRouche, Jr.

In the deepest meaning of strategy, the most important strategic discussions occurring in any part of the world today are being conducted neither in Washington, D.C. nor Moscow, but in connection with ecumenical negotiations involving the highest circles of the Vatican. The strategic issue being discussed, a discussion which might prove to decide the very existence of civilization, or even the continuation of the human species itself, takes the form of the doctrine of the perfect consubstantiality of the Trinity.

Granted, members of the Roman Catholic Confession are only a large minority in the United States today, but on this fundamental doctrinal issue of Christianity, and with the analogous doctrine elaborated for Judaism by Philo of Alexandria, the Protestant Christianity which the Commonwealth party founding fathers of the American colonies brought to these shores is in complete and profound agreement. Moreover, it is the influence of this doctrine on the conscience of even those persons who do not understand the doctrine itself which has made Christian civilization generally, and the United States in particular, a possibility.

Granted, only a relative handful of persons living in the world today could discuss this matter itself in a knowledgeable manner. However, as we shall indicate here, every aspect of belief in reason and acceptance of a moral responsibility to behave rationally has been imparted to Christian civilization and the founding body of constitutional law of the United States under the direct auspice of influential minds which were themselves governed by this doctrine.

Even as the turtle thrown into the air may be ignorant of the principle of gravitation, the turtle falls, smashed upon the rocks nonetheless. Our primary concern in this report is not to discuss in full the doctrine of consubstantiality itself, but rather to make clear to the reader the practical implications of that doctrine's influence, and to prove in terms which are generally accessible from today's observation and experience, that abandonment of that doctrine



Church of St. Vitale, Ravenna, Italy

The 6th-century A. D. Byzantine Emperor depicted during his lifetime with his retinue: Justinian sought to impose Aristotelianism on the Church.

by Western Christians would tip the balance in society in such a way that the continued existence of the human species would itself be in doubt.

The doctrinal issue in brief

The formal history of the doctrine is this. The defense of the principled features of the doctrine, for both Judaism and later for Christianity, was first elaborated to the best of our present knowledge by Philo Judaeus of Alexandria. The most concise statement of the doctrine occurs in the opening verses of the New Testament Gospel of St. John, as reaffirmed with emphasis by the Nicene faith, inclusive of the Roman Catholic version of the Nicene *Credo*.

All *Western* Christianity is founded on the elaborated defense of this doctrine by St. Augustine.

In Eastern Christianity, the top-down control of the church apparatus by the cult-linked Roman Imperial oligarchy, from the evil Emperor Constantine through the Emperor Justinian and others, limited the defense of Christianity to principally the Platonic faction of the Greek-speaking world, those forces identified over centuries to the present date by their defense of the teaching of the classical Greek associated with the span from Homer into Plato. The prolonged control of the leadership of the Eastern Church by pseudo-Christian cultists, typified by Patriarch Gennadios during the 15th century, caused a cleavage between the Western and Eastern

churches, a cleavage defined by the cultist pseudo-Christian's rejection of the perfect consubstantiality of the Trinity.

The division between Eastern and Western Christianity goes virtually to the very beginning of the history of the established church, at a time when both its canonical/administrative traditions and its doctrinal foundations were being shaped. Both matters have been of virtually equal importance in shaping the differences between Eastern and Western Christianity. During the first seven Ecumenical Councils of the Christian Church, and especially the first two, the First Nicaean Council of 325 and the First Constantinople Council of 381, the Platonic fathers of the Church rallied their forces around two strategic issues: the doctrine of consubstantiality, or *homoousios*, and the canonical matter of the primacy of the Bishop of Rome. The second matter was important as a way of affirming the principle of the sovereignty of the Church vis-à-vis the Imperial state, at a time when the Roman Emperor at Constantinople, including the so-called St. Constantine, was attempting to reassert his ancient Roman right of being the Pontifex Maximus of all cults and religions throughout the Empire.

The affinity of the Eastern Platonic Fathers to the subsequent doctrine of St. Augustine is to be found in the decrees and resolutions of the first two Ecumenical Councils, of Nicaea and Constantinople, which produced two basic tenets of Christianity, the Nicæan

Credo, a liturgical affirmation of faith in the Triune God; and the broader body of doctrine, known as the Nicene faith, which, independently of liturgical forms, affirms the incarnated Christ to be consubstantial, or *homoousios*, with God the Father. The Eastern Platonic Fathers, always a minority, had to struggle at all times against the authority of the Emperor and simultaneously against the numerically overwhelming Egyptian and related cults whose main effort centered in challenging under various guises, the *homoousios*, or consubstantial nature of the Christ; some cult-heresies asserted Christ to be only divine and not human, others only human and not divine, some both divine and human but whose divine nature is distinct from that of the Father, or from that of the Father and the Holy Spirit; in this vast mess of cultist challenges to Christianity, the most severe menace for a long time was the cult of Sabellians who asserted Christ's exclusively divine nature, complementing the Arian heresy, similar to modern "Liberation Theology"; the ordinary bishops who assembled at Nicaea and Constantinople to condemn the Arian heresy, generally feared that admission of the *homoousios* clause would open the floodgates of the Sabellian heresy. It took the exceptional efforts of three outstanding Platonist Fathers, St. Basil of Caesarea, St. Gregory of Nazianzus and St. John Chrysostom, to enforce, by means of maneuvers and compromises, the *homoousios* doctrine.

Part of the compromise was the omission of the *Filioque* from the liturgical credo of the Eastern Church, i.e. the declaration that the Holy Spirit proceeds from the Father *and from the Son* (*Filioque* in Latin). St. Augustine and the Western Fathers, struggling at the outskirts of the Empire to bring barbarian tribes into civilization, could not afford to make such a compromise on penalty of seeing their evangelizing work fail; the practical issue concealed behind consubstantiality, *homoousios*, and its corollary matter of the *Filioque*, was: how to draw man into civilized life by inspiring him to strive to become "godlike" through imitation of the incarnated Christ, the God-Man who is *homoousios*, consubstantial of God.

The Roman Imperial aristocracy at Constantinople, with the Emperor at its head, retaliated by launching a systematic struggle against Platonism throughout the Eastern Empire. It is most precise to say that what is popularly derided as "Byzantine politics" was founded during the 313-529 period as a high-level epistemological warfare between Platonism and Aristotelianism inclusive of the latter's Stoic disguise.

The politics of the Byzantine Empire were throughout its existence, a war between two irreconcilable philosophical outlooks. On balance, the Aristotelian faction maintained the upper hand. But the Platonic challenge was formidable throughout. In the first phase

after the early Ecumenical Councils, the evil cult-Aristotelian nobility of Byzantium reacted by means of a general legal, administrative, and educational reform known as the Justinian Reform, which culminated in 529 with a set of Imperial decrees outlawing the teaching of Attic Greek, prohibiting the appellation "Greek" to citizens of the Empire and juridically equating Greek to "pagan," and finally, shutting down the Platonic Academy at Athens—then going through the 10th century of its existence, the most ancient educational and political institution in the world.

A sustained Platonist challenge was launched during the 200 years from the middle of the 9th century to the middle of the 11th century, beginning with the Emperor Leo VII the Wise, Patriarch Photius, Bishop Arethas, who accumulated the enormous libraries of Platonic texts which constitute the core of present-day manuscript collections at Milan, Venice, Padua, the Vatican, and Oxford, and ending with the astonishing scholar-statesman Michael Psellus. This Platonic challenge was ultimately crushed by the evil Comneni dynasty, the benefactors and protectors of the Imperial city of Venice and inventors of the modern form of religious fundamentalism/irrationalist movements.

It is useful and accurate to describe this split between Eastern and Western Christianity as one between the Augustinians and the Justinians. It is also useful and necessary to attribute the moral, cultural, and other superiority of Western civilization to the effects of the preservation of Christianity in the form of the Augustinian doctrine. Although Western civilization has profound debts to Eastern Greek culture throughout the span of time since St. Augustine wrote, these contributions from the realm of the Eastern Church were supplied entirely by the Platonic faction of Eastern Christianity, as identified during the 15th century by the Paleologues and Plethon. Like the Paleologues and Plethon, the Platonics of the Eastern realm acted to strengthen Augustinian Christianity.

The conquest of Constantinople by the Ottoman Turks and the case of Patriarch Gennadios exemplify the intensity with which the pseudo-Christian Aristotelian cultists dominated Byzantine politics and caused the cleavage between Western and Eastern churches. Gennadios was the heir of a long line of religious cult-fundamentalists which had emerged during the Comneni era under the rubric of the so-called Hesychastic movement, led by the al-Ghazali of the Eastern Church, St. Gregory Palamas, one of the most notorious authorities on Aristotle in Byzantine history. A long time before Gennadios became Patriarch of Constantinople, he had become prominent as a champion of both the Hesychastic movement and the extensive land properties upon which that movement was based. The hesychasts of that period were very much like the present-day

mullahs in Iran, i.e. feudal landlords with a religious cult cover. They attempted to justify their claim to social leadership by means of an alliance with the old Aristotelian elite in the Byzantine aristocracy. Therefore, to be a religious leader among these people, one had to first be an accomplished proponent and commentator on Aristotle. Such a one was Gennadios.

His chief political enemies were the Paleologue dynasty and George Gemistos Plethon, the great reviver of Platonism and inspirator of the Florentine Renaissance. Gennadios, in order to avert the consolidation of a Platonic-inspired leadership under the Paleologues, entered into an agreement with the Turkish Sultan, according to which the Church within Constantinople would organize a mass movement of sympathy to the Turkish army on the basis of a charge that the Paleologue Emperor was preparing to insert the *Filioque* into the *Credo* of the Eastern Church while the Turkish Sultan was promising to protect the cultist-Aristotelian practices of the Church. Gennadios organized such a mob, and with the assistance of Venetians and Genoese, he succeeded in surrendering Constantinople to the Turkish Army. Subsequently, Sultan Muhammed II appointed him Patriarch. From that time, 1453, until the 1821 Greek War of Independence, it was the practice of all Patriarchs of Constantinople to write major treatises on Aristotle.

In this way, the prolonged division between the Western and Eastern churches developed. The central issue of the division was the doctrine known in Greek as the *homoousios*. The issue was: did Jesus Christ partake of a perfect consubstantiality with God the Father and the Logos (Holy Spirit)? St. Augustine defended the Apostolic Christian doctrine and the Nicene faith.

This doctrinal issue has two interconnected but distinguishable implications for the ordering of society. We shall define this after summarizing the historical background.

The Roman Empire and the cults

St. Augustine addressed the practical side of the doctrinal issue in his devastating proof that not only the Roman Empire but the City of Rome before the Empire represented a morally degenerate society. Pre-Imperial Rome, according to the Roman historian Livius, was controlled by the Cult of Apollo, the same cult notorious as Aristotle's master at Delphi, and known in the Middle East by the names of Marduk and Lucifer. Imperial Rome was a result of control of the Roman cults from Ptolemaic Egypt. These were representatives of the forces which the Apostle St. John's *Apocalypse* (*Revelations*) identifies as the "Whore of Babylon."

The ancient Roman senatorial families, the aristocracy of Rome, are key to the division between Western and Eastern churches, as we shall indicate summarily.

Under the Roman Empire, the ruling cult of Rome was what was known as the "mystery cults" of Egypt—the Ptolemaic cult of Isis, Osiris and Horus.

Within the internal collapse of both economy and population levels in the western region of the Roman Empire, the aristocratic ruling families of Rome shifted their capital to the eastern regions, the center of concentration of surviving populations of the Empire, in the operations associated with the cult-controlled pseudo-Christian, the Emperor Constantine. Constantine attempted to adapt to the reality of the spread of Christianity, especially in Greek-speaking regions, by declaring Christianity a state religion (although he himself was no Christian), and seeking to transform Christianity into a pagan cult through such instruments as Bishop Arius.

The Christians' fight against Constantine's efforts to use the name of Christianity as a cover for the pagan cults led to the famous Council of Nicaea. Through this council, the Christians prevailed nominally, by outmaneuvering the cultists to force through the Nicæan Creed, but Constantine and his Bishop Arius continued to maintain administrative control of the newly created episcopacy of the state-controlled church.

The resistance to pseudo-Christianity in the West came to center around the figure of St. Augustine. In the East, the resistance of Christians to cult-controlled pseudo-Christianity centered in the Greek faction, the forces which fought for the teaching of the classical Greek language (from Homer through Plato). This fight reached a point of inflection with the accession of the evil Emperor Justinian and his immoral code of law. Justinian made the cultist figure Aristotle the arbiter of Eastern Church doctrine, and outlawed both the teaching of classical Greek and the use of the name "Greek" as designation for any citizen of the Byzantine Empire.

Justinian's Code did not settle the issue in the East. At the beginning of the present millennium, and, later, with the rise of the Paleologues, the forces mobilized around the policy of teaching classical Greek temporarily seized power. However, throughout the period from Justinian, beyond the Greek church's leading role in bringing Ottoman rule over Greece in 1453 A.D., predominantly, the leadership of the Eastern autocephalic bodies represented a maintenance of the anti-Christian pagan cults in pseudo-Christian disguises.

The social basis for the pseudo-Christianity of patriarchs of the Eastern Church was the Roman Imperial oligarchical families, who have never, to the present day, surrendered their determination to establish what modern language describes as a neo-Malthusian, world-federalist world empire, organized in terms of regional satrapal blocs. In other words, the neo-Malthusian world-federalist utopia of Duke Otto von Hapsburg's Pan-European Union.

These two, interrelated matters of pseudo-Christianity and Roman oligarchical families have been the substance of the long-standing cleavage between the Western and Eastern churches. The issue of consubstantiality has been a necessary reflection of that cleavage between good and evil.

Although most of the Roman Imperial families shifted to Constantinople after 313 A.D., some of the families remained in Rome itself. This is typified in the present day, by the Colonna family of Rome, a direct descendant of the family of Julius Caesar, Augustus, and Nero. It is important to emphasize that the connection from the Caesars to the Colonnas is not only biological; it is also a conscious, unbroken political and philosophical tradition within that and other wicked families descended from ancient aristocratic worshippers of the pagan cults of Apollo-Lucifer-Marduk, Magna Mater, and Isis.

For more than a thousand years, the direct link between the main body of wicked "families" based on Byzantium and their kindred in Rome has been mediated through the Byzantine colony known as Venice and Padua. Later, Genoa, another Byzantine colony-city in Italy, was added. This connection established the "Welf" faction of the 11th century A.D. and, later, the "Black Welf," or "Black Guelph" faction of the late 13th and 14th centuries, the political and biological antecedents of the "black nobility" of Europe today. Nearly all of the ruling and pretender monarchical families of Europe today, including the Hapsburgs, are active members of a modern "black nobility" conspiracy centered upon the ancient family funds of Venice and Venice's colony-nation known as Switzerland.

It was through Venice that the evil influence of Apollo-cultist Aristotle was introduced to corrupt the Western Roman Catholic Confession. There is no evil, including two world wars, and the fascist regimes of Adolf Hitler and Benito Mussolini, which was not the direct result of the influence of the Venice-centered "black nobility" of Europe and that oligarchy's vast accumulation of rentier-financier family funds. The world's largest insurance firm, the Assicurazioni Generali di Venezia e Trieste, and its adjunct, the Riunione Adriatica, are exemplary of this, as is the world's leading central bank of central banks, the Basel, Switzerland Bank for International Settlements. The Venetian tax-farmer interests which took over Britain in 1603, and Netherlands during the same decade, created the British and Dutch East India Companies, which in effect, control Britain and the Netherlands today, and which have assimilated the Morgan and Rockefeller interests in the United States, among many others, as associated "families" of the Venice-centered "secret world empire" of corrupted and complicit wealthy family funds.

To understand the wicked mind of the Venetians and their assimilated "families," one must trace the origin of

the Roman Empire back to no later than the fourth century B.C., to a project concocted by the priests of Marduk in Babylon, a project known during that period as a plan to create "the Western Division of the Persian Empire." The key feature of that plan, whose circumstances and details we have documented from chiefly primary sources in other published locations, was the stipulation that the new "Western Empire" was to be based internally on what was designated in the documents of that period as the "Persian model" or "oligarchical model."

Plato spent most of his adult life attempting to organize political combinations to frustrate that evil plan. Following his death, in 347 B.C., Plato's Academy at Athens acted in coordination with their close allies of the Cyrenaic temple of Amon to eliminate the Babylon-Apollo asset, Philip of Macedon, and to bring Alexander the Great to power over the combined forces of Macedonians and Greeks. Alexander destroyed the organized forces of the "Western Division of the Persian Empire" project, and inaugurated the greatest city-building and commerce effort in all history (speaking relatively). Unfortunately Apollo-agent Aristotle and others succeeded in killing Alexander by poisoning.

Although those who had murdered Alexander and many among Alexander's collaborators took over most of the empire, Alexander had so disrupted the forces of evil that they could not launch the "Western Division of the Persian Empire" until the successors of Ptolemy created the Roman Empire of Augustus Caesar.

The efforts of the Academy of Athens and its patron, the Cyrenaic temple of Amon, were an exceptional development in a worldwide catastrophe beginning, to the best of our present knowledge, during some point of the second millennium B.C. The collapse of culture in the Western hemisphere, the decline of the great culture of India, and the brutish decline of Chinese culture inaugurated by the Han dynasty, are exemplary of this continuing catastrophe.

Although the great caliphate of Baghdad and its Iranian adjuncts of that period were among the great wellsprings of modern European civilization, this was not a creation of the Eastern peoples, but a product of the influence of hellenistic Christianity on the peoples and culture of that region in earlier terms, enriched by contributions from the early first-millennium B.C. culture of pre-Buddha India. In the most literal sense of secular society, the birth and life of Jesus Christ saved all of humanity from what would have been otherwise a bottomless degradation of the entire human species. With all its flaws, European civilization is the greatest, noblest culture the world has known, a reflection of the persistence of Christian influence within the also-persisting moral degeneration mediated into Western Europe chiefly from the oligarchical families of Byzantium and

the family funds of Venice.

The influence of Christianity on the course of secular society is better appreciated by study of the efforts of Philo of Alexandria to cleanse Judaism of cabalistic and other Babylonian cultisms embodied in his time in the rule over the Jews by the evil Sadducees and Pharisees. Philo's collaboration, at Rome, with Saint Peter, against the archetypical, pseudo-Christian gnostic, Simon Magus "The Magician," underscores the connection between Philo's cleansed Judaism and Christianity, the essential ecumenical connection between the two religions.

For those with the power of understanding, the opening verses of the Gospel of Saint John ring out as a concentrated declaration of a new era in the condition of mankind, a New Testament in the broadest and most exact sense of that term. It is this, affirmed against Constantine and Bishop Arius at the Council of Nicaea, as elaborated so profoundly by Saint Augustine, which is the key to the rescue of civilization from the evil of Marduk-Lucifer-Apollo and the vile corruption of Apollo's agent Aristotle.

This is key to Christianity and Judaism's connection to Islam. If we turn our attention to the works of the greatest of modern canons of the Roman Catholic Confession, Cardinal Nicholas of Cusa, we focus on the principles of ecumenicism expressed in his *De Non Aliud* and *De Pace Fidei*. The two must be taken together as one. Where in Islam do we encounter a definition of God like that of the Apostle Saint John or Philo Judaeus? Where, but in the *Metaphysics* of the great ibn Sina, the adversary of the evil Sufi cult of Ruhollah Khomeini, Colonel Qaddafi and former IMF Director Johannes Witteveen? The "Necessary Existent" of ibn Sina and the subject of Cusa's *De Non Aliud* are one and the same.

This rigorous focus upon the ecumenical principle exemplified by Cusa, Philo and ibn Sina does more than demonstrate to us the basis for ecumenical fellowship among such Christians, such Jews, and such Muslims. The notion of consubstantiality common to all points out to us a connection between that notion and the efficient ordering of everything which merits the name of civilization.

From this vantage point we are able to understand why the entire history of Byzantium was nothing but a struggle between the followers of Plato and the opposing followers of the evil Aristotle. We understand why Christianity, Philo's Judaism and ibn Sina's Islam were Platonic (or, Neoplatonic), whereas every evil cult of Europe in 2,000 years has been spawned by the collaborators of the tradition of Aristotle. It is not astonishing that the custom of murdering Popes has been, until the Agca affair, the method of poisoning associated with Aristotle. Find such an Aristotelian, and one has found a poisoner, has found a person exemplary of those who have mur-

dered so many Popes by poisoning over the centuries.

The secret of Aristotle is found in the *Nicomachean Ethics* attributed to his authorship, the basis for the evil tradition of Roman Imperial law. The relatively modern expressions of this are the pseudo-philosophy of the sodomist embezzler Sir Francis Bacon, his secretary Thomas Hobbes, John Locke, David Hume, Adam Smith, and the "hedonistic calculus" of the sodomist Jeremy Bentham. This is the same hedonistic calculus which is the basis for the political economy of John Stuart Mill, William Jevons, Alfred Marshall, and such followers of those moral degenerates as J. M. Keynes, Friedrich von Hayek, Milton Friedman, and Lawrence F. Klein.

For all of these, from Bacon through the degenerate Milton Friedman, there exists no efficient higher order in the universe, but only the monetary gratification of the hedonistic impulses of a degraded man-beast, a beast defined to be in a "war of each against all." The same doctrine is the Jesuit doctrine of "bioethics," the doctrine of a pseudo-Christian, Aristotelian Jesuit order created in Venice during the 16th century as the assassins and secret-intelligence service of the Apollo cult of the Venetian family funds.

The worst of these morally degenerate scoundrels is the episcopacy of the Anglican Church of England and its accomplices among Presbyterians. Not accidentally is the New York Cathedral of Saint John the Divine a leading center of homosexual cults and treason against the United States. Look into the crypt of that cathedral, where, instead of Christian chapels, the symbols of sundry sordid heathen cults are arrayed, and in which crypt putative citizens of the United States, supervised by Anglican priests, groan solemn and evil feudal oaths of treason in worship of the British monarch.

The case of Italy's P-2 Lodge

The fascist P-2 Freemasonic lodge of Italy, which controls Secretary of State Alexander Haig's protégés of the Socialist Party of Italy, is a key lead for understanding the modern guises of the Roman Imperial cults.

So far, the arrests and indictments of members of Propaganda 2 and its financial arm, the Inter-Alpha Group, have exposed David Rockefeller's Trilateral Commission, Secretary of State Alexander Haig's activities over the 1969-1981 period, genocidalist George Ball, former Carter Ambassador to Italy Richard Gardner, and New York's Arthur Ross, among others, as connected to the top-down deployment and coordination of all international terrorism over the period 1969 to the present date.

That is only the beginning. In addition to the multinational firms Fiat, Olivetti, and Aurelio Peccei's genocidal Club of Rome, the collection of Venetian

families is directly implicated as witting forces behind international terrorism, drugs, gun running, and control of that curious child, reportedly, of an Italian-Jewish mother, the Colonel Qaddafi which British Petroleum and Venice brought to power in the Venetian colony of Libya in 1969.

We know directly and personally, that the P-2 lodge is merely an arm of the master Scottish Rite Lodge in Italy, the Grand Orient of Rome, and that this circle collaborated with Canada's Major (Ret.) Louis M. Bloomfield in the organization which not only participated in repeated efforts to assassinate President Charles de Gaulle of France, but was indicted by a Louisiana grand jury in connection with the assassination of President John F. Kennedy. If one traces the connections into the United States of those Freemasons, one knows why the Warren Commission hoax was conducted to cover up the hot leads pointing in the same direction as District Attorney James Garrison's investigation, why Garrison's key witnesses died like flies, and why Walter Sheridan and Ramsey Clark deployed in an effort to suppress the Garrison investigation.

The connections of Inter-Alpha lead directly not only into Germany and into control of the Socialist International, but directly into the financial repositories of the Scottish Rite in Scotland itself. They lead into the circles of the British Royal Household. It is not surprising that the leading news media of the United States have been systematically suppressing coverage of the P-2 scandal, the biggest international scandal to reach public attention in the entirety of the postwar period.

This leads also directly into the forces which are determined to assassinate Pope John Paul II, circles tied to Anglican Archbishop Robert Runcie and Georgetown University Jesuit Steven Mumford, a protégé of Prof. Sidney Hook's friends. Hook of the Hoover Institution, that is.

Propaganda 2 has been established in court as a "parallel" arm of the NATO command, and as guilty of running murderous operations under those auspices during the period Haig was commander of NATO forces. Why, then, does the U.S. Congressional Research Service lie about the Trilateral Commission? Because it is corrupted by the accomplices of this evil.

Let us not overlook the obvious. If there is a "Propaganda 2," (Propaganda Due), what is or was "Propaganda 1"? Propaganda Uno was the Scottish Rite Freemasonic lodge of Giuseppe Mazzini, the bloodiest assassin of the 19th century. The case of Mazzini removes the mystery from the Scottish Rite connection, and aids us in understanding how it is that both the fascist and socialist organizations of Italy were run jointly by a circle of closely linked brothers of the Grand Orient and P-2 Freemasonic lodges. This helps us to understand why Haig's Italian associates have run international terrorism

from the top down since that terrorism (together with environmentalism) was launched as a movement in 1969.

Mazzini was an asset of Britain's Lord Palmerston, the same Palmerston who organized the Civil War in the United States, and directed the installation of the bloody mass murderer Maximilian as the Hapsburg emperor of Mexico. This was the same Palmerston whose closest collaborator was Bertrand Russell's grandfather, Lord John Russell.

Mazzini's first organization was "Young Italy," a league of assassins deployed out of the Venetian colony popularly known as Switzerland. On the basis of this core organization, Mazzini, collaborating with Palmerston, headed a broader organization known as "Young Europe," to which the Concord transcendentalists of the period were linked through the Edinburgh branch of British Secret Intelligence Service (SIS) and the British East India Company (which owned most of the mercantile slave-trading and opium-trading "bluebloods" of New England). Young Europe, under Mazzini's nominal direction and with the coordination of Palmerston, created and ran the 1848 radical revolutions throughout Europe, including an organization originally created by Mazzini in Switzerland, called the Communist League.

Mazzini, in collaboration with Palmerston, personally created the first socialist international, the Bakunin anarchist international, and it was Mazzini's Young Europe network, with cooperation of British SIS, which created the German Social Democracy in 1875 and subsequently the Socialist (Second) International.

Why should the wealthiest financier families of Europe use their private colony, Switzerland, to create the institutions of anarchism and socialism, spread as anti-capitalist forces throughout the world from then to the present day? The case of the Pre-Raphaelite homosexuals' brotherhood of Oxford University's John Ruskin and Cambridge's hoaxster Benjamin Jowett point to the reasons.

(We concur with Plato's insistence that homosexuality destroys the mind, and we note the consistency with which the so many evil men and women of influence prove, on inquiry to have been active and professing pederasts. Without a commitment to the consequences of one's actions for posterity, there is no morality.)

Like Ruskin's Pre-Raphaelite Brotherhood, the network of Venice-centered "families" was committed before and during Ruskin's lifetime to destroying the institution of the modern nation-state republic throughout the world, and to eliminating the commitment to technological progress associated with modern sovereign republics. In brief, the Venetians and their accomplices have never accepted the existence of that modern industrial-capitalist sovereign nation set into motion with Louis XI's creation of modern France during the late 15th century. They are the wealthiest collection of ren-

tier-financiers and landlords in the world. This does not mean that they are capitalists. They are neofeudalists, determined to destroy industrial capitalism as well as the institution of the sovereign nation-state republic. They are Malthusian world-federalists, seeking to create a one-world neofeudalist empire ruled by the network of "families" centered upon the ancient family funds of Venice.

Mazzini's projects represent the Venetian gang's mobilization of anticapitalist forces of chaos—anarchism, socialism, and, later, fascism—as mass social battering-rams directed to weaken and break the institutions of the modern state and technological progress.

From the outset, through Eastern Patriarch Gennadios, to the present time, the Aristotelians of the Roman-Byzantine-Venetian oligarchy have been determined to crush the influence of Augustine Christianity centered in the traditions of the Roman Catholic Confession. Although, as the case of John Milton's *Paradise Lost* typifies the point, the same Augustinian tradition is also embodied within Protestant currents, if the Vatican could be destroyed, the flanks of all Christianity would be weakened, and the cult forces of gnostic (Aristotelian) pseudo-Christianity could imagine themselves to triumph.

This is the key to Giuseppe Mazzini, his Propaganda Uno Scottish Rite Freemasonic lodge, and the Liberal Party which governed Savoy Italy through the First World War. That is also key to Italian fascism, entirely a creation of the same faction controlling Propaganda Due, the Inter-Alpha Group, and Bettino Craxi today. Mazzini and his collaborators were determined to destroy the Vatican of Pope Pius IX, and have never given up to this day their determination to crush the Papacy.

The efficiency of the doctrine

The formal basis referenced by Christians to explain the opening verses of St. John's Gospel was chiefly the *Timaeus* dialogue of Plato. This does not mean the *Timaeus* by itself. All of the later dialogues of Plato represent an overlapping elaboration of aspects of a single conception. St. Augustine's writings are the most indisputable authority for this conscious identification of Christian theology with Platonic method.

Granted, chiefly as a result of Venetian corruption insinuated into Western Christianity, and especially over the course of the 12th and 13th centuries, the myth has been fostered to the effect that Christian theology and scientific culture depended upon Aristotle. There is no basis in fact for this assumption, no matter what presumably authoritative sources are cited. The evidence of the Gospels, the Nicæan Creed and St. Augustine is conclusive and irrefutable. All contrary presumptions are a hoax.

There is another current of theological teaching, actually implicit in Aristotle, but usually seen as more

closely related to the irrationalism of Bernard of Clairvaux and William of Ockham. The exemplification of this in the United States today is the use of William James's *Varieties of Religious Experience* as the adopted point of reference for instruction in theology in wicked but leading theological and divinity schools. Any priest or minister who accepts that as a guide to religious practice should be viewed as a degenerate cultist, to be driven from the doors of any Christian parish. It is sufficient merely to mention this variant of gnostic cultism, so that the broader implications of "Aristotelian" are recognized.

Some ignorant persons have imagined themselves to explain St. Augustine's Neoplatonism as a case of what is termed *syncretism*, the accretion of pre-Christian philosophies as something added to the bare body of Apostolic Christianity as such. This delusion of ignorant commentators is the flip side of the same misunderstanding which it is our concern to eliminate with this report.

The general assumption spread today, but not original to these times, is that religion is one thing, and real, everyday life quite another. In other words, that the authority of religious belief is located entirely in some other, spiritual world, beyond the tests of experience in sensuous everyday life. As a corollary of this, some argue that if another person reports that he or she has had a "spiritual experience," that that report is non-arguable except from a contrary, and equally arbitrary standpoint of unsubstantiatable spiritual inspiration. In other words, the popular view of religious belief is based on the "pluralistic" paganism of William James's *Varieties of Religious Experience*.

The contrary is the case. The special authority of Christianity is that the principle of perfect consubstantiality is a scientifically demonstrable truth. It is not an arbitrary belief, known only through other-worldly inspiration. It is a scientifically verifiable truth, a truth which is in efficient correspondence with the underlying determination of cause and effect in all empirical reality.

The Jesuit says: "This watch had a maker, and the watch-maker also had a maker." That is a fraud, and a methodological diversion of the student's attention from the accessible and conclusive proof of the matter.

The classical proof of the Platonism of Apostolic Christianity was developed with aid of reference to Philo Judæus's devastating criticism of the influence of Aristotelian doctrine among corrupted Jews. The notion of perfect consubstantiality is elaborated systematically in Philo's arguments on an explicitly Platonic basis. This same conception is presented in the opening verse of the Gospel of St. John. This latter we have on the personal authority of St. John, who knew Jesus Christ, and whose two successors in leadership of the Apostolic Church into the second century A.D. were educated by

St. John. The accuracy of the Gospel on this point is incontestable. Not only did St. John place that principle at the beginning of his Gospel, but he was fully knowledgeable of its implications in the culture of the first century A.D.

If we reject William James's doctrine that all religions are merely consoling cults, and accept the proposition that St. John is making a statement governing the lawful composition of our universe, then the principle of perfect consubstantiality must be assumed to be provable to human knowledge on earth. We need not die, so that we may discover whether or not it is true in after-life. It is true and provable here and now. Plato also knew that it was true, and states so in the *Timaeus* and other dialogues.

Not only Plato. Johannes Kepler premised his solution to the problem of the lawful composition of the solar system directly on the principles identified in the *Timaeus*. The most advanced mathematical physics extant to this day, that elaborated by Bernhard Riemann during the middle of the last century, is premised on the same comprehension of the lawful composition of the universe. Riemann's is the only physics extant today which does not break down in insolvable paradoxes at some crucial point or another.

In other words, to the extent that Plato's thesis in the *Timaeus* is provable, the thesis of perfect consubstantiality is provable. There is no syncretism in such a connection.

The practical problem here is the Jesuits. In 1833 the patron of Augustin Cauchy, the Abbot Moigno, produced a dissertation in which he purported to disprove the existence of what Georg Cantor later named the "transfinite." Cauchy, an overt, professed Jesuit agent, was deployed to France for the purpose of destroying the French science associated then with the École Polytechnique of Gaspard Monge and the exiled Lazare Carnot. Except for cases such as a third-generation scientific heir of Carnot, Louis Pasteur, Cauchy largely succeeded. Carnot, in Berlin between 1815 and 1823, collaborated with Alexander von Humboldt to move the French science suppressed in France into the universities at Berlin and the ranks of Carnot's long-standing collaborators at Göttingen.

This effort in Germany was opposed by Metternichian agents at the University of Berlin, including the neo-Cartesian Jesuit G. W. F. Hegel. After 1848, and increasingly from the middle 19th century onward, Viennese agents (i.e., Jesuits) were deployed into Germany, especially Berlin, to corrupt and destroy German science from within its basis-institutions. From 1857, the great Riemann was the subject of such attacks, even at Göttingen, and was subsequently virtually driven out of Germany under Viennese-Jesuit pressures, to die in Italy in 1866. The great Karl Weierstrass came under attack

by the wicked Jesuit-allied agent Leopold Kronecker, and Kronecker, together with the hoaxster Richard Dedekind, were leading elements of the forces which conducted a massive, intensive, Europe-wide campaign to destroy Georg Cantor from 1872 onward. Cantor, whose grandfather had been a violinist of Beethoven's circle, had been a student of Weierstrass's.

Despite the important work of Max Planck and Felix Klein's efforts to maintain the standards of geometric physics of the Dirichlet-Riemann period, the Ernst Mach scandal of this century exemplifies the process by which modern science was virtually destroyed, at least relative to the rigorous methodological standards of Carnot, Gauss, Legendre, Dirichlet, and Riemann. In specialist language, not only was the Riemannian notion of the "ontologically transfinite" eradicated from scientific teaching, but the notion of the transfinite even as a reference-point of method, vanished after scientists of Hilbert's generation.

Most educated modern mathematical-scientific practice today is crippled by its submission to indoctrination in ultimately incompetent methods of algebraic analysis consistent with the teachings of Cauchy and James Maxwell. For that reason, it appears alien to what most educated persons mistake for scientific method to consider the possibility that a notion such as consubstantiality might be a subject of rigorous scientific reflection. The geometric methods of Kepler, Leibniz, and Riemann are known to most educated persons today only insofar as they are "plausibly explained" from the vantage-point of Cauchy-influenced algebraic positivism. For such disinformed persons, the transfinite's existence as an ontological reality, and provably so, has become a purely "religious" matter.

We cite the foregoing not to explain the notion of perfect consubstantiality, but rather to accomplish the result announced at the outset: that, although most persons have no comprehension of consubstantiality as such, the indirect influence of that notion upon the everyday thinking of our civilization has been the foundation upon which European civilization was built. In other words, consubstantiality is not an arbitrary or merely abstract conception; it is an efficient principle, even among those who are not aware of this connection. Conversely, the absence of that principle is also efficient, an absence which would probably mean the end of civilization, or perhaps even the human species, under present trends.

If the lawful composition of the universe is knowable to mankind, then the ordering of ephemerals, such as planets, star-systems, and mortal lives in that lawful composition's unfolding is governed by an adducible generating principle, an efficient and knowable principle of *continuing creation*. Once that is known, then the existence of the Creator (the Composer) and the genera-

tive principle of composition are known in that way. The consubstantiality of the Composer and Principle of Composition (Logos) are proven.

The question posed by the contemplation of such knowledge is whether the individual person, imprisoned within the ephemerality of mortal existence, can enter into atonement (consubstantiality) with the Composer, through becoming an instrument of the Principle of Composition. Therefore, unless Jesus Christ were so unified with that consubstantiality, the whole human species must be nothing but a herd of irrational, degraded beasts. Without that perspective, the human species does indeed become a herd of irrational beasts, like the rock-drug counterculture of today.

To the Christian, even though he or she may not have comprehended more directly the notion of perfect consubstantiality, that notion reflects into his or her conscience a commitment to reason to be responsible for the implicitly knowable consequences of one's acts or acts of omission. He or she acts not according to the irrationality of some prevailing consensus, but from a governing sense of responsibility to know the consequences of his or her actions or failures to act, and to act according to that knowledge.

In the simplest instance

Thus, we have the twofold implication to which we referred near the outset of this report. The notion of perfect consubstantiality is not an arbitrary belief, but a provable principle, on condition that the notion of the ontological reality of the efficient transfinite is grasped. Even when this notion's implications are not fully grasped, the notion itself transmits its influence efficiently. It is the transmission of that influence which accounts for all of the achievements of Christian civilization.

This point is made clearer by brief review of the simplest instance of the moral individual.

Morality becomes a real issue for the adult individual as that individual reflects on the ephemerality of his mortal existence. In that knowledge, he anticipates the fact that all momentary hedonistic gratifications must pass into his grave with him. He rejects hedonism, existentialism, British empiricism, and Viennese positivism. He must make his life an instrument of some accomplishment which is broader and more enduring in its consequences than the tiny speck of his mortal existence.

The most immediate reference-point of morality in the simplest person of good will is his children and grandchildren, or those of other members of his family, or those of friends and neighbors. The immediate approximation of good is beneficial consequences transmitted from his present actions into the conditions of self-development and life for that posterity.

The bare intent does not suffice. How can he know that the consequences of his actions will be beneficial to posterity? To be certain in this matter, he must know how the universe is lawfully ordered. For, when he acts, it is upon the universe which he acts. What the consequences of that action shall be are the cumulative effects of ripples of chain reaction to that action spreading through the width and duration of present and time to come. He must know how the universe is lawfully composed, otherwise no true morality is possible.

It should be no mystery that the principles of lawful composition of the universe were successfully defined thousands of years before Kepler. Such matters are matters of the earliest and most fundamental concern of mankind. These principles, reflected in the method employed in the dialogues of Plato, we call *reason*. It is the intent to achieve a good beyond our ephemeral mortal existence, and to make that intent efficient through reason, which represents for us the two inseparable facets of morality.

The person who rejects the "tyranny of reason," who spits insolence against the "authoritarianism" of the rigors of reason, is the creature of evil, the anarchistic personality, the Hobbesian, Humean personality.

Reason necessarily reflects the Logos, the efficient principle of the unfolding of the continuing creation of such mere ephemerals as planets, star-systems, and individual mortal lives. Unless we, in the image of Christ, can partake of such participation in reason, we are nothing but irrational beasts, and such become such degraded beasts as the anarchists, the existentialists and the oligarchical rentier-financier families centered on Venice have become.

Today, civilization is imperiled by the insurgency of hedonistic irrationalism, an insurgency willfully cultivated by agencies of those "families" committed to establishing a Malthusian, world-federalist, neofeudalist order. These "families" have committed themselves to genocide a hundredfold more evil than that accomplished under Adolf Hitler, the willful depopulation of the world proposed by the Club of Rome, implicit as a consequence of the Brandt Commission's proposals, and embraced by elements of the U.S. State Department, as well as the monstrously evil President Jimmy Carter's *Global 2000 Report*. The rock-drug counterculture and the broader spread of the immoral dogmas of "pluralism" and existentialist "freedom to serve inner psychological needs," exemplify a human species condemning itself as morally unfit to survive.

Only the power of reason defends us against such calamities. Without the perfect consubstantiality, Christian civilization loses adherence to reason. So, the discussion of consubstantiality in ecumenical proceedings represents the most profound of the strategic discussions being conducted today.

The growing crisis in Western security

by Criton Zoakos, Editor-in-Chief

No previous strategic crisis in the entire postwar era has been as close to a Sarajevo-style global blowout as the period before us from now to September-October. The high command of the Western alliance is essentially outmaneuvered and outclassed by their Soviet counterparts as a result of strategic blunders committed during the 1960s period, when the basic commitments for a "postindustrial society" future were laid down in the West.

In its current form, the crisis is centered around the issue of stationing intermediate missiles on West European soil capable of reaching Soviet industrial sites and ICBM installations in the Volga to Urals region. If these missiles are deployed, it is going to be the first time ever that Soviet strategic targets can be reached by nuclear weapons stationed elsewhere than on United States soil.

The Soviet leadership, having shifted to a purely military-strategic mode of functioning since the election of François Mitterrand as president of France, has sent one single, persistent and unyielding message to all interested quarters in the West: "Stationing of Pershing II missiles on West European soil is absolutely unacceptable. If attempted, it will cause dramatic 'qualitative changes' in the world situation."

Among the leading circles in the West, no such unified line is coming out. The Reagan administration seems to be virtually exclusively interested in the speedy deployment of the Euromissiles, before even considering anything else, such as qualitative improvement of America's strategic forces or arms control negotiations. Significantly, those American leaders who are pushing the

Euromissile issue the hardest, such as Defense Secretary Caspar Weinberger, are also the strongest proponents of suicidal fiscal and monetary policies which are the single greatest obstacle to a sensible and credible military recovery of the United States. The current policy of high interest rates and budget cuts is doing more to sabotage the industrial and technological base of any future credible military buildup effort than any conceivable enemy agent ever could.

The entirety of President Reagan's economic officialdom from Federal Reserve Chairman Volcker, to Treasury Secretary Regan, to OMB Director Stockman et al., is uniformly and unanimously incompetent to identify the connection between economic policy and military capability. As a result, the United States military is, on the whole, in worse shape under President Reagan than it was under Jimmy Carter. It is not only the economic officials but also the national security-related officials of the administration who are totally incapable of drawing the interconnection between fiscal and monetary policies, economic health and military competence. Thus, Secretaries Weinberger, Haig, and National Security Adviser Richard V. Allen are attempting to shape immediate short-term policy accommodating to the assumption that the United States and the West as a whole will continue into a near economic depression for the indefinite future. Thus, such officials tend, in varying degrees, to gravitate toward the same policy: deploy the Euromissiles in Europe; go for the fast fix.

Information filtering out of the Soviet Union, on the other hand, indicates that the Soviets intend to be very



Lord Carrington

nasty and ominous in this matter. In the eyes of the Kremlin, the current situation is a "Cuban Missile Crisis in reverse." They shall not allow their strategic assets to become exposed to American nuclear missiles stationed on non-American soil any more than President Kennedy allowed Cuban-based Soviet missiles to threaten American targets in 1962.

The deadline for the actual stationing of these Pershing missiles is the end of 1982. As the two nuclear superpowers are set on their respective intransigent policies, an eyeball-to-eyeball confrontation is building as each week passes. A fantastic array of kaleidoscopic reactions and political sideshows has unfolded. The basic question is: what happens to Western Europe while this "Cuban Missile Crisis" inexorably builds up? The *Wall Street Journal* of July 15 published a nightmare scenario written by Irving Kristol of the American Enterprise Institute. The item was extensively discussed within a closed circle of policy-makers before it was published. Its basic argument is as follows:

The underlying problem of the Atlantic Alliance during the post-World War II period was that it relied on the concept of *strategic deterrence* and thus neglected to build a competent military establishment which can plan and fight wars rather than occupy its time with fantasizing that its nuclear deterrent prevents the outbreak of war. Why is this the West's underlying problem? Look at the situation of Western Europe, Kristol argues: its defense is dependent upon the American nuclear umbrella, the American deterrent. But the Soviet SS-20s, the intermediate-range nuclear missiles, are threatening Eu-

rope at this time. In return, the United States argues that Europe in order to locally respond to the Soviet SS-20 threat, must station the intermediate Pershing II missiles. This American argument carries with it the inevitable implication that if Western Europe is attacked by SS-20s, then Western Europe cannot rely on the legendary American nuclear umbrella; it must rely on its own Pershing II and related regional nuclear deployments. Or, as the typical Western European politician asks himself, "Why do I need Pershing II if I am already covered by the American nuclear umbrella? Is there anything wrong with the American nuclear umbrella?"

If there is nothing wrong with it, then the demand to station the Euromissiles has no military substance. If, however, there is something wrong with it, then who is going to defend Western Europe against whatever force the Soviets might decide to apply to prevent the stationing of the Euromissiles, or if stationed, their subsequent removal? One way or another, Europe ends up a radioactive field of rubble, whether or not the United States and the Soviet Union decide to subsequently annihilate each other as well.

This whole problem has arisen because the West has relied on the concept of deterrence and thus failed to develop a military establishment capable of carrying out real-life war-fighting.

The unstated conclusion of the *Wall Street Journal* article is that the Western Alliance, NATO, must seek a way of constructing a "military establishment" of this sort. Readers of this magazine are well acquainted with our own views of how one ought to go about creating such a thing. Basically, in order to be competent in war-fighting, nations must first have a well-grounded notion of how to "win the peace," i.e., a competent perspective of scientific, technological, and industrial development. In the context of the currently imminent worldwide financial collapse, this means return to the gold standard, gold-backed monetization of the huge U.S. debt in the Eurodollar markets, lowering of interest rates, and massive availability of cheap credits for industrial and agricultural expansion. For related political and economic reasons, such mobilization requires the nationalization of the Federal Reserve, the abandonment of the IMF and its replacement with a system of economic development, and trade agreements among sovereign nations which have subordinated their central banks to their sovereignty policies, as opposed to the policies of the IMF, the World Bank, and the Bank for International Settlements of Basel, Switzerland.

The people in charge of policy-making in the security establishment of the West, however, are axiomatically opposed to such policies, because so far, they are committed to the preservation of the world financial and monetary system associated with the IMF, the BIS, and so forth. Their question thus remains: how do we build a

“military establishment” in the West on short order?

Two distinct types of conflicting answers are being advanced at this time. One is the “American cowboy” answer associated with Weinberger, Richard Allen, Irving Kristol, Fritz Kraemer and even some “well-meaning” fools around the Reagan White House: create a political combination in the Atlantic Alliance which shall ensure the early deployment of the Pershings in Europe, and this “political combination” will eventually, somehow, become the basis of our required “military establishment.”

The second, rival view is now being advanced by circles associated with British Foreign Secretary Lord

Thatcher government: no advanced weapons

The following is excerpted from an article by Philip Webster in the Times of London that appeared July 9.

Mr. Nott [British Secretary of State for Defense] described as nonsense a contention in a letter to the *Times* on Monday by Air Vice-Marshal Stewart Menaul that the Trident missile system could be obsolete before it was introduced in the early 1990s.

The air vice-marshal wrote that the most important aspect of recent intelligence information about Soviet activities was their huge research and development efforts in space-based chemical lasers and charged particle-beam weapons. . . .

Mr. Nott said there was no grounds for believing that a system would be developed in the next decade which could successfully knock out a ballistic missile system.

Mr. Nott asked whether it was really suggested that the United States would be considering going into the Trident II ballistic missile system and the MX missile system if it believed a laser and particle-beam weapons system that could knock out ballistic missiles was about to be invented.

“Is it suggested that the Soviet Union would be going into a whole range of new ballistic missile systems if they believed they could get lasers up into space which could knock out ballistic missiles? We know they cannot.”

Carrington, backed by the British Royal Household and the British military leadership: abandon monetarist economic policies, go for a rapid fascist reorganization of all the economies of the OECD nations, and within the context of a fascist economy, undertake a dramatic high-technology-oriented military buildup effort. To succeed in this undertaking, the West must gain time. Therefore, go through the motions of a so-called “New Yalta” negotiation with the Soviet Union. Thus, the current period is not one of military confrontation with the Soviets; it is a time for stalling the Soviets while the West moves for imposition of fascism by emergency decree and “crisis management.”

We reprint below the argument of the Carrington faction as stated by Air Vice-Marshal S. W. B. Menaul. The British high command has identified the answer to the West Europeans’ question: why is the American nuclear umbrella unreliable to the point of requiring Pershing deployment in Europe in order to defend Europe? The answer is: the American nuclear umbrella is either already technologically outflanked by Soviet developments in high-energy weapons systems, or is about to be outflanked. According to the British high command, the old-style arms race is finished forever. We now have before us a technology race which must be fought under conditions of world economic collapse. Hence, the British opt for fascism by emergency decree and crisis management.

The extent to which the British leadership is committed to this perspective must not be underestimated. The extent to which the American confrontationist “cowboys” are contemptuous of this British approach must also not be underestimated. The current outbreak of massive rioting throughout Great Britain is one of the major elements by which this battle is being fought. A number of intelligence and covert operations networks have converged to make the riots happen, including Israeli intelligence networks and probably KGB-associated networks as well as Anglo-American networks sympathetic to Richard Allen’s views to the effect that Lord Carrington represents the apex of “British degeneracy.” On top of this, however, Lord Carrington and the Royal Household stand smiling, and amuse themselves with the thought that these riots have unleashed a political process which best facilitates what they have next in mind: the elimination of Prime Minister Margaret Thatcher (and her defense minister), and the emergence of a military-run dictatorship with power transferred to Prince Charles, backed up by the military leadership for which Air Marshal Menaul speaks. It is a scenario well spoken of in the halls of Buckingham Palace. The suspect security arrangements for the upcoming Ottawa summit and the renewed assault against the CIA (upon Lord Carrington’s arrival in the United States) fit the Prince Charles scenario all too well.

Will NATO follow the Soviet Union in a space-based strategic defense?

The following report, titled "Space-Based Strategic Defence: How Space Battle Stations Could Alter the World Balance of Power" was prepared for the Foreign Affairs Research Institute by Air Vice-Marshal Stewart Menaul, a member of the British institute's Consultative Council.

Soon after the Reagan administration assumed office in January 1981, a report was prepared by the Defence Department for submission to Congress on beam weapons systems and in particular high-energy space-based laser battle stations. In the certain knowledge that the Soviet Union was devoting vast sums of money to research and development into high-energy lasers and charged and neutral particle beam technology, the report stated that "technology being developed in current Defence Department space laser weapons systems could make existing arsenals of strategic nuclear-armed weapons vulnerable, with large numbers of ballistic missiles and aircraft at risk to the deployment of a moderate number of chemical lasers operating with 4-meter diameter optics and 5 megawatts of power."

This aspect of strategic defence was woefully neglected by the Carter administration but defence advisers to the new administration take a more realistic and professional view of future developments in weapons systems and in particular the potential of space-based weapons. The report observed that laser battle stations in space offered the prospect of altering the world balance of power.

The Soviets could be first

The outstanding success of the Columbia Space Shuttle mission opened up a new era in space exploration and exploitation for both peaceful and warlike purposes. Until the launch of the Columbia, the United States had not undertaken a manned space mission for more than five years. In stark contrast to this disappointing performance, the Soviet Union had maintained a virtual commuter service to and from space with the Soyuz/Salyut space craft. During 1980 alone, in addition to numerous communications, reconnaissance, meteorological, intelligence, early warning, and ocean surveillance satellite launches, the Soviets launched six

manned flights including a 185-day mission—the longest in the history of space flights. The Soviet space programme has now amassed more than double the manhours achieved by the United States.

The space shuttle mission was an important step in the establishment of permanent space stations for a wide range of activities, among which will be the deployment of defensive systems, including high-energy lasers and charged and neutral particle beam weapons. There is as yet no positive evidence to indicate precisely what experiments the Soviet Union has been carrying out in its Salyut 6 space station over the past two years or what kind of equipment has been ferried to the station by tankers and other craft which have docked successfully on at least six occasions during 1980-81. The new Soyuz T spacecraft carrying three cosmonauts will enable the Soviets to increase their space programme in Salyut 6, or possibly a new Salyut 7 to be launched later this year. With the return of the cosmonauts Savinykh and Kovalenok in their Soyuz spacecraft after 75 days in Salyut 6, the Soviets announced that there would be a temporary halt to manned space missions to permit a detailed analysis and assessment of experiments carried out to date. There is little doubt that the Soviet programme in the near future will be expanded beyond the scope of that conducted in Salyut 6. They have surprised the West before in achieving the first manned space flight and the first anti-satellite capability. We should not be surprised if they are first with space-based defensive weapons system against high-flying aircraft and ballistic missiles.

Ballistic missile defence has been the subject of research and development by both the superpowers for more than a decade. The 1972 anti-ballistic missile treaty (ABM) and its 1974 protocol was part of the SALT I package and permitted each of the superpowers to deploy one ABM system with a maximum of 100 launchers and no more than 100 interceptor missiles at the selected site. Both superpowers had developed a form of terminal ABM defence, but at the signing of the treaty neither system offered much in the way of defence against single warhead ballistic missiles and even less against MIRVed re-entry vehicles. The Soviets



U.S. laser research.

deployed their Galosh system around Moscow. It consisted of four complexes each with 16 launchers and associated radars with hypersonic interceptor missiles. The system has recently been upgraded with modern phased-array radars and interceptors with improved performance. The United States, on the other hand, did not deploy its Safeguard system at Grand Forks ICBM site as originally intended, and consequently has no ABM defences deployed anywhere in the United States.

In the intervening years since the signing of the 1972 ABM treaty, both superpowers have engaged in research and development into ballistic missiles defence. The 1972 treaty comes up for review in 1982, and either or both superpowers may decide that it is outdated and should either be amended or abrogated. In any event, there is abundant evidence to indicate that the Soviet Union is developing ballistic missile defence systems for deployment on the ground and in space. The three main types of ballistic missile defence technology currently being investigated are 1) terminal defence in the atmosphere, or endoatmospheric; 2) mid-course, or exoatmospheric and a combination of terminal and mid-course; 3) directed energy weapons, including high-energy laser and charged and neutral particle beams.

The activities of the Soviet Union at their experimental establishments at Saryshagan, Semipalatinsk and Golvinno are clearly directed towards the production of both high-energy laser and particle beam weapons for deployment on the ground and in space. It is also important to remember that the Soviets have carried out 18 anti-satellite tests of which 11 have been successful, and it would not be surprising if they deployed a high-energy chemical laser in space well before the end of this decade.

The United States is at last reacting to the threat which space-based weapons pose to their strategic weapons systems. Expansion of the original Safeguard ABM system to provide defence for the ICBM site at Grand Forks is under active consideration. Tests at the army ballistic missile range on Kwajalein Island in the Pacific indicate that a "layered" defence system consisting of terminal and mid-course interception capability is now possible and could be deployed to protect Minuteman and later MX silos by the mid-80s.

Layered ballistic missile defence

Most of the early BMD systems were based on terminal defence in which perimeter acquisition radars (PAR) attempted to acquire, track and identify incoming missiles while missile-site radars (MSR) directed interceptor missiles to destroy the re-entry vehicles. Time is of the essence in this form of ballistic missile defence and could be as little as 15 seconds in which to complete the whole interception process. With more sophisticated radars, computers and hypersonic interceptor missiles, very considerable improvements have been achieved in terminal defence. This endoatmospheric part of a more elaborate ballistic missile defence system and known as LOADS is available now, but more important is the mid-course part in which detection, tracking and interception could be achieved in the mid-course, or exoatmospheric, portion of a missile's trajectory in space.

One method of doing this which is currently undergoing tests at the army test centre on Kwajalein island is by using an electro-optical, long-wavelength, infrared sensor to detect and track ballistic missiles in mid-course. The sensors can be launched to the edge of space by rockets where they can scan a large area of space and detect the infrared energy emitted by a ballistic missile in flight. The sensor could also be carried into space by a shuttle. The sensor relays information on the progress of a missile to a computer on the ground which processes the information and classifies the target as missile or manned aircraft. The sensor can detect, track, identify, and classify multiple targets and even differentiate between real RVs and decoys. Interception is accomplished by hypersonic missiles armed with conventional warheads. The great advantage of mid-course interception is that the time scale for detection, acquisition, tracking and interception is measured in minutes instead of seconds.

The Department of Defence states that the LOADS segment of the layered defence system could be deployed in two or three years time and the exoatmospheric segment two years later, but there are still problems to be overcome. Some experts are questioning the wisdom of continuing with the layered defence system in light of the progress being made in high-

energy lasers and other more exotic forms of ballistic missile defence for deployment on the ground or in space. All agree that the most effective system will be the one that can attack ballistic missiles in the boost phase of their trajectory.

High-energy laser weapon breakthrough

The report now before Congress recommends an accelerated development programme in the field of chemical laser weapons for deployment in space. A breakthrough in chemical laser development in the past two years, according to the Defence Department, makes possible a feasibility demonstration of high-energy lasers both in space and within the atmosphere. The United States Senate has demanded that a realistic space-based laser programme be generated immediately, and claims that interservice rivalry and reluctance to give up old established practices and existing weapons systems is the main cause of slow progress in the development of a United States ballistic missile defence system.

Laser beams are widely used in ranging, tracking and guidance systems on a variety of offensive and defensive missiles and aircraft and experiments have been completed to demonstrate the effectiveness of high-energy lasers as weapons for use against aircraft and tanks. The United States has installed a 400 kw carbon dioxide laser in a Boeing NKC-135 aircraft which has demonstrated the ability of this relatively low-powered laser to destroy static targets and antitank missiles in flight. A test against a supersonic air-to-air missile was not successful, but a further test is to be carried out in the near future. Successful tests have been carried out against Firebee drones and further tests are planned, including one against a Polaris missile in flight.

U.S. could be operational by 1985

All three services in the United States are conducting research and development in high-energy lasers. The Senate has recommended that a single authority, and eventually a new command structure, should be created to manage and direct the space-based ballistic missile defence programme. Currently, emphasis is on demonstrating the capability of chemical lasers with precision pointing and tracking equipment in the 5 megawatt range with 4-meter diameter optics. Such a system could produce 1-5 kilo-joules/cm sq. on a target in space at ranges up to 2,200 miles. Present strategic ballistic missiles are vulnerable to the thermal energy of lasers at 1 kilo-joules but they could be hardened by use of ablative materials to resist up to 10-20 kilo-joules/cm sq. This would involve a reduction in range or payload or both and would be an expensive and time-consuming process. Higher power outputs from chemical lasers are

possible and 50 space battle stations equipped with 25 megawatt/15 meter dioptics weapons could cope with at least 1,200 missiles.

There are, however, problems to be overcome before such space battle stations could be deployed. The Defence Department report claims that with appropriate funding and some priority, a 5 megawatt/4 meter diameter laser could be ready by 1985 to provide a measure of defence against ballistic missiles. Higher powered systems will take longer but all the experts except those who are opposed to any form of space defence agree that by the end of this decade or early in the next effective defence against ballistic missiles will be achieved.

It is possible that the Soviet Union is ahead of the United States in the development of chemical lasers. There is now evidence to show that the Soviet Union has conducted successful tests with a flash-initiated, iodine-pulsed laser against re-entry vehicles from one of their ICBMs, probably an SS-17. The United States has also tested an iodine-pulsed laser and among many experiments now being undertaken in the United States are tests with carbon dioxide hydrogen fluoride and deuterium fluoride lasers.

Under a programme called Triad, the Defence Advanced Research Projects Agency (DARPA) is investigating three technologies: acquisition, precision pointing and tracking under code name Talon Gold; high-efficiency chemical lasers code-named Alpha; and mirror and beam control optics code-named Lode. Many other experiments are being conducted with the aim of producing a chemical laser with an output of 5 megawatts or more and accurate pointing and tracking optics using 4 meter, or greater diameter optics with the object of demonstrating an effective chemical laser in space by the mid-80s and for possible deployment by the end of this decade or early in the next. It is now a race against time to beat the Soviets in this new and decisive race for control of space.

Development of X-ray lasers

In addition to the activity in the field of chemical lasers by both the superpowers, there is intense activity in particle beam weapons development. The Lawrence Livermore Laboratory is engaged in a project called Dauphine in which a breakthrough has been achieved in the production of X-ray lasers. Recent tests of an X-ray laser at the Nevada underground nuclear test range in a vacuum chamber simulating conditions in space, used a small, compact X-ray laser device pumped from a small-yield nuclear detonation to produce a pulsed beam of very high intensity. The X-ray laser units are so small that a single bay on the Space Shuttle could carry into orbit a number sufficient to cope with a Soviet nuclear attack on the United States. There are still

problems to be ironed out, but this type of ballistic missile defence shows great promise. It is just possible that the Soviets have developed such a system at their experimental site at Saryshagan.

Unlike chemical lasers, which destroy their targets with a beam of thermal energy, the X-ray laser produces shock or impulse kill of the target and the use of ablative materials as a means of hardening against chemical lasers will not provide protection against X-ray lasers deployed in battle stations in space. In the words of one Pentagon official, "the X-ray laser has the potential to tip the battle in favour of the defence for the first time in the history of nuclear warfare." There are many difficulties to be overcome before an effective chemical or X-ray laser BMD system can be deployed in space, but there is no doubt that it can be done by the end of this decade or early in the next. Many U.S. senators are not satisfied with the degree of priority or funding being devoted to this all-important aspect of strategic defence and have called for an accelerated programme. As Senator Wallop put it, "We have within our capability the possibility of developing weapons whose only real role in the world is to kill the things that kill people."

Charged and neutral particle beams

The Defence Advanced Research Projects Agency (DARPA) has been funded to develop and demonstrate beam propagation of both charged and neutral particle devices for deployment in space and in the atmosphere. The successful mission of the Columbia space shuttle has provided a much needed boost to developments of defensive weapons systems as opposed to offensive systems, and posed the question whether further development of offensive systems such as ground-based and submarine ballistic missile systems is necessary for the 1990s and beyond. The strategy of mutual assured destruction, which the Soviet Union has never subscribed to, is obsolete. Space is already a battleground whether we like it or not, and the Soviet Union has demonstrated its determination to operate in this theatre by deploying an effective antisatellite capability which the United States is only now attempting to emulate. BMD systems will inevitably follow.

Particle beams travel at nearly the speed of light, but charged particle beams are subject to interference from the earth's magnetic field and a good deal of experimentation will be necessary before an effective accelerator, pointing and tracking system can be designed. The Lawrence Livermore Laboratory is experimenting with charged particle beams and successful tests have been completed with electron beams as a preliminary to demonstrating the utility of a charged particle beam weapon within the atmosphere. A larger, more advanced accelerator is under development aimed at dem-

onstrating beam propagation by about 1983. There is a long way to go before charged particle beams can be deployed in space or on the ground as weapons systems but their arrival in the antisatellite and anti-ballistic missile role is only a question of time.

Neutral beam experiments being conducted at Los Alamos are designed to demonstrate the superiority of such systems when deployed in space. Neutral particle beams avoid the effects of the earth's magnetic field and could be effective over long distances in the vacuum of space against ballistic missiles in the boost phase of their trajectories. Since particle beams operate at nearly the speed of light they are capable of handling large numbers of targets including those capable of manoeuvre in flight. The energy from a particle beam penetrates deep into the target, thereby killing even heavily shielded missiles using ablative materials against the effects of chemical lasers.

Unlike laser energy, which must remain on target for a sufficient time, albeit a short time, to cause thermal stress depending on range and target hardness, particle beam energy is capable of near instantaneous destruction of either the inside or the nuclear warheads within its nose cone or both.

But even with accelerated development, higher priority and increased funding it is unlikely that charged or neutral particle beam weapons for deployment in space or on the ground could be ready before the middle or end of the next decade. Nevertheless, the technology required for such weapons is already being developed, it is simply a question of time and money before they become available.

The winner controls the planet

The revolution in strategic defence is taking place now and represents a potential greater than the discovery of nuclear weapons. In time, the new weapons will provide strategic policy options that will relegate weapons of mass destruction to the dustbin of history. The whole concept of strategic defence is based on the principle of defending and protecting human beings and property rather than continually providing for their mass destruction. With high priority and sufficient funding such strategic defensive weapons could begin to become operational towards the end of this decade, increasing in effectiveness in the 1990s to the point where all ground-based and submarine-launched ballistic missiles would become highly vulnerable in the boost phase of their trajectories. Whatever the purists and faint-hearted in the West may think, the Soviet Union is relentlessly striving to acquire the capability to dominate space militarily. The United States has at last begun to take the threat seriously, for which Europe must be thankful, since only the superpowers are in this race and the one that wins will control this planet.

Italy undergoes economic restructuring in the wake of stock-market collapse

by Vivian Zoakos

It was the Italian central bank, acting under advice from the International Monetary Fund, which engineered the crash of the Milan stock market the first week in July, according to a well-informed source. The Milan stock exchange, the largest in Italy, was ordered closed together with the exchange in Rome and others by Treasury Minister Andreatta for the entire week beginning July 8. This was the first time the market had closed since 1917 when the Austrians overran Italy.

The newspaper *Il Giornale* had noted July 8 that the market collapse was deliberately orchestrated. The paper pointed out that some of the leading Italian banks, including the Banca Commerciale Italiana and the Monte dei Paschi of Siena had been engaged prior to the crash in wildly bidding up the stock share price of the exchange. When the banks pulled out, the market went into an uncontrollable tailspin.

The market had fallen by no less than 31 percent in 30 days. After the big banks had finished their buying spree, the Milan stock index stood at 1700, the highest in its history. Then the bear raid was launched and the bottom fell out of the market. As prices tumbled, new restrictions by the Italian Treasury, requiring purchases of stock to be made in cash, and for each stock purchaser to put up 30 percent of the stock purchase value of his own money, instead of borrowing the funds, had no effect.

When, on the morning of July 8, the market faced all sellers and no buyers, and some stock prices had fallen as much as 20 percent, Treasury Minister Andreatta ordered the Milan and other exchanges closed for the rest of the week. By that time the index had plummeted to 1180.

Dr. Poletti, director of the Banco Ambrosiano, the largest private bank in Italy, told a reporter the following day: "I don't think that the situation evolved that way naturally. Certain forces added gasoline to the stock market fire to help clean it out."

Asked whether the Bank of Italy had practiced a policy of "benign neglect" in order to reach certain political results, he responded: "I think that the Bank of Italy is the biggest weapon we have against inflation. . . .

Besides this, it is in touch with international organizations, like the International Monetary Fund, that give it information and suggestions on how to operate on the Italian market. I would say that the Bank of Italy followed international advice to behave the way it did and let the situation precipitate to the present point in order to be backed internationally, as well as by the subsequent developments [in the market], to act against the politicians who are still opposed to drastic reform, including a change in the 1936 banking law."

The P-2 banking aims

What emerges then is a conspiracy involving the IMF, the Italian central bank, and certain other leading institutions to orchestrate a collapse of the Italian stock market in order to force through certain "reforms." The banks involved, such as the Monte dei Paschi and others, are deeply implicated in the Propaganda 2 (P-2) Freemasonic scandal that is currently shaking Italy. Dr. Poletti's boss, Roberto Calvi, is in jail for illegal financial operations carried out in behalf of the P-2 fascist elite.

The P-2, both institutionally and through its individual members, has been recently demonstrated to stand behind the various coup attempts Italy has suffered throughout the postwar period, as well as controlling of both red and black versions of Italian terrorism.

Currently, Italy's P-2 banks, which are also its largest and include such luminaries as the Banco di Roma, Credito Italiano, Banca Nazionale del Lavoro, and others, are all agitating for repeal of the 1936 banking law. The law forbids Italian banks to own corporate stock, which means that Italian industry is kept under greater governmental control; hence the Italian economy is at least partially free of oligarchical domination. The managed collapse of the Italian stock market has now paved the way for the repeal of this law. The P-2 oligarchs will be enabled to buy up the country, cheap.

Treasury Minister Andreatta, himself firmly under the control of the P-2 fascist conspirators, has promul-

'We need greater authoritarianism'

The following interview was conducted on July 13 with Roberto Ducci, former Italian ambassador to the Court of St. James. A member of the Italian "Club of Rome" or "P-2" faction, Ambassador Ducci was one of the authors of the Treaty of Rome, and belongs to the Pan-European Union along with others such as the Bavarian Franz-Josef Strauss. He is also a close friend of George Ball, the protégé of eugenicist William Draper, Jr. who set up the depopulation bureau in the State Department that formulated the Global 2000 depopulation policy under Carter.

Q: Your friend George Ball has spoken of the need for authoritarian governments to impose the new free-market economy. What do you think of this?

A: The principal problem is that an industrial restructuring cannot be carried out by a weak government. In this I agree with my friend George Ball, because a weak government has to respond to the trade unions, has to support the weaker industries. The type of thing we need done can only be done by an authoritarian government. In this I agree with Ball. We must reduce the employed workforce. . . . Resources must be transferred from one sector to another [without union interference].

Q: The Catholic Church opposes a zero-growth policy. Ball said that the Pope was an obstacle to population reduction.

A: The Pope does not have a great deal of power. He has been defeated on the abortion issue. The problem is the Mexicans, who reproduce too much. The population problem does not really exist, and in any case if it does exist, something will happen to control it. One might even say that a new Black Death would be the best solution, or that excess people could just die from hunger.

Q: Some people believe that the trade unions could dismember themselves in a Jacobin revolt.

A: The period of fights in the streets is over. . . . Nonetheless the minister of the interior ought to be concerned with the loyalty of the police. If we gain the power to force them to fire on workers, then certainly a [trade-union] destabilization would be desirable.

gated emergency law by decree allowing the banks to buy up corporate stock for the first time since 1936. As a result, by July 14 when stock prices were at rock bottom, the banks came in and the market once again began to rise. The next step in the repeal of the 1936 banking law is expected to be the privatization of the largest Italian banks.

These banks, which have been lobbying for the right to issue new stock that could be purchased by "private interests," had been nationalized as part of the effort to bring the Italian economy under the control of the lawfully elected government. Over the past months, repeated appeals have been made both privately and publicly through Parliament and elsewhere to rescind these restrictions and allow private ownership of bank stock. The ostensible motivation behind this lobbying has been the severe economic crisis of the Italian economy. Now, following the market collapse, it is expected that this second aspect of the 1936 law will also shortly be a matter of past history.

A depopulation commitment

While the Italian economy is put in the hands of its fascists, coup plotters, and terrorist controllers, the "eugenicist" policies of this group are similarly forging ahead. This had been the goal behind the replacement of the political machine-based Christian Democracy with the minute Republican Party in the prime ministry. The new Italian premier, for the first time in postwar history, is a Republican, not a Christian Democrat.

The present Italian Republican Party is the direct outgrowth of the now defunct Action Party. That party had been literally formed in the vaults of the Banca Commerciale during the war years, the same Banca Commerciale now cited as a leading participant in the stock market collapse.

As *EIR* has reported in the past, this factional grouping promotes the Club of Rome's depopulation policy for the country. Indeed, this is the faction that created the Club of Rome and groomed its founder Aurelio Peccei, whose asset he remains.

The most recent step taken to initiate a depopulation program was announced July 15 by Prime Minister Giovanni Spadolini, Treasury Minister Andreatta, Health Minister Altissimo, and State Industrial Sector Minister De Michelis. Following consultations, they announced a new plan to reduce government spending by \$20 billion. The cuts will be made exclusively from those sectors of the economy which serve as the foundation for maintaining adequate labor power in the work force: pension benefits, health care, and education. Additionally, Andreatta as well as the rest of the government is on a drive to drastically reduce the cost of living escalator. Italian wages are already among the lowest in Europe.

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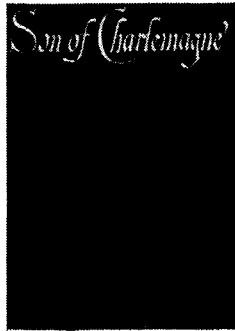
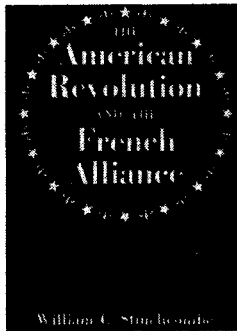
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López Portillo mobilizes Mexican population to face the economic warfare challenge

by Timothy Rush

Mexican President José López Portillo rallied his nation last week against economic warfare measures which have dramatically changed the economic and political climate of the country over the past six weeks.

In a wide-ranging, nationally televised press interview July 10, the president analyzed how the combination of high interest rates and the forced cutback in Mexican oil sales had created a "sea of distrust and disquiet" in the country. Virtual "information terrorism," based on rumors and manipulated international wires, he stated, had served to intensify the new mood of doubt, planting seeds of capital-flight operations against the Mexican peso.

The president compared this new climate to "previous occasions which have precipitated crises," an allusion to the devastating devaluation and economic collapse of 1976. He made it clear from his first words that the purpose of his press conference was to dispell these fears, identify those forces attempting to stampede the country into losing its own self-confidence, and provide a personal example of "clearing the air" to counteract the manipulation of information. It was the tone of Franklin Delano Roosevelt's famous first inaugural speech in March 1933: "We have nothing to fear but fear itself."

Spotlight on interest rates

The president put special weight on the issue of the international high interest rates forced by U.S. Federal Reserve chief Volcker. This, he stated, is the most important factor leading to world economic crisis. Though many other leading Mexicans have spoken out against the Volcker policy in recent months, this was the first time the president himself addressed the issue.

He stated that "maybe" the Volcker policy was acting to reduce inflation in the U.S. (and television viewers report his "maybe" carried an inflection of extreme skepticism), but that "for the rest of the world, [those policies] are damaging us, and damaging us very seriously." The squeeze is on, he said: "The products which the developing countries can sell, including oil, are heading downward, [while] the price of money is heading upward." He warned that resulting financial

instabilities "cannot last for long" and a change in policy is urgent to prevent an international financial collapse.

In terms of the domestic situation, the president made the following announcements:

- The government was imposing a 4 percent across-the-board cutback in budget outlays and a tougher program of import controls to meet anticipated cuts in oil revenues;
- A devaluation was not ruled out as an eventual economic measure adopted by the government, but such a step would be taken solely based on the government's independent economic judgment and never as a measure forced by flight capital and speculation against the peso;
- The inflation rate for the first half of 1981 was 13.7 percent, two points below the 1980 levels;
- "Very positive steps" to "reconstruct the oil export platform" had been achieved. López Portillo praised cooperation from a number of governments, including the United States, and cited advances in negotiations with Shell, Arco, Marathon, and Union oil.

The president also broke normal "rules of the game" in Mexico to give a detailed account of why he had made the "extremely painful decision" to remove Jorge Díaz Serrano as head of Pemex in early June. Díaz Serrano had placed the interests of preserving Pemex's list of clients as a business firm ahead of Mexico's national interest in strengthening broader oil-for-development packages, he asserted. Díaz Serrano's timing in lowering Mexican prices \$4 per barrel had been "precipitous" and had compromised Mexico's position as a leader of the "South" in the North-South dialogue set for Cancún in October.

Wall Street response

López Portillo's statements, backed up by a full mobilization of the nation's press and political circles, was blacked out of the U.S. press except for a July 15 response from some of the Wall Street interests who, together with Rockefeller's Exxon, are major figures in launching the economic warfare against Mexico.

The *Journal of Commerce*, in a story headlined, "Is Mexico's Oil-Fueled Boom Over?" dismissed López Portillo's statements as just words and conveyed the unmistakable message that "the war is still on." The reality is that "a spiraling inflation that may exceed 30 percent this year, lost revenues from canceled or suspended contracts for 500,000 barrels of oil daily and a sharply overvalued peso are sending shock waves through the foreign financial community," wrote the *Journal*.

Like a previous *Wall Street Journal* article designed to create a panic against the peso, it was a textbook example of the "rumors and gossip from abroad" that López Portillo had so sharply criticized in his speech.

From the President's Interview

For the first time, a blast against Volcker

I have sensed in the national environment a climate based on rumors, gossip, and foreign manipulation of public opinion. . . . All of this revolves around our economic situation, and the uncertainty that has been caused by the fact that our income from oil exports will drop due to the change in oil prices. This, along with the high interest rates on the dollar, has created a sea of distrust and disquiet. . . . [We must] confront fear with reason, and not offend our own understanding by giving credence to often ill-intentioned rumors. . . .

In the time since we brought about economic recovery, we have created nearly 3 million jobs. I challenge anyone to name another country which, in the current world circumstances, has achieved this feat. . . . And there is no other country that today has maintained a growth rate of 8 percent for three years in a row. . . . We are, with all modesty, the only nation in the world—as I will demonstrate—that is fighting to solve its own problems internally, while creating consciousness of, and proposing solutions to external problems. . . .

On inflation and interest rates

For one sector of public opinion, that which causes inflation is public spending. It is true that public spending, if it is out of control and is poorly oriented in an unproductive way, contributes to inflation. But other uncontrolled factors also influence public spending. For example, interest rates on dollars are raised in the money markets—they have doubled or more than doubled, and then we have to pay enormous interest rates.

And then that increases our public spending in an unplanned way. That is inflation.

Because of adjustments in the U.S. economy, the dollar is experiencing unprecedented interest rates. . . . Countries with economies as solid as that of Switzerland have had to devalue their currency. Germany, which until recently was swimming in opulence and security, has had to devalue its currency. These problems of the European Community are undoubtedly in part, the fault of the United States.

This is damaging to the rest of the world. Perhaps it is helping the U.S. fight inflation, which is the justification that is cited for these policies, but it is hurting the rest of the world. Through high interest rates the world is paralyzing itself. . . . This is a situation which cannot last long, because it has contributed to even further disorder in the world economy. . . .

On devaluation of the peso

Informational terrorism is one of the tools of manipulation used by those economies that would keep us in our current situation of underdevelopment. How do we combat them? Through information, by telling the world with great frankness about our decisions. . . .

With regard to the drop in the peso, the problem lies within us. If we confuse other interests with those of our nation, we can do terrible damage to our currency. If we ally with another economy and believe in it more than our own—and here I am talking about those who might do this, which is not the majority of the Mexican people—we will do tremendous damage to our economy. If we are terrorized and all rush to one side of the boat, we can sink it. But what is the country we are going to leave to our children? To win a few extra centavos, we could create a serious problem for our country.

There are advantages [to a devaluation]. Many exports would be more competitive; tourism would increase. In short, it would not be a catastrophe; nor am I trying to sugar-coat a bitter pill.

We prefer to be attentive to the market, and drop it when demand so indicates; and when the world economy reorients itself, we would return to our process.

A devaluation in itself is neither good nor bad; it depends on your point of view.

But we will continue with our gradual policy [downward float—ed.] for as long as it is necessary. When it is not, we will suspend it. . . .

I would like to leave you with a final message. We should meditate with great responsibility on whom we ally with. Will we ally with our own nation, our own land, our own fathers and our own children? Or will we ally with foreign economies, which we reward with our fear, with our panic, with our ingenuity? This way we would reward the manipulation of bad information,

reward the futures market in pesos that exists in the United States. . . .

How can we possibly fall into that trap of the futures market, where people speculate against the peso? It is the health of the Mexican economy that is our tranquility, for ourselves and our families. How can we leave these things in the hands of manipulators and speculators?

'Fed's policy means both inflation and recession'

Outrage and concern in Mexico over Volcker's high-interest policies were expressed by leaders of all sectors of the country the same week as President López Portillo spoke out on the issue.

On July 9, Mexican Undersecretary of Industry Natan Warman told a U.S.-Mexico businessmen's meeting that Volcker's high rates, far from decreasing inflation, "actually increase it." "Look at Britain," he admonished his audience, to see the results of such folly.

The day before, Sen. Hector Olivares Ventura, one of the top officials of Mexico's giant CNC peasant confederation and the son of Interior Minister Enrique Olivares Santana, charged that "the high-interest rates which have been imposed in the U.S." threatened Mexico with an "agricultural crisis," because an important margin of domestic financing depended on availability of dollar loans at affordable rates.

And in the following interview with *EIR*, top labor official and economist Alfonso Reyes Medrano explains in depth the problem with the high rates from a production viewpoint. Reyes Medrano is Director General for Productivity and Economic Affairs in Mexico's Ministry of Labor, and also serves as an adviser to the long-time president of the Mexican Labor Confederation, Fidel Velásquez.

EIR: How do you see the current prospects for the Mexican economy?

Reyes Medrano: They are not *very* good, but they are good. The oil policy is working, despite the problems. The policy is not one of waste, but of using resources wisely, and we are doing that. Second, the GNP continues to grow at an exceptionally high rate for the period we are in, in comparison with other areas of the world.

EIR: What about U.S.-Mexico economic relations? How can they be improved?

Reyes Medrano: The economies are complementary. Look especially at the border, where, even if we didn't want it, we are indissolubly linked. The important thing is to make this relation as good as possible. Each country

must recognize the other as a *nation*. Remember the famous saying of Benito Juárez, that "respect for the rights of others is peace."

EIR: You have done a great deal of personal work on the immigration question. Can this issue be resolved to the mutual benefit?

Reyes Medrano: I have thought about this a great deal, and the aspect which strikes me most strongly is the paradox of having a labor flow which is viewed by some as something criminal, but when viewed from another angle, is a question of some of Mexico's most capable, hard-working people going across the border to create wealth over there. Certainly, unions in the United States complain, but because the conditions of illegality lead to manipulation of the labor market. Let's remember that the cost of raising the children who become the workers, and giving them education, even if it is rudimentary, is borne by Mexico.

EIR: Are the Volcker high interest rates in the United States, which have had such a strong effect on Mexico, necessary to fight inflation?

Reyes Medrano: No, no, no. On the contrary. The high interest rates provoke inflation. The monetarists say that the high rates are required to compensate for lost purchasing power through inflation. They are caught in a vicious circle. I personally am convinced that the high interest rates are *both* inflationary and recessionary.

The policy is inflationary because the added costs of borrowing are immediately added onto prices all along the production process.

Then, the policy is recessionary because many industrialists are foregoing borrowing money for investments and expansion, even when there is demand. Inflation does not allow them enough margin for profit to pay the interest rates demanded by the banks. Businessmen are holding back investors from reinvesting as well as from starting new businesses, because the interest rates would oblige to virtually double the profit rate. And if they see that the market won't respond to such a price surge, well they won't invest. There is a limit, as any economist knows, where no one will buy.

There is an important exception to this however, the area of basic necessities for the population. It's necessary to control prices in this area in some form. Demand is very inelastic, as in the case of milk. Milk is a required part of the diet; you have to pay whatever price is charged. As a consequence, here in Mexico we have seen it as necessary to control the prices of these products which have little price elasticity but are necessary for the survival of human beings. However, if there is this kind of control, the profit margins aren't elastic either and investments collapse in that area. Then the government has to step in with subsidies and support programs to subsidize the production of these basic items.

Political disintegration and new economic chaos sweep China

by Richard Katz and Gregory F. Buhyoff

Contrary to the myths that Deng Xiaoping, the "pragmatist" leader in China is "in control," radio reports from China indicate that growing anarchy, and factional strife are sweeping the country. A massive crime wave, including murders, gang rapes, and terrorism conducted by armed gangs supplied with machine guns and explosives by Communist Party members has erupted. In response, the government is organizing rallies where up to 100,000 people gather to watch the executions of condemned murderers. And in the worst drought in decades, students are fighting over food at some universities, while peasants are stripping vegetation that should be used for food to burn as fuel.

One knowledgeable source, a Japanese businessman, predicted, "Within six months of Den Xiaoping's death, there could be military insurrections all over China." "You know Deng has a drinking problem, and his liver is beginning to go."

Contrary to the design of Alexander Haig, China is anything but a reliable ally.

Even now, Deng does not have control over the country. The official Communist press which Deng thought he had under control now runs articles blatantly condemning him, side by side with articles defending him. Deng is under attack for his "pro-Westernization" stance. The issues range from economic cooperation, such as joint ventures and foreign loans, to allying with the United States against the U.S.S.R., to harsh attacks on Deng's American friends for their continued dealings with Taiwan. Often the sayings of Mao Tse-tung, whose quotations are once again adorning the walls of Peking, are used against Deng.

In time-honored Chinese fashion, what cannot be said openly of one's opponents is often said in the form of allegorical attacks on well-known historical figures. Everyone knows, however, who is the target of an attack

on "pro-Western bureaucrats who procure and copy arms from foreign countries," or bureaucrats who "admired foreign things and wanted to jointly run businesses with the West."

That such growing social turmoil and factional attacks on Deng could occur on the eve of the Central Committee plenum, proves that China is still wracked by severe divisions. Yet the same people who lionized the "China market" until February's multibillion-dollar cancellations of foreign contracts are now trying to sell the line that "pro-Western pragmatist" Deng Xiaoping emerged in supreme control of China as a result of the plenum.

A divided plenum

The one-week plenum ending July 1 resolved nothing in regard to either personnel or policy. Far from purging his opponents wholesale, as Deng had managed to do at the December 1978 plenum, or the September 1980 National Peoples Congress, Deng achieved few factional gains. Not a single change was made in the membership of either the 26-member Politburo or the 7-member Politburo Standing Committee. The latter remains balanced with four Dengists and three anti-Dengists. Only the ranking has been changed. Deng failed to shunt respected opponents Marshal Ye Jianying and pro-heavy industry elder Li Xiannian onto a ceremonial "advisory committee"; they kept their Standing Committee posts.

Deng merely succeeded in replacing party Chairman Hua Guofeng, a Maoist, with his own protégé Hu Yao Bang. However, against Deng's wishes, Hua remained on the Standing Committee and received a vice-chairmanship. Deng also succeeded, but not without a fight, in making his protégé Xi Zhongun the equivalent of party secretary-general. These were the sole personnel

successes achieved by Deng.

The plenum equally failed to resolve major policy disputes. On economics, Deng's opponents point out that his anti-heavy industry austerity policies are producing strikes and protests while undermining the industrial base of the military. On foreign policy, Deng wants to continue a close, albeit temporary, alliance with the U.S., both to play off against the U.S.S.R. and to sucker U.S. Secretary of State Haig into giving China hegemony in Southeast Asia.

Many of Deng's opponents want to back off from too close an attachment to either superpower and instead "stand on the mountain and watch the tigers fight," hoping to pick up the pieces following a U.S.-Soviet conflagration.

The most basic unresolved issue was how to ensure the continued rule over China by the Communist Party in the face of growing popular cynicism. The party's "Resolution on Historical Questions" (i.e. its final verdict on the issue of Mao) frankly warns, "Without the Communist Party . . . our country, for a variety of reasons, both internal and external, would inexorably fall apart."

Thus, the conference was filled with cries for "unity" and "strict discipline" by new Chairman Hu and by Hu's demand that party members "*must not feign compliance while actually violating or resisting instructions from the higher level.*" However, there is a very serious question of whether Deng, even had he captured many high posts for his faction, could impose his will on the party's 38 million members, half of whom joined during the Cultural Revolution. The Dengist-led Discipline Inspection Committee, charged with rooting out those who obstruct Deng's orders, complained recently in a Peking radio broadcast that "other comrades, who shelter persons in question support them in boycotting the inspection. Some other comrades employ fraud and trickery to deceive, or even *conduct counter-investigations to oppose* and frame the inspection personnel. . . . Such behavior has . . . *exerted bad influence among the masses of people*" [emphasis added].

Mao lives

How to impose party rule in the face of such defiance was at the heart of the debate on Mao Tse-tung. Deng argued for relative de-Maoization. In the broad sense, Deng, like all Chinese Communists, is a Maoist, as he himself boasts. That is, he believes in maintaining China as a peasant, rather than urban, "communist" society. However, he argues that China needs now a period of Confucian-like "calm and rationality." Peasants and workers demand relief from the oppression of such Maoist insanities as the 1958 Great Leap Forward, in which 20 million people died, and of the Cultural Revolution in which millions more died

and a generation of youth was virtually lost. Deng's opponents retort that some ideology is necessary to hold society together and there is no alternative to Maoism.

But no resolution of the dispute was reached. Instead, a 35,000-word document was issued which simply regretted the Great Leap Forward, the Cultural Revolution and Mao's arrogance in his old age, but all in much milder terms than Deng wanted. Its one paragraph on the genocidal Great Leap Forward merely notes: "Its shortcoming was that it overlooked the objective economic laws." (It does not mention Deng's own support for the Great Leap.) Mao is treated more harshly for the Cultural Revolution, but he is held "chiefly" responsible along with the entire Central Committee, rather than solely responsible.

The document ends up reaffirming Mao, and even more importantly *Maoism* as the party's guiding ideology: "Comrade Mao Tse-tung's contributions to the Chinese Revolution far outweigh his mistakes. His merits are primary and his mistakes secondary. . . . It is wrong to try to negate the scientific value of Mao Tse-tung thought and deny its guiding role in our revolution and construction, just because Comrade Mao Tse-tung made some mistakes in his later years. . . ." Wherever the resolution says Mao erred, e.g. the Cultural Revolution, it is because he was not following his own "Thought."

For the first time in years, Mao's works are being studied throughout China, on party orders. The walls of the Peking opera are once again adorned with Mao quotations and a Jiang Qing (Mao's widow) opera is being performed again for the first time since her 1976 arrest.

No wonder the managers and cadre are afraid to stick their necks out following Deng's line lest they be chopped off in a new Cultural Revolution.

The social breakdown

On June 17, days before the plenum opened, baton-wielding policemen were hurled at a Shanghai demonstration of several thousand unemployed, in the latest in a series of nationwide protests by some of the 20 million made jobless by decades of Maoism combined with Deng's current anti-heavy industry drive. Deng's factory closings could add up to another 10 million jobless. The consequences of Deng's economics are beginning to be felt.

In 1980, Deng claimed an overall 8.4 percent growth in industrial production based on a claimed 18.4 percent growth in light industry (bicycles, apparel, etc.) and 1.7 percent growth in heavy industry (chemicals, steel, construction). Even accepting China's highly unreliable statistics, that growth has already disappeared. For the January-June period of this year, Peking is claiming

only a "slight" increase over the same period of 1980, based on a claimed 11.6 percent growth in light industry and an absolute drop in heavy industry of more than 10 percent. This includes a 66 percent drop in capital construction, which, if true, will propel the entire economy downward as existing shortages in materials, energy, and transport infrastructure become exacerbated.

On top of this, 150-200 million people are afflicted by China's worst drought and floods in decades. In Peking, one-fourth of the wells have gone dry and grain output in surrounding farmlands is down 25 percent from 1980. Students in Shandong (Province) University are reportedly fighting at lunch there over insufficient food. Total grain output fell 5 percent in 1980. It is impossible to assess the 1981 results, since the land in many areas is still too hard for sowing. Yet, on fiscal grounds, Deng is cutting back on irrigation and flood control projects. Food protests have been added to unemployment demonstrations.

In the midst of this economic crisis, a crime wave is sweeping China, much of it organized, and a great deal of it led, *by party cadre*. Newspaper articles and radio broadcasts throughout the country are reporting the same pattern of violent crimes and brigandage. They describe the formation of gangs armed with machine guns and explosives who blow up markets, sabotage railroad trains, and carry out murders, robberies, and gang rapes in broad daylight, with rape victims going to the authorities only to be raped by policemen. Smuggling, drug-peddling and black-marketeering are rampant. It has gone beyond crime to almost a social breakdown; it is not simply hungry peasants stealing some food.

The situation has gotten so bad that in several provinces the government has built for rallies of 50,000 to 100,000 people to watch murderers sentenced to death be executed.

But how can the situation be controlled from Peking or provincial capitals when so much of the crime is led by party cadre? The machine guns and explosives are provided to the gangs by members of the 10-million-person armed militia—and now the airwaves throughout China resound with appeals for people to turn in their weapons. In one province, party officials provided weapons for rival clans to engage in violent fights. In another, a party-appointed leader of a work team led a gang of brigands to steal materials from a construction site. A Guangzhou radio broadcast declared, "We must severely and quickly punish officials who have committed heinous crimes." On May 28 the national Discipline Inspection Committee vowed it would "strictly deal with those leading cadre who have taken the lead in committing larceny.

What does it matter if Deng gains a few top posts when party cadre are instigating social disorder?

Protests against 'blind westernization'

What the Chinese are saying about the "Westernization" policies under Deng Xiaoping:

Westernization means affairs dealing with barbarians, that is, all matters dealing with foreign countries. . . . The [late 19th-century] Westernization movement . . . *advocated procuring and copying foreign arms and ammunition* . . . it was the malicious product of the Chinese feudal forces who colluded with the foreign invaders to suppress the Chinese people's revolution [emphasis added].

—*People's Daily*, April 30

The Westernization movement pursued the political line on foreign affairs of compromise with and capitulation to the foreign aggressors; the Westernization movement played a reactionary and negative part in Chinese modernization and that is its essential aspect.

—*People's Daily*, May 15

At that time [1894 it was] advocated that China should purchase warships by asking for loans from Britain and Russia and form alliances with them. In this way, there appeared the rather cherished illusion of checking Japan by adopting the tactic of "using foreigners to check foreigners." Those who advocated this failed to see the nature of the aggressors. . . .

Zhang Zhidong, who always believed in foreign things, had hoped to jointly run the iron works with foreign businessmen. . . .

[O]fficials of the Westernization movement blindly placed orders to purchase machines with funds from [foreign] loans at a high rate of interest without first examining the machines being purchased. As a result the products manufactured were not suitable and could not be sold.

When the imperialists adopt comparatively moderate forms for suppression such as politics, economics and culture instead of resorting to war, the ruling class of the semicolonial country will capitulate to the imperialists and the two parties will form an alliance to suppress the masses jointly. The case of Zhang Zhidong was somewhat similar to this.

—*Peking Jingji Yanjiu*, May 20

Secret societies resurge in the People's Republic

The innermost secret of the Communist Party of China, and the reason why they must maintain Mao Tse-tung Thought, is contained in the fact that there never was a communist revolution in China, nor is there a Communist Party there in the sense that most Westerners understand the word "communist." Rather, the word "communist" is simply the latest name given by the millennia-old Chinese "secret societies" to their activities, just as the 19th-century Taiping Rebellion, regarded by Mao as his heritage, called itself Christian, and other Chinese used imagery from Islamic and Persian cults along with ancient Chinese indigenous ideologies.

Understanding this makes it much easier to grasp why Communist Party cadre are leading an organized wave of criminal activity in China.

With such famous names as White Lotus, Elder Brothers, Triads, Green Gang—and in overseas communities, Tongs—these societies stem as far back as the second or third century B.C., and span the rise and fall of the relatively ephemeral dynasties. The first emperor of the 14th-century Ming dynasty was a White Lotus adherent who took the name Ming from the King of Light prophesied in the Lotus's mixture of Persian Manicheism with Buddhism and Taoism. The societies were customarily the instrumentality used by the Chinese Mandarin oligarchy in the dynastic cycle of peasant rebellions that brought down one dynasty and created another.

Millions died in these rebellions, 30 million alone in the Taiping rebellion now being celebrated in China's press. A large part of the mass ideology for such secret-society rebellions was provided by ancient Taoist philosopher Lao Tzu, who wrote (XIX, Book One):

Exterminate the sage, discard the wise,
And the people will benefit a hundredfold;
Exterminate benevolence, discard rectitude,
And the people will again be filial;

Exterminate ingenuity, discard profit,
And there will be no more thieves and bandits.
These three, being false adornments, are not
enough
And the people must have something to which
they can attach themselves:
Exhibit the unadorned and embrace the uncarved
block,
Have little thought of self and as few desires as
possible.

If this sounds like Mao's Cultural Revolution, it should: for Mao himself certainly was greatly influenced by, and probably was a member of, the Elder Brothers Society. Other famous Chinese Communist leaders still praised today, such as Generals Chu Deh and Ho Lung were definitely members. So were the majority of recruits into Mao's peasant "Red Armies" in 1926-30.

These societies also included the Big Sword Society in Anhui or elsewhere, and the Society of Morality in Zhili.

The fact that these societies were the fertile ground for Mao's recruitment efforts is seen in the 1936 declaration of famed Communist Gen. Peng Dehuai. "We must deepen our work in the Elder Brother and other secret societies and make them active, not merely passive, allies on the anti-Japanese front."

Mao's notorious personality cult was, in the Chinese context, no stranger than the deification of previous emperors; Mao was simply the latest of those who promised the millennium of agrarian egalitarianism.

Maoists were not the only ones who used or stemmed from the secret societies. Chiang Kai-shek used the Green Gang to suppress the Communists in the famed 1927 Shanghai massacre. And, while Alexander Haig may believe Deng Xiaoping to be an anti-Maoist modernized pragmatist, during the trial of the Gang of Four, Hsinhua news agency releases of Dec. 4 revealed that Gang of Four member Zhang Chunqiao was gathering evidence that Deng, Liu Shaoqi, and Peng Zhen were trying to revive the "old people's secret association," a probable reference to the Elder Brothers, as well as other names like "eastern association," and "old men's tie association." Deng protested, but it is interesting that Peng Dehuai, who opposed Mao long before Deng did, was one of those recruiting Elder Brothers. The current fight in China is not between the secret societies and the pragmatists, but within the secret societies, as has occurred many times.

The societies' agrarian socialism

The ideology of the secret societies, including Mao's Communists, is the key to Chinese politics today. For more than two millennia there has been no basic

change in China's social structure. It has remained an agrarian society dependent upon a huge bureaucracy to organize sprawling irrigation and flood-control projects by means of mass corvée labor. In the past the bureaucracy was called Confucian; now it is called communist.

From approximately 200 B.C. to the beginning of the Ming dynasty in the 14th century, China's population never rose above 65 million; it simply expanded and contracted in cataclysmic dynastic cycles. Agricultural output and population increased at the beginning of the dynastic cycle as the new dynasty made reforms, invested in water control, and so forth. As diminishing returns set in due to the lack of sustained technological advance, the Mandarins reduced investments in water-control projects, as Deng has done.

The ensuing economic and social breakdown was marked by flood and famine, inflation, female infanticide, organized crime and brigandage, and mass recruitment by the secret societies—all patterns present today.

Repeatedly, Confucian literati and others led secret society rebellions promising agrarian egalitarianism, which established a new dynasty after massive depopulation, and the pattern was repeated once more. Population rose sharply in the early Ming and Ching dynasties because of major technological advances, but failure to continue the advances restored the cycle.

The major attempt to break out of this "old China" pattern was a Westernization effort in the 1898 Hundred Days Reform and in Sun Yat-sen's Republican movement. Both were aided by Japan's Meiji era Mitsubishi faction with the slogan of the Hundred Days Reform being "Know the Shame of Not Being Like Japan." They wanted to industrialize and urbanize China.

Mao's movement, however, bore the stamp of the "old agrarian China," trying to set up a Mao dynasty, emperor cult and all. Lately, as part of the anti-Western attacks on Deng, one commentator in *Guangming Ribao* on May 25 recalled Maoism's roots:

Some theorists did not recognize the great historical role of the leaders of the peasant wars but said . . . [they] disrupted the development of the productive forces. . . . Some even used the statistics of how many people were killed to prove the "negative role" of peasant wars . . . [but] at the critical moment they had been able to lead the masses in smashing the old dynasty. . . . In the end they were either put down . . . or degenerated into tools of the landlord class for making dynastic changes. However, we absolutely cannot use this to negate the great historical role played by peasant wars.

The party cadre handing out machine guns and explosives to criminal and terrorist gangs well know their origins.

Contrary to China Card theorists, Deng and his faction are not opposed to the "old China" ways of the secret societies but uphold "old China" ideology on the most fundamental question: Deng is resolved that China shall forever be an 80 percent peasant society. In fact, the Chinese press reported that one of his reasons for wanting to break up the communes was to disrupt former Chairman Hua's attempts at rapid mechanization. Deng agrees with Mao that China's communism is anti-industry "agrarian communism." While many kinds of political statements are permitted in China today, the Dengists banned a document by an urbanization-oriented reformer criticizing Mao's agrarian socialist philosophy. The predominant kind of industry permitted by Deng is that necessary for the military (and even that is limited), and for Hong Kong-style colonies on the coast of China.

Deng's chief disagreement with the hard-core Maoists, aside from seeking a respite from constant upheavals, is that he is more willing to manipulate such barbarians as Alexander Haig into helping China regain its Asian empire and to strive to become a world power. Many Southeast Asian nations fear Haig has already acquiesced to China's domination of that area. On the world financial scene, Deng's strategy is personified by the simultaneous membership of Sir Y. K. Pao—a Shanghai resident who moved to Hong Kong in 1949—on the boards of Chase Manhattan Bank, British-owned, long-time opium-smuggling Hongkong and Shanghai Bank, and the Peking government's Bank of China. In addition, the BOC and its subsidiaries now control 30 percent of the bank deposits in Hong Kong, a major financial center for all of Asia. In this Deng is following the pattern of the Green Gang's alliance with Hongkong and Shanghai Bank in the drug market.

In addition, the *People's Daily* of July 8 reports on intensified efforts of the Deng regime to use overseas Chinese, some of whom are organized into the Tongks, to secure a "broadening of the patriotic united front" and promote China's influence in other countries. Overseas Chinese own a majority of businesses in such countries as Indonesia and Malaysia, whose governments oppose the China Card policy.

Haig is reported to have remarked that, due to Deng, "China won't be communist forever." Understanding what the word communist really means in China, Deng can only marvel at the naïveté of some barbarians. The question remains, however, whether Deng can manipulate the growing turmoil in China as easily as he does Al Haig.

These two articles were prepared with the participation of two other long-time China experts who prefer to remain anonymous.

Begin is gunning for war

The Israeli prime minister's drive to expel West Bank Arabs, and blitz Lebanon, are the triggers.

Menachem Begin of Israel is dead set on dragging the Reagan administration into a shooting war with the Soviet Union over the Middle East. And President Reagan's poor grasp of international affairs, which has resulted in full U.S. support for Begin's extremist Israeli government, combined with Secretary of State Haig's leverage over foreign policy, is greasing the skids of Begin's lunatic British-backed strategy.

Speaking to a gathering of the ruling Likud bloc and the fanatic National Religious Party, Begin declared this week that because of his ill health, and the potential weakness of the new governing coalition, only "one year remains" to accomplish the outlines of "Eretz Israel," the Land of Israel, a cultish term signifying Begin's version of the Palestine of the Bible.

To secure that perverted vision, Begin is preparing twin crises in southern Lebanon and on the occupied West Bank of Jordan in the immediate future. The intended result is to force an exodus of at least 300,000 Palestinian refugees into Jordan. That, in turn, will destabilize the entire area, including the oil-rich Persian Gulf states.

As if to underline the point, Israeli jets raided Palestinian targets in southern Lebanon three times between July 10 and 15. On the West Bank, according to intelligence community sources, large-scale arms caches are being built up

by the paramilitary gangs of the Gush Emunim ("Faith Bloc"), the zealot settlers' movement there.

According to U.S. intelligence sources, the raids into Lebanon are part of Begin's plan for a "final solution" to the Palestinian problem. "What Begin is doing to the region north and east of Israel is exactly what Hitler did to Eastern Europe," said one former State Department official. "The Israelis intend to make Palestine *Arabrein*, or Arab-free," he said.

The smallest miscalculation in the Begin strategy could lead to a major war with Syria, inevitably involving the Soviet Union and the United States. On July 14, during the third strike on southern Lebanon, Israeli jets clashed with Syrian MIG fighters, shooting down one of them. It was the first time in many months that the Syrians had tried to thwart the Israelis in Lebanon, signaling Syria's willingness to go to war with Israel.

Last week, Syrian President Hafez Assad visited Algeria and Libya to form a "Russian-backed alignment against Israel" in the region. "The situation [in Lebanon] is such that war may break out between Syria and Israel," Assad declared. He further affirmed that should war break out, the Soviets would come to Syria's defense.

Last week, for the first time ever, Syria and the U.S.S.R. conducted joint naval maneuvers including landing exercises off the

Syrian coast. Soviet Communist Party Central Committee member Vadim Zagladin stated on French television that the unprecedented maneuvers were conducted "to aid Syria to ensure its defense. Syria is now threatened by Israel."

Acknowledging the possibility of a superpower clash, Begin's Deputy Defense Minister Zippori stated: "The Syrian-Soviet treaty of 1980 has a more profound significance than we at first thought."

Encouraging Begin in his strategy are the radical Palestinians, who are coordinating their moves with Syria.

On July 14, the Israeli military commander of the Rafah region of occupied Sinai was killed by a terrorist bombing at the Sinai-Gaza Strip border. A Syrian spokesman in Damascus quickly announced that Palestinian guerrillas had planted the bomb.

Hani Hassan, the Palestine Liberation Organization representative in Iran, last week called for a Soviet-backed PLO military offensive against Israel and the U.S.

Begin's efforts to drag the Reagan administration into a war are being facilitated by Begin's fans in Washington. The Reagan administration has reportedly decided to allow the shipment of ten F-16s to Israel this week. An Arab source concluded that this move by the White House will signal "that Begin can have open season in Lebanon and maybe as far east as the Arab oil fields in the Gulf."

Begin's blitzkrieg will destroy the last shred of credibility Washington has with the Arab states and will directly feed into the ongoing power play that London is now conducting to regain hegemony over the Arab world.

New magazine promotes terrorism

Socialist International networks are behind an effort to spill over violence from Central America.

Around mid-June a new weekly magazine, *Por esto!* appeared on the newsstands, joining the large number of other magazines and newspapers that have sprung up here over the course of the year. This weekly, however, has one characteristic that distinguishes it from the others: it openly advocates terrorism for Central America and Mexico.

There are a few other peculiarities to this publication that are worth noting. First, its collaborators are some of the outstanding members of the Socialist International networks linked to François Mitterrand who are coordinating an outbreak of continental terror.

Second, it appears to be financed by both Cuba and by the Mexican Finance Ministry, headed by presidential aspirant David Ibarra. The Finance Ministry paid for one full-page ad in the latest issue and the Cuban government paid for three full-page ads.

The appearance of this magazine, which is designed to promote the spillover of Central American terrorism into Mexico, has been a cause for concern among security officials consulted by *EIR*.

Por Esto!, published by well-known terrorist sympathizer Mario Menéndez Rodríguez (no relation to this author!), is a sequel to his earlier magazine *Por Qué?* published during the 1970s. Although Menéndez was arrested in the early 1970s for harboring terrorists, *Por*

Qué? continued to be published until 1974, serving as a forum for literally every terrorist group that existed at the time.

Chief among them was the famous 23rd of September League so vigorously pursued by President Luis Echeverría's administration. I might add that when Régis Debray went into Bolivia in 1966 to work with Che Guevara's guerrilla campaign, it was as in his capacity as a correspondent for the Mexican magazine *Sucesos*, whose editor was the same Mario Menéndez.

In 1975, Menéndez and a group of fellow suspected terrorists were released from jail in exchange for the kidnapped American consul John Terrance Leonhardy. At their own request, the group was deported to Cuba where Menéndez made a name for himself as a revolutionary journalist.

As a reporter for the Cuban news agency Prensa Latina, he traveled to a variety of "battlefronts" to report on armed struggle in Latin America. He did not return to Mexico until 1980 when President López Portillo declared a political amnesty.

The avowedly proterrorist *Por Esto!* is no different from the operation that Menéndez ran during the 1970s. Among its collaborators are several amnestied Mexican terrorists such as Paquita Calvo Zapata of the FUZ group that kidnapped then-Director of Tourism Julio Hirshfield Almada in 1972.

Other contributors represent the same networks that coordinated Central and Latin American terrorism in the 1960s. These include: François Mitterrand's newly appointed adviser Régis Debray and Marxist theoretician Martha Harnecker, both proponents of Che Guevara's thesis of creating "one, two, many Vietnams" throughout the continent; Socialist International asset Juan Mari Bras of the Puerto Rican Socialist Party; Mario Firmenich of Argentina's Montoneros; and Guyana's Cheddi Jagan, who has close links to Cuban intelligence.

Mario Menéndez writes the feature article for *Por Esto!* usually straight from Guatemala and El Salvador, and accompanied by pictures of the "revolutionary armies," and of youngsters bearing arms. The cover of the latest issue of the magazine is a photograph of an enormous crucifix, at the bottom of which the word *Terrorism!* appears in large, bold letters.

But there is a very decided focus on Mexico in *Por Esto!* The first three issues have been dedicated to a defense of the Mexican Communist Party's front group, COCEI, which won control of the municipal council in Juchitán, Oaxaca, a few months back. COCEI is now trying to prevent the government from going ahead with its industrialization plans for the region, claiming that it intends to convert peasants into workers in order to exploit them more!

Similarly, *Por Esto!* is accusing the López Portillo government of "ethnocide" against indigenous populations for wanting to deprive them of their indigenous "roots" and assimilate them into a modern industrial society.

International Intelligence

Weinberger presses an IMF defense policy

Top Air Force officials leaked the reports published in the *Washington Post* and *New York Times* July 16 that Defense Secretary Caspar Weinberger favors air basing for the MX missile system. According to one official, if the administration adopts the Weinberger plan, Congress will reject the entire MX program. This outcome would cohere with the IMF call to limit U.S. defense spending for reasons of fiscal austerity.

The Air Force contends that Soviet nuclear attacks could prevent the planes from taking off; their communications would be disrupted; they could stay aloft for only a few hours; and they would be inaccurate launchers.

While the MX second-strike missile is itself an incompetent alternative to ABM development, the Weinberger policy is even less competent. Weinberger has focused on installing Pershing and Cruise missiles in Western Europe, weapons that would be obliterated instantaneously in the event of a Soviet first strike, but which could hit Soviet targets equally fast should they be launched first. This U.S. emphasis boils down to a commitment to a first-strike policy, not in-depth deterrence or war-fighting.

Military analyst seeks technology buildup

Adalbert Weinstein, military columnist for the West German daily *Frankfurter Allgemeine Zeitung*, published a July 15 commentary arguing that the current Euromissile debate has been overblown, because the coming decade will see a complete revolution in the technology of war.

Entitled "The Big War Will Not Be," the article echoes the approach of British circles linked to Foreign Secretary Lord

Carrington, citing space-based, computer-guided laser weapons systems as the military hardware of the future, with the capacity to destroy missiles even before they leave the ground.

Weinstein criticizes the United States for leaving this shift out of consideration in the Atlantic Alliance debate, and for failing to recognize that its tactical nuclear war doctrine is meaningless given the fact that the only war the Soviet Union is prepared to fight is total war, with a determination to win.

Ghanaian tribal wars ensure future famine

Northern Ghana, like northern Nigeria, is being torn apart by tribal wars, with the latest incident resulting in the massacre of over 500 people in one village alone, over 300 in another, and which sent 20,000 refugees fleeing into neighboring villages. The village of Wulensi, where the incident occurred, is now deserted, and the stench of death lingers weeks later.

The government has declared the region a disaster area, and is trying to assemble a relief team to dispense aid and medical treatment. Food in the area is critically low, and the remaining tribes are refusing to work their fields or travel in the area without army protection, disrupting the planting of casava, the staple root crop, which opens the possibility of famine next year.

Ghana's economy has been bankrupted due to high interest rates and the fall in cocoa prices internationally. At independence in 1957, Ghana had the highest per capita income in black Africa and the best-educated population. Today, roads and railways are unusable, industry is running at 20 percent capacity, many closing for lack of funds to run them.

No births or deaths have been recorded since March because there is no paper to print on; educated people are leaving

the country in droves.

The government is being particularly squeezed while negotiating an IMF loan of \$1 billion. The IMF demands a massive devaluation of the currency which President Limann is resisting. The last devaluation in 1971 was followed by a military coup.

Mitterrand gives Libya license in Africa

The French government announced July 15 that it will resume arms shipments to the government of Col. Muammar Qaddafi, lifting the embargo imposed by former President Giscard, and that Libyan troops will be trained in France. Included in the French shipment will be helicopters, 30 Mirage F-1 war planes, and about 10 fast patrol boats.

Qaddafi has vowed military moves against nations opposed to his "Greater Libya" scheme.

The French in turn will receive oil exploration rights in Libya. One Washington source commented that the deal is linked to a French troop withdrawal from Africa—which would bring chaos to countries like the Central African Republic and Niger, where French troops provide support and stability to the governments.

British try to recolonize Iraq

The British have set their sights on restoring their influence in Iraq following the June 7 Israeli bombing of Baghdad. Because Iraqi-Soviet relations are bad, and because Iraq blames the United States for the Israeli raid, London is trying to move into the vacuum. The number-two man in the British Foreign Office, Douglas Hurd, arrived in Bagh-

dad July 14 to participate in the July 17 Iraqi National Day celebrations. The British press described his presence as a major step forward in British-Iraqi relations.

According to Iranian sources, the British may be planning to offer Iraq nuclear technology, or even give them a bomb capability, to tighten their influence in Iraq.

Other Iranian sources report that London will try to trade its influence in Iran to gain power in Iraq.

By promising the latter it can end the Gulf war, the British will gain points inside the Iraqi elite, eventually precipitating a military takeover in Iran that will allow an Iraqi withdrawal from Iranian territory.

Polish economy overshadows congress

As the long-awaited Polish United Workers Party congress opened in Warsaw July 14, the most dramatic news story in the Polish capital was the impending rise of food prices by up to 220 percent. The collapse of the Polish economy loomed as the most pressing problem for the leadership of party First Secretary Stanislaw Kania and Prime Minister Gen. Wojciech Jaruzelski, even as they walked a political tight rope between the Solidarity unions and liberal reformers on one side and, on the other, the Soviet Union.

A much smaller price hike in July 1980 touched off the strikes that brought down the Edward Gierek regime and led to creation of Solidarity. One year of Solidarity's strikes and Kania's political balancing act, of 23 percent wage increases next to 15 percent drop in industrial production, has brought Poland to the point where Kania, in his speech to open the congress, said that it might be necessary for a national emergency to be declared.

European fusion effort urged to expand

Europe should remain in the front line of nuclear fusion energy research, recommends a report released this month to Euratom, the European Community's joint nuclear agency.

The fusion report, assembled by scientific and industrial representatives, proposes that the joint European fusion program receive a 30 percent funding increase over the next five years; proceed with the JET tokamak (magnetic confinement installation), which should reach breakeven in the mid-80s; and expand cooperation with the U.S. fusion program, especially the fusion mirror effort.

The committee also supported upgrading the work on West German stellarator machines.

Relations stronger between Spain and Mexico

Spanish Prime Minister Leopoldo Calvo Sotelo arrived in Mexico July 15 for talks with President José López Portillo in order to reinforce state-to-state economic deals, especially oil-for-technology arrangements. The visit thus represents a counterblow against the economic warfare launched by Exxon and other oil multinationals, which have tried to undercut Mexico's commitment to industrial development.

In statements delivered en route to Mexico City, Calvo Sotelo declared that Spain will maintain its current contracts to import Mexican oil, and will attempt to shift them to a government-to-government basis as Spain's new state oil company, Nacional de Hidrocarburos, gets off the ground. He also stressed Mexico's importance for Spanish industrial investment.

Briefly

● **EIR FOUNDER** Lyndon H. LaRouche, Jr., issued an emergency bulletin July 16 entitled "Security Nightmare at Ottawa," stressing the assassination danger to *all* participants in the July 20-21 Ottawa economic summit conference. In what he called "a last-minute appeal to reason," LaRouche warned that "no one should assume that recent improvements in security arrangements in Canada have ended the threat," because, if the friends of the Trilateral Commission fail at Ottawa, they will try again elsewhere, since their strategic policy requires imposing financial collapse and global dictatorship. LaRouche calls for the outright destruction of these forces "by bankrupting them" through a gold-backed credit system fostering technological growth.

● **PAUL VOLCKER**, at hearings held July 16 by the congressional Joint Economic Committee, not only upheld his interest-rate policy in the face of international opposition, but stated that the IMF and World Bank must take a stronger roll in the international economic system. JEC chairman Henry Reuss (D-Wisc.) confirmed that his own views are those of the Bank for International Settlements. Reuss has held secret meetings to discuss intensified austerity measures imposed through reform of the U.S. Constitution.

● **MENDEZ ARCEO**, the "Red" Archbishop of Cuernavaca, presided over a high-level seminar held in Mexico City the second week in July which brought together Jesuit priests and communists to plan a new wave of "Christian-Marxist" terrorism. Mexican Communist Party General Secretary Martínez Verdugo defended the fascist Cristero revolt of the 1920s in Mexico, and pledged that in the future his party would support similar uprisings.

The 'Sarajevo' threat at the Ottawa summit

by Christopher White, Contributing Editor

Mounting evidence now exists that the heads of government scheduled to assemble in Canada for the seventh in the annual series of summit meetings are all targeted for the assassin's bullet or bomb—with the possible exception of François Mitterrand, the Socialist International's new president of France.

Featured prominently among such categories of evidence is the new round of destabilizations of the U.S. intelligence community and executive branch which was triggered, as has become traditional in this country, by exposé journalism from Katharine Graham's *Washington Post* on July 14. Watergate journalist Bob Woodward again led the charge against national institutions.

Mrs. Graham's newspaper is of course prominently associated with those same forces in the City of London and continental Europe which are staking their political and financial power on the bloodbath scenario that has been elaborated for the upcoming summit, or for the repeat gathering in London next week for the marriage of Prince Charles.

As a result of the exposés sponsored by Mrs. Graham, Deputy Director of the CIA Max Hugel has resigned: now the head-hunters are going after William Casey, for the moment director of the CIA. In this caper Mrs. Graham is acting as the spokesman for the international dirty-money and drug lobby forces who employ the Canadian-based Bronfman family which, through its funding activities, is reported to be prominently involved in the development of the ongoing scenario for the summit. Information to bring down Hugel and set up Casey was provided by the same financial circles once

associated with Investors Overseas Services of fugitive financier Robert Vesco.

These are the same circles currently the subject of major exposure in Western Europe and the United States as being behind the activities of the fascist Masonic lodge Propaganda 2 of Licio Gelli and his collaborators from the Socialist Party of Italy and the Italian fascist movement. Such circles are multiply connected to David Rockefeller's notorious Trilateral Commission through their political and financial activities.

The Ottawa summit marks an inflection point in an ongoing struggle for world power. In this struggle the London and Europe-based owners of David Rockefeller's Trilateral Commission have staked their all on breaking the international institutional foci of resistance to the implementation of their plans to reorganize the world economy on the basis of Nazi-modeled policies over the course of this summer and fall. Such forces are committed politically to the new depression which makes such reorganization necessary.

Ronald Reagan has been targeted by such circles because of his commitment, if inadequate, to the principles of the nation-state. But it is the nation-state as the institutional focus for citizens' self-organization and thus opposition to Nazi-modeled policies, which is thus also under attack.

Such targeting was described by Denis Szabo, the Director of the Criminology Department of Montreal University. Szabo is prominently connected with the networks which control international terrorism, including Louis Mortimer Bloomfield, a controller of the



Schmidt and Reagan in Washington, May 20.

Bronfman family and leading member of the Permindex organization responsible for the assassination of U.S. President Kennedy. Szabo is also connected into the Italian terrorists controlled by the Gelli P-2 lodge through such figures as criminologist Franco Ferracutti, an organizer of the Red Brigades.

"Western leaders," he said, "are pushing the planetary perspective. The problem with Reagan is that he is not of that view, and that's where he is an obstacle. On the other hand, Mitterrand and Trudeau are trying to legitimize the social system."

Szabo was not merely commenting on the ostensible political conflict that his controllers have attempted to arrange for the summit. The "planetary perspective" is his name for the imposition of a genocidal one-world regime of the type called for by Aurelio Peccei's Club of Rome, and other backers of Paul Adolph Volcker's high interest-rate policies. "The analogy to today is 1918. All powers were on the brink of collapse. You had two empires. The Russians collapsed first thanks to German subversion. That is what the Russians are doing today. An attempt at the world summit would be like the attempt on the Pope. A crazy, or a Third World country would be behind it . . . at the summit anything can happen. Third World nations need a precise moral and political reason to hate Western nations. In general the Russians are behind it. . . . In World War I it was a Serbian counterintelligence agent who killed the Archduke," in 1914 at Sarajevo.

Szabo, like former Canadian Solicitor-General Lawrence, is thus busily preparing the cover story for the assassination plan, just as Permindex prepared patsy

Oswald to take the rap for the Kennedy effort. This time it is more than the life of the U.S. President that is at stake.

Heads of state targeted

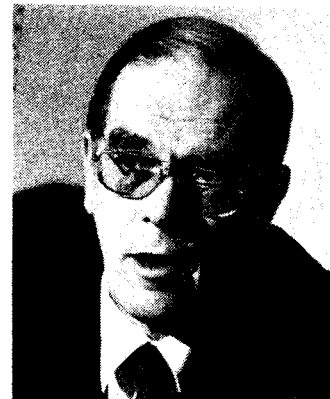
Schmidt has been singled out by the circles associated with Lawrence, and by the Toronto and Montreal newspapers which have devoted many column inches to the enumeration of the German chancellor's schedule and itinerary. RCMP evaluations place Schmidt high on the danger list. But as the head of summit security McGibbon said, "We are keeping our fingers crossed." Japanese Prime Minister Suzuki is viewed as the same kind of obstacle to be removed. Like Reagan, Schmidt and Suzuki are obstacles to the one-worlders' reorganization plans, because of their defense of nation-state interests under conditions of accelerating crisis.

Britain's Margaret Thatcher and Italy's Spadolini are viewed as expendable for different reasons. Thatcher, discredited by the last fortnight's rioting in the British Isles, has become a liability to her masters both within and more importantly outside the British Isles. Spadolini was, in any case, only put into office as a transitional figure, a disposable part to be thrown away with the assumption to power of the man slated to become Italy's new Mussolini, Bettino Craxi.

Such targeting has been leaked out repeatedly by the Canadian press over the last weeks—including repeated assessments of where the best vantage point to conduct an assassination of the heads of state would be. The *Montreal Gazette* and the *Toronto Star* have concurred that the east wing of the Ottawa parliament building would be best. For there it is claimed that an assassin may approach to within 15 feet of the heads of state entourage.

The same forces have aided major demonstrations at that site to protest various features of policy, including the El Salvador and acid rain question. Such demonstrators, as during Reagan's earlier trip to Canada which established the profile for the subsequent Hinckley attempt on the President's life, have been assisted by the Canadian Solicitor-General's Office, by the entourage of Prime Minister Trudeau, and by the same RCMP that is supposed to be responsible for the security of the heads of state. The so-called Canadian authorities continue to refuse the visiting dignitaries' security guards the right to bear arms on Canadian soil.

But at stake in the Ottawa set-up is more also than the Nazi reorganization of the world economy. Those like Szabo who in their insanity are organizing a repeat of Sarajevo, and attempting to organize the cover stories to make their theatrics stick, are also fooling around with unleashing the consequences of a rerun of such efforts, general nuclear war. The Ottawa summit also marks an inflection point in that way.



The Princeton Declaration

Speaking on July 12 to over 600 people in the small dairy-farming community of Princeton, Wisconsin, a former candidate for the Democratic presidential nomination, *EIR* founder Lyndon H. LaRouche, Jr., announced that he is making himself available for the Democratic Party nomination in 1984. But, LaRouche qualified, "my principal concern is whether our country can get to 1984."

LaRouche, a world-renowned economist, described the economic crisis produced by Paul Volcker's high interest rates, and the prospect of a 1929-style crash, telling his audience bluntly that President Reagan has caved into "the New York crowd" and "the nation is going down the tubes."

Those who came to Princeton to hear LaRouche's address—which is now being called the "Princeton Declaration"—represented the very producers of labor, farming, and business now being destroyed by the Federal Reserve and the administration's economic policies. In attendance were industrial and agricultural spokesmen from Wisconsin, Illinois, and Iowa, including Teamster, Laborers International, metalworkers, and building-trades officials; members of the National Farm Organization, the National Growers Association, and the National Cropdusters Association; farmers. Republican and Democratic officials, and businessmen.

The two national parties no longer exist, said LaRouche, chairman of the advisory board to the National Democratic Policy Committee, which is wholly independent of the National Democratic Committee. The key to saving the nation now is bipartisan grass-roots politics.

He was addressing an audience that was overwhelmingly Republican, and 100 percent Reagan voters last November. LaRouche attacked Reagan harshly for capitulating to Volcker—and the audience stayed with him all the way. Republican county commissioners, former local Republican candidates, and Republican township committeemen, signed membership cards for the National Democratic Policy Committee. "You are right," a Democratic voter told him afterward. "There is no national or state Democratic Party organization. If you come in and work with us and build 1 to 20 county

organizations around the state, we will *be* the Democratic Party."

~ ~ ~

I now announce my availability to become a candidate for the 1984 presidential nomination of the Democratic Party.

This announcement is not the result of the kinds of personal ambition which have driven most recent decades' candidates to seek that election. I have chosen this difficult and dangerous profession because our nation is presently in the gravest danger in more than a century, and because no other qualified public figure of national recognition has come forward to provide the alternative pole of policy-making leadership our nation, and the world desperately require at this time.

This decision to announce my availability is one of two strategic decisions I reached during the last weeks of June. This was the result of added information I received during several weeks of meetings with congressmen and other influentials in Washington, D.C. The immediate strategic purpose of this action, together with other actions my friends and I have launched, is to free the Reagan administration from the grip of the powerful and thoroughly evil forces behind Secretary of State Alexander Haig and Federal Reserve Chairman Paul A. Volcker, as I summarize the explanation of that matter to you now.

I decided to withhold public announcement of my availability to become a candidate until I first informed those gathered for tonight's meeting, here in Princeton. Those assembled here tonight typify in cross-section all of those citizens around the nation to whom I would wish to deliver this announcement first.

I now account to you the reasons for my decision.

I begin with the economic situation.

On June 14th, the most powerful central bank in the world, the Bank for International Settlements, announced to the world's news media that the present high interest-rate policies of the United States are pushing the entire world toward a new depression, a

depression which would probably be worse than that which dominated the period between the previous two world wars of this century. This analysis of the Reagan administration's present economic policies is scientifically correct. This analysis is shared by nearly all of the best-informed highly placed circles in Europe and other parts of the world.

Most well-informed circles agree that the new Hoover collapse will probably occur at some point during the next six months. Among those who predict a specific month at which the new Hoover collapse is most probable, the month of October is generally chosen. The significance of the month of October is that the first 15 days of October will determine whether or not the world's bankers have been willing and able to roll over the hideous mass of debt payments which come due at the end of September.

The new depression could be stopped. However, since the British-directed overthrow of President Giscard in France, the only institution which could still prevent the new depression is the government of the United States. Faced with that challenge, the Reagan administration has recently decided not to oppose Haig and Volcker; it has decided to capitulate entirely to the forces which control Haig and Volcker, and on practically every kind of policy, not merely economic policy.

By all ordinary kinds of calculations, unless the President reverses his present policies between now and the summit meeting scheduled for Ottawa, Canada, later during this month of July, all of the combined political and economic conditions for a new Hoover-style collapse will be in place. So far, every indication from State Department sources which are coordinating the Ottawa summit agenda is that Haig's State Department is acting to rig the agenda so that President Reagan will have no opportunity to change his mind, to oppose the depression-causing policies of the Trilateral crowd.

As one senior Democratic congressman stated to me, the Reagan administration is now repeating every foolish economic policy which Herbert Hoover and Andrew Mellon committed preceding the October 1929 crash. There is no exaggeration in that comparison. Not only is the administration repeating, in the crudest fashion, every blunder Hoover and Mellon committed. The administration is bashing our trading-partners on tariff and trade policies in the most idiotic fashion. For those old enough to remember, or who have studied that part of our history, this is an exact repetition of the Smoot-Hawley policy which made the last world depression so deep and so dangerous.

These are not President Reagan's own policies. They are the policies of the same Trilateral crowd which created and controlled the pathetic figure of Jimmy Carter. The President has capitulated to the pressures of

the forces behind Haig and Volcker.

This capitulation of the President could not have occurred if most of the Democrats in the Congress had not spent most of the recent months running for the position of Democratic Party national mascot. If a large percentage of the moderate Democrats in the Congress had adopted a competent set of alternative policies on credit, banking and taxation, they could have negotiated a different pattern of legislation and other actions with the White House. Without the support of such a force of Democrats the President lacked the strength to combat the Friedmanite nuts in his own party and administration. It was those Friedmanite nuts in his own party, together with creatures such as Texas's Rep. Phil Gramm in the Democratic Party, which created the conditions under which the White House crawled so shamelessly before the backers of the Trilateral Commission.

The situation in the national Democratic Party outside the Congress has been far worse than the chaotic picture of the Democratic faction in the Congress itself. In state after state around the nation, beginning with the state of Michigan, the Democratic Party organization is disintegrating. Although I have nothing personally against Democratic National Committee Chairman Charles Manatt, the DNC under his leadership has been so far a bureaucratic dog-and-pony show. The DNC has ignored totally the issues which are tearing the nation apart. It is this miserable performance of the Democratic Party leadership in the Congress and the DNC which is causing the accelerating tendency for disintegration of Democratic organizations in states such as Michigan and many others soon to follow.

In the area of defense and foreign policy, except for the President's two meetings with Mexico's President José López Portillo, the present foreign policies of the United States, under the direction of Alexander Haig and Richard V. Allen, are even more lunatic and catastrophic than the present economic policies. Haig has continued the policies through which Kissinger and Brzezinski gave Iran to Moscow, a Moscow which controls the dominant forces in Iran from the inside today.

Two flanking actions

After examining the situation in Washington at very close range, I made two decisions.

The first decision, which I proposed to my friends, was that we immediately launch a massive educational campaign to expose the direct connection of the Trilaterals, including Kissinger, Haig, and Volcker, to an exposed fascist organization in Europe, the "Propaganda Two" lodge of Nazi-occupation-period war-criminal Licio Gelli. Since the Rockefeller interests and George Ball are covered all over with connections to dirty

operations of this fascist crowd, informing many of the honest citizens of those newly exposed facts about the Trilateral Commission is obviously one of the only efficient ways in which to weaken the Trilaterals' grip over the Reagan administration. This flanking action is especially effective since the U.S. news media have been covering up a massive scandal which has been out in the open for weeks in much of the leading news media of Europe. It is not difficult for the citizen to discover that the facts we are exposing are completely true, and that those who attempt to hide those facts are engaged in a provable, very dirty cover-up effort.

I decided that a second flanking-action was needed.

Therefore, I have chosen to open this campaign to bypass the Democratic National Committee, and to preempt national policy leadership of the moderate forces of the Democratic Party and its traditionalist business, labor, farmer, and minority constituencies.

Since, after deducting one after the other those national figures who are making gestures toward becoming the 1984 nominee, I am the only national figure of the Democratic Party committed and otherwise qualified to lead a fight against both the Socialist International and Trilateral Commission, it is my clear obligation to step forward more boldly at this time, to make the effort to preempt national leadership of moderate Democrats.

If the two actions I have chosen succeed, then it becomes possible to defeat the imminent depression. If large numbers of citizens mobilize against the evil forces of the Trilateral Commission, that evil force allied to Rockefeller and George Ball can be weakened greatly. If the moderate forces of the Democratic Party are willing to rally quickly enough around a new pole of leadership, we, together with patriots in the Republican Party, can undertake bipartisan policy-actions to save this nation from a looming disaster.

Whether this twofold flanking attack against Rockefeller's crowd will succeed, I do not know. Perhaps it is too late to save the United States from the disaster into which we have drifted this past 15 years. Perhaps the citizens of this nation are too weakened in their power to act on the basis of reason to find in themselves the power to rally against catastrophe. That remains to be proven.

Whether my efforts succeed or not has no bearing on the rightness of my decision. This nation, this civilization deserves to be given at least one more chance to test whether or not it is morally able to mobilize itself to survive. It would be monstrously immoral and cowardly of me not to do everything within my means to give the good people of our nation at least one more chance to find a rallying point around which to mobilize themselves so that this republic might survive.

Interview

Montreal welcomes U.S. investment

Three months ago the population of Québec re-elected the Parti Québécois of Prime Minister Lévesque into office. Lévesque had run on a progrowth platform in opposition to the Club of Rome orientation dominating the Ottawa administration of Prime Minister Pierre Trudeau. Since then Québec has been waging a battle against Ottawa's constant drive to strip the province of its sovereign rights, notably on energy resources. At present Ottawa's Energy Minister Marc Lalonde is attempting to pass a law that would give the federal authorities the right to expropriate Québec land at will! This would allow Ottawa to seize a corridor of Québec territory so that Newfoundland could sell electricity to the United States as part of an effort to make the U.S. more dependent on Canadian energy supplies. Québec rightly argues that any large energy (such as hydroelectricity projects) investments on the part of the United States would have to be part of an overall development project for Québec.

The capital of Québec, Montreal is a city of 3 million inhabitants which is still in full expansion under the growth orientation of Mayor Jean Drapeau, in power since the 1950s. It was Drapeau who invited French President General de Gaulle to Montreal in 1967.

This interview with Claude Piché, Commissioner of Industrial Planning for the city of Montreal, was conducted in Montreal by Garance Upham Phau on July 5.

Phau: For our readership, my first question is: would you consider massive U.S. capital investments in Québec as something beneficial to both parties?

Piché: What do you mean by massive? For this had been suggested in the context of Québec's energy resources development. The United States was interested in the financing of the whole of Québec's hydroelectric installations for about \$50 billion, and that can be considered massive. The position of Québec at that point—and I am not speaking as a representative of the government—was that it was too massive, it gave too much importance to a foreign investment with the obvious control that fol-Montreal has very adequate equipment for that. So, for the port of Montreal, the future looks very bright. . . .

lows. But beyond that I think that American investment, or foreign investment, but especially American, is always well received by Canadians generally and especially by Québécois. . . .

With a population base of 6 million, Québec cannot always draw on its own resources to invest, it needs foreign capital. Several sectors are open for investment, and our universities turn out an important number of bilingual graduates. Québec, in this respect, has highly qualified professional human resources which can be drawn upon and which can be interesting to American enterprises dealing with European, particularly French, technology. That's one element. Then there are the energy resources of Québec, all the other natural resources we have.

Phau: What's happening with the proposal of Montreal's mayor, Mr. Jean Drapeau, for a rapid train from New York to Montreal?

Piché: That project is dear to Mr. Drapeau, even if some think it's too avant-garde. The government of Québec has accepted participation in the financing and the feasibility study, and some American partners have also expressed interest, but without committing themselves on the funding. The project is in a preliminary stage. . . .

Phau: What technology would be used?

Piché: Possibly French, because the French have demonstrated mastery of that technology with the fast Paris-Lyon train to operate this fall at the speed of 260 kilometers per hour. It is not excluded that speeds of 300 kilometers could be reached by the time, in 5 to 10 years, the New York-Montreal train would be realized; then it becomes very interesting for the inhabitants of both cities. It would also go through Albany and therefore be of interest to the capital of the state. . . .

Phau: What about the other industrial projects of Montreal, especially port development?

Piché: The port of Montreal is presently advantaged by the high cost of energy, because it is more and more attractive for shipping companies to supply the North American market as close as possible to the market. This highlights in a spectacular fashion the geographical advantages of Montreal's port. The city was, besides, founded as the most advanced post, the farthest west, of the northern part of the continent, because one could not go farther without changing modes of transportation. Now there is the St. Lawrence maritime waterway to Chicago and Detroit, but that's not open all year round, it is closed five months of the year.

Furthermore, the port is advantaged by the revolution in maritime transport over the past 15 years. With containerization one can manipulate all sorts of merchandises very rapidly and with complete security, and

Phau: How about Montreal's exports, like the subway for Mexico?

Piché: The Bombardier company has effectively received a contract with Mexico for the manufacture of subway cars. It is the result of a promotional effort on the municipal as well as federal level. As for the Montreal subway cars, it is a French technology that has been adapted and improved by our engineers, and which is now very competitive on world markets. It is an illustration of what I was telling you about Québec's highly skilled graduates, who can take French or American technology and improve on it. For example, in Montreal we developed further, and even got ahead, in the technology of word processing, on the basis of an American technology which we improved upon. The same thing with aviation, as in the case of the Challenger Jet. . . .

Phau: Volcker's policy of high interest rates exists here: do you see that as a brake on development?

Piché: I am not an economist. We certainly see that enterprises hesitate to accept a priori interest rates of 20 or 22 percent. . . . Well, of course, it puts a damper on development prospects. And in my work I am more often called upon to work with small and medium-sized enterprises rather than with the big ones, which have their own financing capability and are less affected.

Phau: Comparing Québec to the U.S. one is struck by the lack of population here, the visible result of a British policy of underpopulation. The winter may be rough, but the development potential is like Siberia's, which is immense.

Piché: Ah, yes, it is a new frontier! See all the space yet to be developed, the perspectives are really extraordinary for Canada in general, for Québec. To the extent that American investment sees the possibility of making a profit and of ensuring long-term development perspectives here, to the extent that those investments are compatible with Québec's own personality, I don't see why anyone would object.

In conclusion, I would like to add something on the industrial policy of Montreal. The city of Montreal, like the majority of the great cities of the Northeast of the continent, has seen a phenomenon of relocation of enterprises and manufactures on its periphery. Now the city has decided to take on the problem and provide industrial parks for traditional industries within the municipal territory itself. But also the city has set up an industrial planning body to intervene in the relocation, restructuring—restoration if you wish—of the old industrial zones. For example, we are planning large investments in the old industrial sector of Montreal to try to redevelop those zones. Montreal wants to reverse the balance favoring service industries at the expense of manufacturing.

Supreme Court rules against Krishna cult

by Sanford Roberts

A recent cartoon in the *Philadelphia Inquirer* picturing a grinning Supreme Court justice pinning a "Bug Off" sign on a gaggle of hapless Hare Krishnas tells the story. On June 22, 1981, the Court decided their first case involving the much-hated Krishna cult and determined that the cult must abide by the booth restrictions imposed by the officials of the Minnesota State Fair.

There is a great temptation to enthusiastically applaud the Court's decision in *Heffron v. International Society of Krishna Consciousness*, as a remedy for the pestilential Krishna swarms who presently infect the nation's public places. However, the Heffron decision could be misused to jeopardize legitimate free-speech activity. We use the phrase "legitimate free speech" to distinguish the purpose and conduct of organizations interested in promoting public discussion of vital political and religious issues from kook groups like the cow-worshipping Hare Krishnas. The litigious Krishnas have cynically used the First Amendment as a monetary scam against the general public to finance the cult's nefarious activities, which include gun- and drug-running.

The reason why the Hare Krishnas have spent hundreds of thousands, perhaps even millions of dollars litigating against the imposition of a "booth rule" is quite simple. Like any good thief, a Hare Krishna must be as light on his feet as he is with his fingers. Confining the cult's alms-beggars to a well-marked booth will preclude the Krishna tactic of posing as solicitors for the Catholic Relief Mission or National Candy Week or the American government or any other dozens of impostures. It will also preclude another favorite Krishna fund-raising tactic of simply snatching money from the unwary and disappearing into the crowd. The Krishnas call these techniques "Transcendental Trickery" and indoctrinate their alms-begging recruits in this methodology.

An examination of the text of the *Heffron* opinion indicates that the Court was careful to define the circumstances where the booth rule is appropriate. For instance,

booths are appropriate to the state-fair situation because everyone at state fairs is required to use a booth for the display and marketing of their wares. It is also claimed that booths are necessary for the effective functioning of the fair, and that if everybody was afforded the same unrestricted right the Krishnas sought, chaos would be the certain result.

But the Court noted that city streets, for example, are another matter. "A street is continually open, often uncongested, and constitutes . . . a necessary conduit in the daily affairs of a locality's citizens. . . . The flow of the crowd and demands of safety are more pressing in the context of the Fair. As such, any comparisons to public streets are necessarily inexact."

This distinction leaves open the possibility that future Court decisions could determine that other First Amendment forums, such as airports, and bus terminals, are more akin to public streets than state fairs are, and therefore are not covered by the *Heffron* precedent.

One explicit safeguard which the Court built into *Heffron* was the notion that the establishment of a booth system mandated reasonable access to the general public. As Justice White wrote of the situation at the Minnesota Fair: "The booths are not secreted away in some nonaccessible location but are located within the area of the fairgrounds where visitors are expected, and indeed encouraged to pass."

The potential First Amendment problems arising from *Heffron* are not found in the legal technicalities of the opinion in that case. Rather, the problems flow from certain public officials and administrators who need very little pretext to harass First Amendment activity. These public "servants," motivated either by bureaucratic laziness or political animus, see *Heffron* as giving them the right to impose greater restrictions on free speech.

An example of this behavior occurred in June where the officials of the Pittsburgh International Airport denied members of the International Caucus of Labor Committees (ICLC) their First Amendment right to solicit money for political purposes. This denial was predicated upon a totally inaccurate, and probably deliberate, misreading of *Heffron*.

Any administrator who rubs his hands at *Heffron* expecting court approval for repressive policies should think twice.

Surprisingly enough, the Burger Court has, over the past 10 years, facilitated the pleading of civil-rights suits against local and state officials. Under 42 USC 1983, any person acting "under color of state law" to deprive a citizen of his or her constitutional rights is liable for monetary damages. Section 1983 provides a remedy for persons victimized by any administrator who abridges constitutional liberties.

In the post-*Heffron* era, certain overzealous officials may get a quick and severe lesson in constitutional law.

Union-busting by the courts

If a recent Appeals Court decision stands, the "right-to-work" agitators will have had their dreams come true.

In a decision which will subject labor leaders to potentially massive legal penalties for union organizing activity, the Ninth Circuit Court of Appeals last month ruled that the Racketeer Influenced and Corrupt Organizations Act (RICO) can now be used to prosecute actions otherwise reserved for state criminal jurisdiction.

In its decision, the Ninth Circuit reinstated indictments dismissed by the U.S. District Court against five Teamster leaders. The indictments were brought by the Los Angeles Organized Crime Strike Force of the Justice Department on Nov. 20, 1979, against union officials from IBT locals 389 and 186 who were engaged in an organizing drive at a moving and storage company in Thousand Oaks, California.

If the implications of the court's decision are drawn out to their logical conclusions, a fist fight on a picket line during a legitimate union strike could become the subject of a RICO indictment with possible 20-year jail sentences for each RICO count.

Coming at a time when leading unions like the Teamsters and Laborers International are under prejudicial attack by the Justice Department networks associated with "postindustrial society" economic policies—to which such unions are firm obstacles—the court decision amounts to a legalization of what heretofore has been strictly a Jus-

tice Department frameup campaign against union leaders.

Before the court's decision, picket line violence, for example, if it occurred during a legitimate labor organizing campaign or a strike, was reserved to the states for prosecution. The Supreme Court ruled on this specifically in 1973 (*U.S. v. Enmons*), finding that "even if the language and history of the Hobbs Act were less clear than we have found them to be, the act could not properly be expanded" to cover what is otherwise a matter for state criminal prosecutions.

The Hobbs Act, aimed at prosecuting extortion, does not cover union violence during a legal strike, the Supreme Court found, because Congress did not intend "to put the federal government in the business of policing the orderly conduct of states."

When Justice officials of the Los Angeles Strike Force sought indictments against Teamster leaders under RICO, they were determined to circumvent this explicit body of judicial opinion. Their indictments, accordingly, were thrown out by District Court Judge Takasugi. By reinstating the indictments, the Ninth Circuit has accepted the Strike Force's position: RICO can be used to bust unions, where the Hobbs Act cannot be.

By this decision, the Ninth Circuit Court of Appeals accomplished in one stroke what the Na-

tional Right to Work Committee had only dimly hoped to achieve through a campaign to revise and expand the Hobbs Act. In a letter dated March 10, 1981, the president of the notorious antilabor organization, Reed Larson, attacked the Supreme Court's *Enmons* decision and issued the battle cry: "We can stop union terrorism in America if we act now."

Instead, the Ninth Circuit Court of Appeals has acted for them.

Some businessmen looking to shave labor costs and others who are similarly lacking brains may applaud the Ninth Circuit's decision. Why that is stupid is exemplified by the history of the number-one target of the Justice Department's RICO indictments, the Teamsters.

Jimmy Hoffa and other Teamster leaders—including currently indicted leader Roy Williams—did not build the union against the trucking industry. During the 1930s and 1940s, they built the union by building the trucking industry, introducing a "master freight contract" that introduced informal regulation where before there had been only cutthroat competition. The Teamsters saved many a trucking firm by permitting temporary pay differentials until a struggling new or troubled company was on its feet and able to turn a profit—making sure, in that fashion, that transportation prospered everywhere that it was needed. In that way, they helped build the industrial power of the entire nation through efficient and reliable transportation. Industrialists have prospered because of the Teamsters trade union—and then, the Teamsters made sure that their members got a piece of the prosperity.

Reuss supports IMF position on Ottawa

Joint Economic Committee Chairman Henry Reuss (D-Wis.) urged the administration to adopt the International Monetary Fund position at the Ottawa summit, during committee hearings July 15. Reuss told Meyer Rashish, Undersecretary of State for Economic Affairs, that the Europeans would probably tell President Reagan, "We are glad that you are pursuing tight control of your money supply, but when you combine that with huge budget deficits resulting from enormous increases in military spending and a large tax cut, the deficit overwhelms the savings coming from other budget cuts. This deficit drives up interest rates, so wouldn't it be better to cut into military spending and the size of the tax cut so as to reduce interest rate pressures?"

At the time Reuss was calling for this program, the word was around Washington that the IMF's annual surveillance report on the U.S. economy contained similar recommendations on cutting military spending.

Reuss is endeavoring to present himself as "spokesman for the Europeans" while he pushes IMF dictatorship over the United States. On July 16, Reuss and nine other Democrats on the Joint Economic Committee released a letter calling on the administration to respond positively to European demands that something be done about high interest rates; the letter was not specific.

But Reuss, in the July 15 hearings, made clear what he meant. "The first time the Europeans brought this up, they were clumsy. Now they know that they cannot change monetary policy and hope instead to change the mix of monetary and fiscal policy and urge a lower deficit through cuts in defense spending and the size of the tax cut."

On June 26, the JEC released a report entitled "Monetary Policy, Selective Credit Policy and Industrial Policy in France, Britain, West Germany, and Sweden." At first glance, a critique of high interest-rate "Thatcherite" policies, the study has a deeper motivation, as revealed in Reuss's introduction, which reports favorably that "all four [countries] faced problems of short-run crisis management, and all experienced the need for long-run structural adjustment to restore the competitiveness and profitability of industry, particularly in export markets, while rationalizing production and shifting away from such traditional components of the modern industrial base as shipbuilding and steel. Each country, in the end, relied on its system of credit and finance in making these shifts."

House passes aid to drug enforcement

By a vote of 248 to 148, the House of Representatives July 15 adopted an amended version of legislation which will allow the U.S. military to assist in certain drug enforcement efforts.

Originally sponsored by Rep. Charles Bennett (D-Fla.), the legislation, now a part of the fiscal 1982 Defense Department authorization (H.R. 3982), changes so-called posse comitatus provisions of existing law which have prevented the military from engaging in any civilian law enforcement.

Supporters of the change have argued that military assistance to drug enforcement, in the form of information and equipment—for example, radar tracking of illegal drug flights—and manpower can make a critical difference in the fight against the influx of illegal narcotics.

After going through several permutations, the House version now stands as follows: The military may assist civilian authorities involved in drugs, immigration, or customs matters with operations and maintenance of equipment outside the land area of the United States (with the exception of radar facilities which can be used within the land area of the United States), and, at the request of federal drug enforcement authorities, may assist in seizures and arrests (again, only outside the land area of the United States).

The Senate has passed a less comprehensive version of the amendment, and differences must be resolved within the conference committee.

Opponents of the measure variously charged that it would open the door to militarization of the United States, or that it would create an inflammatory situation on the Mexican border.

Senator prods Reagan on guest worker program

New Mexico Republican Senator Harrison Schmitt took the floor of the Senate on July 9 to urge President Reagan to maintain his commitment to a "guest worker program" for Mexican workers. Reagan, during his campaign, and in the early days of his administration, indicated that he would implement an "open border" policy toward Mexico which would allow Mexicans to enter the U.S. as temporary "guest" workers.

On Jan. 5, 1981, Schmitt and other Western senators such as Paul Laxalt (R-Nev.) and Barry Goldwater (R-Ariz.) introduced S. 47, the United States-Mexico Good Neighbor Act, which would establish such a program.

Schmitt made his floor statement after several cabinet meetings apparently failed to resolve an administration approach on immigration and guest worker questions, but which seemed to imply a weakening of the President's original commitment. In his statement, Schmitt said, "While the administration is favorably disposed toward creation of a temporary worker program, there are recent indications that the proposal will be for a very, very small program of around 50,000 persons. In my opinion, such a program would be too small to be of any value and would be overwhelmed by the continuation of illegal migration."

While Schmitt was joined on the floor by Senators Goldwater and Hayakawa (R-Calif.), he faced

opposition from another senator, Alan Simpson (R-Wyo.), who chairs the Judiciary Committee's Subcommittee on Immigration and who agrees with the "sealed border" approach of the Hesburgh Commission.

House members warn of economic crisis

No less than five members of the House Committee on Banking, Finance, and Urban Affairs warned in the strongest terms July 14 that the United States faces the possibility of "massive" financial failures over the coming months that could threaten the "integrity of the entire financial system."

Committee members, many pointing an accusing finger at the Federal Reserve Board and its chairman Paul Volcker, heard Federal Home Loan Bank Board Chairman Richard Pratt acknowledge that fully one-third of the nation's 4,700 savings and loan institutions are "not viable under today's conditions" of usurious high interest rates.

"It's not an economic Dunkirk we face," Rep. Henry Gonzalez (D-Tex.) stated, "but an economic Waterloo. I believe," Gonzalez continued, "that Chairman Volcker is quite eligible for impeachment. Unless we invoke an emergency and consider these forces [interest rates] as controllable by the sovereign government rather than as an act of God," we cannot stem the economic slide.

Representative Frank Annunzio (D-Ill.) agreed with Gonzalez

and said that "President Reagan has my complete sympathy in inheriting the problem of Volcker. People keep saying that the Federal Reserve is an independent agency—that's hogwash!" Annunzio exclaimed. "This situation is a lot more serious than people think and if it's not turned around we're going to be talking about David 'Herbert Hoover' Stockman."

Representative James Blanchard (D-Mich.) pointed to the run on several institutions "going on in my state right now." "It wouldn't take too many failures in too many states," he told a witness, "to destroy the integrity of the entire financial system. Many members of this committee have been concerned for some time that there could be widespread failures. Some are saying we are sitting on a ticking time-bomb."

Republican Gregory Carman (N.Y.), deriding legislation that would allow interstate and inter-industry mergers to bail out failing financial institutions, told witnesses that he didn't "see how these problems will be solved with your proposals.

"Financial ill-winds are blowing hard right now and by January they'll be blowing at gale force."

Fellow Republican Norman Shumway (Calif.) similarly ridiculed proponents of regulatory changes: "If there was a massive financial institution failure and the FDIC [Federal Deposit Insurance Corporation] was called upon to bail out all the individual depositors, aren't you putting your neck further in the noose?"

National News

California pest spray under dilution?

California Gov. Jerry Brown reversed himself on July 10 and allowed spraying of the pesticide Malathion to save the state's multibillion-dollar fruit and vegetable crop from devastation by the Mediterranean fruit fly.

Yet, despite the fact that Brown has been forced to act, and the courts failed to block the spraying program that began July 14, the danger is more real than ever. Pesticide consultants report that the concentration of Malathion being used in the spraying program is not great enough to eradicate the pest, whose area of infestation has increased from a 630-square-mile area to cover at least 2,082 square miles.

They report 2.4 ounces of Malathion per acre being used, and compare that to previous experience in Texas and Florida where 5 to 8 ounces of Malathion per acre were required to gain control of the infestation.

Pesticide experts further note, contrary to Brown's claims in justifying his year-long delay on spraying, that toxicological feeding studies done with Malathion showed that a person could eat 10 square feet of Malathion bait each day for 47 days and would still not have consumed the amount of Malathion necessary to create a harmful effect in humans.

Klenetsky declares against Koch

Mel Klenetsky, a New York Democrat, threw his hat into the mayoral ring at a July 8 rally outside the World Trade Center. Klenetsky has the backing of *EIR* founder Lyndon LaRouche. The rally was held outside the site of hearings on a bill for "free enterprise zones" sponsored by New York Representatives Robert Garcia and Jack Kemp.

"Crazy Eddy [Koch, New York's mayor] is supporting" the bill, said Klenetsky. "Ghetto areas would be cleared of government regulation including those pertaining to worker safety. Tax shelters would be given to labor-intensive industries, creating a new set of sweatshops in the free-zone areas like the devastated South Bronx ghetto.

"I am running for mayor in the Democratic primary to stop 'Crazy Eddy' from implementing the Global 2000 plan in New York City.

"I want to move forward with an industrial renaissance that will increase the skill levels of New York's citizens and increase the tax base so that New York City can provide the services needed to meet that goal. I say 'never again' to Koch's proposal for a 'Warsaw ghetto.'"

Klenetsky's campaign, which is winding up a petitioning drive to place him on the September primary ballot, plans mass leafletting that details how incumbent Koch has been implementing de-urbanization of his own city.

Percy, Bradley want energy emergency scheme

Senators Charles Percy (R-Ill.) and Bill Bradley (D-N.J.) are cosponsoring S. 1354, the Emergency Preparedness Act of 1981, ostensibly to deal with a new energy-supply crisis, whose advent Percy has been predicting for months.

The legislation, according to Senate Energy Subcommittee staff, would provide "that market forces will be allowed to determine price and product allocation"; a "standby recycling plan" for funneling windfall profit tax revenues into "emergency block grants . . . to alleviate the economic hardship"; possible "reduction in income tax withholding rates and increases in Social Security payments"; "an adjustment in the windfall profit tax that would eliminate the tax on newly discovered oil but would increase the tax rate on incremental revenues resulting from the disruption"; and

"a draw-down plan for the Strategic Petroleum Reserve . . . to ensure access to crude supplies by adversely affected domestic refiners . . . probably through a limited competitive sale or auction."

This plan, which parallels the recent recommendations of the multis' National Petroleum Council, was the subject of hearings July 14, at which spokesmen for Georgetown University's Center for Strategic and International Studies urged that the International Energy Agency be given greater powers to carry out the same policies internationally that the Percy-Bradley bill would impose domestically.

State Department spokesmen Meyer Rashish and Robert Hormats indicated that the administration might prefer to deal with emergency measures after a crisis struck.

Qaddafi hand in U.S. riot operations?

Over the first 10 days of July, conferences held by Jesse Jackson's Chicago-based "Operation PUSH" (July 6 to 10), and by Rev. Herbert Daughtry's National Black United Front in New York City (July 2 to 5), set the agenda for the black population to "get out into the streets."

Beginning in June, Jackson, whose PUSH received a substantial government grant for work with minorities, branded Reagan's policies as "racist" and pledged to fight the budget cuts with demonstrations in the streets of the kind not seen since the ghetto riots that took place in 1967-69.

Through conduits such as the American Ramallah Foundation and the United Holy Land Fund of Chicago, informal sources estimate, Jackson, Daughtry, and others are receiving upwards of \$100 million from Libya's Muammar Qaddafi to "build a revolutionary movement."

Reports of this funding cohere with an ongoing coagulation of black and Arab radical groups in the United States.

In early May, for example, the Pales-

tinian National Congress in Damascus, Syria, not only brought together radical Palestinian factions ranging from the PLO to the terrorist Black September. Also attending were U.S. black nationalist Imam Baraka (a.k.a. Leroi Jones), who played a provocateur role in the Newark riots of 1967, and other representatives of the U.S. black movement.

At both the PUSH and NBUF conferences this month, the major theme was the linking up of U.S. black radical movement with the "armed revolutionary struggles" of blacks in southern Africa, and revolutionaries in the Caribbean and Latin America.

Texas water bill passes statehouse committees

A bill to ensure water development in Texas sailed through two key committees in a special session of the Texas State House of Representatives July 13. Governor William Clements had convened the special session to consider the vital water bill and other measures in this "drought or drench" state.

The Constitutional Amendments Committee and the House Natural Resources Committee sent the water bill, which had been passed by the House in regular session, but was stymied in the Senate, back to the House again, and met its strongest opposition in the Senate.

The bill, proposed by Texas House Speaker Billy Clayton, one of the Southwest's most powerful progrowth political figures, calls for a constitutional amendment for voter ratification to allocate 50 percent of the state's annual budget surplus as a trust fund for water projects. This fund would be available to local water authorities as collateral for bond issues to finance construction of dams and locks in order to improve water allocation.

Opposition, mainly environmentalist, comes from the Sierra Club, the Texas League of Women Voters, and Democratic Lt. Gov. William Hobby.

DOE flaunts McCormack fusion law

Washington sources report that the Department of Energy submitted a report to Congress in early July indicating that it was "premature" to establish a Center for Fusion Engineering (CFE). The Magnetic Fusion Energy Engineering Act of 1980, passed last year by an overwhelming majority in Congress, mandated that the DOE complete a progress report on the CFE by July 1.

The six-page report was prepared by N. Douglas Pewitt, acting director of the Office of Energy Research, and reportedly does not represent the views of the DOE Office of Fusion Energy. Pewitt distinguished himself throughout the congressional budget hearings by insulting the U.S. fusion effort and calling the 1980 fusion act "a permissive piece of legislation."

The Pewitt-authored report says that because of the current fiscal situation, all the specifications laid out in the fusion legislation could not be met on schedule. The law mandates that the fusion program build a fusion engineering device by 1990 and a commercial prototype reactor by 2000.

Pewitt is a lame-duck leftover from the Carter administration. His replacement, fusion scientist Dr. Alvin Trivelpiece, has been appointed by President Reagan but has yet to be confirmed. If Trivelpiece is not confirmed before Congress adjourns in August, Pewitt will be in charge of all the DOE budget work on the fusion program to get the fiscal year 1983 budget ready for Congress.

Washington sources report that Rep. Marilyn Bouquard, who chairs the House Science and Technology Committee's Subcommittee on Energy Research and Production, which reviews the U.S. fusion program, is furious at the Pewitt report. The Tennessee Democrat is reportedly writing a letter to DOE Secretary James Edwards saying that the Pewitt report does not comply with the law. She also may hold new hearings.

Briefly

● **THE AFL-CIO** is preparing a major campaign against Labor Secretary Ray Donovan, targeting the secretary with grievances over antilabor and anti-OSHA decisions actually made by his Heritage Foundation-linked subordinates.

● **KEN KRAMER**, Democratic congressman from Colorado, denounced the insufficiency of current U.S. defense and called for the development of lasers capable of shooting down enemy missiles before they can reach their targets, in an early-July speech before the College Republicans in Chicago.

● **CYRUS VANCE**, former Carter Secretary of State, under whose aegis the genocidal *Global 2000 Report* was authored, is now heading the Lawyers for Koch group that backs the re-election of New York City Mayor Edward I. Koch. Vance has contributed \$1,000 to Koch's campaign. Other heavy backers include: \$5,000 each from David Rockefeller and Edgar Bronfman; \$3,000 from Chemical Bank head Donald Platten; Billygate's Armand Hammer gave \$2,500. Contributors of \$1,000 include IBM's Thomas Watson; AT&T's William Ellinghaus; former Treasury Secretary C. Douglas Dillon, and the ubiquitous Felix Rohatyn.

● **DR. STEVEN BARDWELL**, editor-in-chief of *Fusion* magazine, will give a briefing for the press and diplomatic corps in New York City July 29 on his new study, "The World Needs 10 Billion People: A Scientific Refutation of Global 2000," which argues that future global economic growth will be impossible unless there is a general expansion of population growth rates worldwide.

Crude oil tax fight surfaces

A group of conservative, pro-energy Democrats could hold the key to Reagan's tax package.

A little-publicized fight is shaping up in the corridors of the Congress that promises to have a possible swing effect on passage of President Reagan's overall tax bill this month.

At issue is the President's campaign pledge to repeal or substantially lessen the impact of the so-called crude-oil Windfall Profits Tax of 1980. For those who may have forgotten, that piece of Carter administration legislation was devised by Deputy Energy Secretary John Sawhill, in cahoots with his friends at Robert O. Anderson's Atlantic Richfield Company.

The Windfall Profits Tax would ensure that the aggressive exploration by some 12,000 independent producers in the United States was sharply restricted while prices were raised. Had that succeeded, Carter zero-growth strategists would have moved closer to stopping energy growth and imposing economic "deindustrialization" (OMB's whiz kid David Stockman prefers to call it "postindustrialization") on the domestic economy, using energy as the weapon. The law mandates leeching \$227.3 billions away from productive energy production into the Treasury over the next decade.

The tax most severely affects the very sector of the industry that plays the most vital high-risk role, namely, the independents who, because of the structure of the industry, do most of the so-called "wild-cat" (drilling in untested fields) ex-

ploration. Last year, for example, independents drilled 88 percent of all oil and gas wells in the U.S.

This sets the stage for the present congressional fight. Ironically, the members of Congress playing the most constructive role in delivering on the President's campaign pledge are members of the House's new "swing bloc," the Conservative Democratic Forum, led by Charles Stenholm, a Roscoe, Texas Democrat. They are the backbone behind the amendment proposed by Kent Hance, another West Texas Democrat.

The Hance amendment, H.R. 2451, would give exemption to independent producers for the first 1,000 barrels per day of production. A similar bill, sponsored by Sen. Lloyd Bentsen (D-Tex.), passed the Senate last year, only to lose in the House, at a time when it was far more liberal. Hance has been quietly gathering cosponsors and by press time, may have a full House majority in support of his bill. However, one of Hance's cosponsors is "conservative" Texas Democrat Phil Gramm, who despite his pretense of supporting the Hance bill, has begun to lobby against it, saying the U.S. can't afford the exemption.

This has posed an interesting dilemma for the President. Knowledgeable sources report his personal inclination is to back the independents. But OMB axe-man Stockman, Treasury head Regan,

and their agents like Gramm have insisted that the Hance-Bentsen bill will "upset" the President's budget. Stockman, who posed in Congress as the champion opponent to the Windfall Profits Tax, is on record opposing both the Hance bill and oil depletion—his true Harvard anti-industry colors are showing. It's causing a good many independent oil producers who believed Stockman was "one of us" to do some rethinking.

Treasury Secretary Donald Regan last week called the Hance bill "a real budget buster" that would knock out \$4 billion. The Joint Tax Committee calculates it will cost \$1.7 billion the first year if restricted to independents.

I made an informal poll of some leading spokesmen for the independent producers. Most are Republicans who went all-out to get Reagan into the White House. All back the Hance 1,000-barrel exemption. They are rightly worried that, with ongoing high interest rates and soaring inflation in drilling costs, doubling the amount of drilling needed to open up significant new energy reserves over the next decade will never happen.

Bud Stewart, president of the Energy Consumers and Producers Association in Seminole, Oklahoma, pointed to the negative impact of the recent drop in the price of crude, which deprives independents of that much more exploration capital. "Now is the time" to move against the Windfall Profits Tax, Stewart emphasized.

I have a constructive suggestion for the President: repeal the entire confiscatory tax, and make up the deficit by forcing the Federal Reserve to bring interest rates down below 10 percent.

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Robyn Quijano
Editor