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EIR

From the Editor

This week's Special Report continues *EIR's* series of military policy analyses with a commentary by Editor-in-Chief Criton Zoakos on the significance of the Reagan administration's decision to make the neutron bomb a leading feature of its arsenal. That significance, he writes, is not the particular radiation qualities of the weapon, but the wilder and wilder commitment in Washington to a limited nuclear war doctrine the Soviets explicitly and unqualifiedly reject. The notion that Moscow will play by Weinberger's rules has been insinuated into the Pentagon and Foggy Bottom by British Foreign Secretary Lord Carrington, whose fundamental miscalculation is that the U.S.S.R. will never upset the geopolitical apple cart by calling the Anglo-American bluff.

Our International coverage features the verdict that, on the question of North-South relations as well, "the big tough U.S. is run by the British Foreign Office," as one analyst put it. The "mediators" for the October summit in Cancún, Mexico between the advanced sector and the Third World are those Commonwealth operatives, headed by the Club of Rome's Trudeau, most devoted to population reduction and enforced backwardness.

National intelligence this week includes two reports on the air controllers' strike as a preliminary phase of militarizing the U.S. economy, breaking the remaining strength of labor unions, and dismantling the national air transport system into a shrunken array of separate "hubs." I also call your attention to *EIR* founder and Contributing Editor Lyndon H. LaRouche, Jr.'s document on "The Method Used to Corrupt Federal Courts," which provides a basis for distinguishing Jesuit/Benthamite philosophies of law from constitutional law.



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A surprise in the works on raw-materials prices?

by David Goldman, Economics Editor

The universally depressed state of advanced industrial economies during the next several quarters is inconsistent with a continuation of the surprisingly strong trend in the prices of some commodities. Most commodity price forecasts which envision a strong rise are simply following the "consensus" scenario for a fourth-quarter economic recovery in the United States. The extraordinarily poor level of inventories of most industrial raw materials would then, according to such forecasts, produce spectacular price increases, perhaps on the scale of 1973.

EIR does not believe that there is any basis in the real world to expect an economic recovery this year, especially not in the industries which are the heaviest users of raw materials, e.g. construction. Those forecasters who assume continued poor economic performance, such as ACLI, cite the reported 8 percent drop in world trade (in volume terms) between first-quarter 1980 and first-quarter 1981 to argue for continued price softness. Nonetheless, even under depressed economic conditions, the commodity markets are capable of a surprise.

Although the Moody's commodities index in the United States stood at 14 percent below its July 1980 level during July 1981, and the Reuters index showed only a 3 percent rise, a handful of commodities registered impressive price gains during the second quarter of this year. Between the end of May 1981 and the end of July, copper had risen 22 percent; zinc 15 percent; coffee 7 percent; and nickel 9 percent. Of course, copper's current price of 91 cents not only stands well below the highs of 1973, but below the level required to put new mining production on line in most of the world. Compared to

the year-earlier price, the end-July price shows only an 8 percent gain, roughly the general rate of inflation in the advanced sector.

Poor economic news expected for the next few months implies that even these modest gains are highly vulnerable in the short term. In the Aug. 5 issue, the Swiss daily *Neue Zürcher Zeitung* attributes the cited price increases to exceptional factors: "The leading developments on international raw materials markets during July were principally determined by abrupt changes on the supply side. Weather factors caused a dramatic upward turn in coffee prices. In the case of lead and zinc, reports of labor conflicts strengthened a trend towards tight supplies that was noticeable for some time."

The industrial slackness prevailing in the United States, including the defense sector, has already forced one major molybdenum producer to drop prices by 9 percent, considerably dampening enthusiasm for the passing fad in "strategic materials." Sharp output drops in the auto and housing sectors, and slower than expected growth in the electronics industry, bode poorly for copper demand.

Nonetheless, the position of the commodity markets with respect to the global monetary picture changes the standard identities the forecasters use. High interest rates have increased demand for money, by raising the world's debt-service bill, while depressing industrial demand for raw materials. Present symptoms are those of a classical bubble, on the Mississippi Company or South Seas Company model. Credit demand in the United States is rising at 32 percent per annum in the corporate sector, coinci-

dent with a federal deficit probably in excess of \$100 billion (see Domestic Credit), while developing nations' indebtedness is growing at a 35 percent annual rate (see International Credit). Much as M. John Law would have insisted throughout 1719 that the Mississippi Company remained a good investment, the managers of the present bubble foresee no problems in continuing this practice indefinitely. What *EIR* thinks of this argument appeared on our cover two weeks ago ("Ten Years Since Aug. 15, 1971: From Dollar Bankruptcy to Breakdown," in *EIR*, Aug. 11).

The standard method by which overextended firms or countries come back into line with their underlying prospects, i.e. the discounting of their paper's collateral, will prevail in the present case. Since the collateral of most of the developing sector's debt is raw materials, for the most part traded on international commodities markets, the implied result is a devaluation of the dollar against the price of raw materials, and, implicitly, against competing currencies. For this reason the West Germans are entirely unconcerned about the sudden weakness of the German mark against the dollar, which rose to 2.58 marks on Aug. 11. Within two days the dollar was back down to 2.49, a movement of 4 percent. As this publication has argued for some months, the U.S. dollar is in a *fundamentally weak position*, regardless of short-term fluctuations.

The significance of commodity collateral for Third World debt is a principal topic of discussion both in the private sector and at the international institutions. Last week in this space we cited the potential importance of the Salomon Brothers-Philipp Brothers merger as a vehicle for such collateral arrangements. Philipp Brothers Chairman David Tendler put it this way to the London *Financial Times* on Aug. 12:

"Asked for examples of the kind of deals [Salomon and Phibro] might do together, Mr. Tendler said he believed that the new firm could play an important role in easing the problem of debt among less developed countries. Increasingly, he believes, Third World countries will find it hard to borrow solely on the strength of the good name of their government. Instead, they will be forced to borrow against their commodity assets, in which case Phibro would go in and assess the collateral and 'commercialize' it. Salomon could then arrange and underwrite the financing." Commercial banks have already indicated enthusiasm for this type of financing.

On the price side, the old commodity price-stabilization scheme forwarded by the United Nations Council on Trade and Development (Unctad) is likely to take shape by March 1982, State Department sources report. Although the United States will not, in all likelihood, become a signator to the proposed Common Fund, the Canadian government will apparently take the lead on behalf of advanced-sector countries to establish the

agreement. The proposed fund would lend money to commodity-producing countries to enable them to withhold raw materials from the market in the event of a price drop, on condition that they apply any windfall gains from rising commodity prices to repayment of debt. If the 90 countries required to form the institution come together next year, the credibility of the commodity-collateral scheme will gain some points.

Strictly speaking, a form of commodity cartel is already in operation, as of the merger between British Petroleum and Selection Trust, in which the Anglo-American mining giant holds 26 percent, and the formation of the new Anglo-American holding company Minorco, which controls 27 percent of the new Phibro-Salomon combination (see *EIR*, Aug. 18, 1981). To the extent that collapsed industrial demand has not reduced copper prices, unexpected contraction of mine output in Zaire, Zambia, Papua New Guinea, Peru, as well as Poland, is responsible. On this basis, copper mining companies expect continued tight stocks, preventing a drop in demand from adversely affecting the copper price, and ensuring that any significant rise in demand will send the copper price through the ceiling. Should the Philipp Brothers plan take effect to mortgage the assets in the ground of developing countries, the trading arm of the world's largest raw materials combination, the Anglo-American group, will have substantial new leverage in the market itself.

The overextension of dollar paper and the scramble for hard-asset collateral imply, at some point in the near future, a major devaluation of the paper against the collateral, i.e., a rise in commodity prices and a fall in the dollar's value against other currencies. In the monetary sphere this will shortly become evident in the case of gold, which is the raw material of signal importance to the individual investor. The cross-winds of fundamental weakness in the credit structure and weak industrial demand for most raw materials make the price movements of the near term entirely unpredictable. Still, the underlying tendency pushes toward a period of substantial commodity-price inflation.

The commercial banks, less than conducting an orderly arrangement to collateralize a debt mass in the developing world that will near \$700 billion by the end of 1981, are scrambling to attach their paper to something of known value. Whether an orderly liquidation-sale of the assets of Third World debtors might proceed in the manner Phibro believes is doubtful. The proper example to cite is the Florentine loans to England during the 13th century: the Bardi and Peruzzi first collateralized their loans to the English crown with all the wool produced in one year in England; to the refinancing of the first loan, all the sheep; to the next refinancing, all the pasture land. The English crown's subsequent default set the Florentines back for two centuries.

Third World debt: \$159 billion

The total is 60 percent higher than usually admitted; the IMF intends to make hay with refinancing needs.

New evaluations of the size of Third World indebtedness, which requires urgent new financing, puts the figure at \$159 billion, not the \$95 to \$100 billion normally cited in the press. This debt figure has been swollen by \$44 billion in interest payments alone, due to Federal Reserve Board Chairman Paul Volcker's high interest rates.

Within this context of enormous Third World debt-refinancing needs, and the inability of the commercial banking system to handle the strain, the International Monetary Fund is making a grab for control of world lending.

The usual estimates of non-oil-producing less-developed country (LDC) indebtedness is either the \$96 billion, cited by such banks as Manufacturers Hanover of New York, or the amount that it will take to refinance the non-oil-producing LDCs' current-account deficit for 1981, which IMF managing director de Larosière placed in a July 3 speech at \$97 billion.

But the problem with these two numbers is that they are *mostly exclusive* of one another. The \$96 billion figure is solely medium-term and long-term indebtedness of the non-oil LDCs, broken down between \$62 billion in repayment of principal and \$34 billion alone in payment of interest. This latter interest payment is *also included* in the statement of the Third World's current account. But the current account, which does not include me-

dium- and long-term debt amortization, does include the trade and services, as well as invisible deficit of the Third World for this year. All of that must be financed short term, overwhelmingly through bank borrowings, in the form of 90-day loans against letters of credit, or in the form of bank loans for supplier credits. This figure is equal to the current account minus the interest payment on term debt or \$63 billion in short-term borrowings to cover the current-account deficits. Included within that \$63 billion is the repayment of about \$10 billion in interest on short-term borrowings of this year alone.

Thus, total Third World debt is \$62 billion in medium- and long-term debt amortization; \$34 billion in interest on outstanding medium- and long-term debt; \$63 billion in this year's current-account deficit items, inclusive of \$10 billion in interest on that account alone. Total non-oil Third World debt is thus \$159 billion, with a total of \$44 billion in interest.

William Schwartz, chief international economist for Manufacturers Hanover bank, confirmed Aug. 12, "I would say that \$60 billion above current levels of medium-to-long-term debt must be added on for 1981 to cover Third World current-account deficit borrowing needs."

The banks must prepare to roll over \$100 billion, yet, the scale of such financing puts the world on

the path of hyperinflationary blow-out, because at least the interest sum on this debt, \$44 billion, requires new revenues from somewhere, as does the increment in the total debt of the Third World.

While the banks will continue to do the lion's share of the debt refinancing, the British colonial forces clustered in the directors' offices of the IMF hope to use the threat of a Third World debt blowout to impose IMF financing terms and conditionalities—the austerity conditions that reorganize a Third World country's economy—on the Third World debt-refinancing market. In this way, the IMF can shape the world in its own anti-capital-intensive perspective.

Robert Heller, chief international economist of the Bank of America, reported Aug. 12 that the IMF has increased the number of its standby agreements with Third World countries to 50 countries by the end of 1981, a tripling of the level since 1974. All these countries, even if they don't get IMF funds, will have to submit to the Fund's conditionalities. IMF loan commitments in the first seven months of 1981 total already \$14 billion, a record.

But the IMF and its British controllers will use the debt crisis, which will be on the agenda of the October Cancún North-South summit, to increase IMF authority (see International). According to an aide to Shridath Ramphal, the secretary-general of the British Commonwealth, the leading demand of the Commonwealth at Cancún will be to increase the authority of the IMF and World Bank, ostensibly because they make loans at lower interest rates than the commercial banks.

Off-market transactions

South African, Japanese, and other practiced investors are taking advantage of certain special channels.

As my more faithful readers remember, I recently reported that ancient and wealthy European families were using the slump of the price of gold, obtained through the services of their protégé across the Atlantic, Paul Volcker, to acquire large amounts of the metal at very cheap prices, in view of the predictable disgust for paper currency that will seize much of the investment world soon.

Since the purchasing of significant quantities of gold on the market would not fail to provoke hectic price increases, the gentlemen are simply bypassing the market, leaving it to less-informed individuals, and passing their private deals off-market, which offers great advantages, such as secrecy.

One manner in which this has been occurring is this: while in the recent past, a number of developing countries were trying to accumulate some reasonable gold stocks, the horrors inflicted upon the international financial and monetary system by Mr. Volcker have bared them of currency reserves, publicly or privately owned, and are forcing them to liquidate such gold stocks as they had acquired.

Sources close to the Tanzanian government reported to me that a score of black African nations have sold a total of several hundred million dollars worth of gold, off-market. And that went (in return for dollars whose long-term value cannot be guaranteed) to those who

buy for long-term purposes, and not to market-based speculators in search of fast profit.

That may help explain stories that a variety of journalists have recklessly issued concerning what they called the large fall in the producers' ability to sell gold. It is known, for example, that Moscow has been sharply reducing its consignments to Zürich customs of late. The very influential *Edel-Metall Marktbericht* published in Frankfurt by an interesting West German company, Degussa, which in its long existence has absorbed or controls many important precious metals companies, such as Comptoir Lyon-Alemand of Lyons, France, reports that "the Soviet Union is occasionally returning to the market, but with little quantities. One reckons with sales no larger than last year, around 100 tons." South African mines, Degussa reports, suffer the effects of inflation which represents a significant cost-push factor, which world market prices will not even out.

Why should the South Africans not have their own off-market operations? I can think of a little-known organization in Munich which specializes in just this sort of transaction. I incidentally remember witnessing a few conversations in Hamburg between Russian and South African experts over the last years.

Degussa additionally reports that "alone, Japan reports for the

first half of 1981, especially in June, a sizable increase of the gold imports, at 64 tons for the first six months of this year, as compared to ca. 31 tons for the whole of 1980."

Wise are the Japanese. I had luncheon in New York not long ago with a senior official of the Japanese government, who asked what my counsel might be concerning his nation's policy for precious metals?

"Should I possess so many dollars as your country presently does," I told him, "I should swap as large quantities of these for gold, and this, most secretively."

My Japanese interlocutor then giggled, which I took as expressing some degree of understanding of my views. The above report may reflect this, in part.

In this vein, one should also turn to Siena, Italy, and its bank, the Monte dei Paschi di Siena. (The curious name comes from the times when the capital of that bank was entirely derived from the collection of rights of pasture for cows grazing within the confines of the Republic of Siena. I should add that the bank's "unlisted assets accumulated through the centuries" is the manner in which this bank presented its own capital base, which apparently did not consist of shares, before the last world war.) Siena melters are presently busy reducing gold jewelry into bullion, in the context of flows of wrought and raw gold between Italy, Syria, the rest of the Arab world, and the Soviet Union. These flows have reversed from previous patterns, indicating, as in the other cases I described here, the growing tendency to circumvent those exposed and incongruously noisy marketplaces in London and Zürich.

Staying out of economic traps

Bankers are remarkably serene about the mark's recent drop, as Chancellor Schmidt reasserts his control.

Deutschemark exchange rates to the dollar are bumping along at ever lower levels. Our German banking friends coolly expect that the mark may even drop as low as 2.80 to the dollar before the tide changes. Yet, no one here is very nervous: as recently as one or two months ago such a weak mark would have unleashed screams of "crisis of confidence in the D-mark," oracles of all sorts would have appealed for higher interest rates, more "adjustment" to lower oil consumption, and especially more Bonn budget-slashing.

Various attempts to cut the chancellor off from his trade-union factory council and shop-steward base are also being beaten back, so the chancellor has gained significantly in his domestic political strength. There is a general recognition here that the euphoria attached to "Reagonomics" has a short lease on life, and so industry listens all the more readily to the official German Trade Union Federation (DGB) accusations that both the Bundesbank and the "five wise" economic advisers to the government were simply undermining the economy when they spread the "crisis of confidence" rumors.

Last week, Dr. Otto Schlecht, state secretary in the economics ministry, said in an interview that "the main issue for us is not to fall into the traps set by those who want us to launch a short-term demand-stimulation program, nor those

pied-pipers who are recommending that we adopt a Brüning policy, like the last German chancellor before Hitler's seizure of power." Dr. Schlecht, who has been in the ministry longer than the present economics minister, Graf Otto von Lambsdorff, carries more weight with both industry and trade unions than the minister himself. Most people say that is because of his "objective expertise," a prized quality here. Actually his authority is based on his consistent track record of reminding industry that investments are what counts, especially on those occasions when industry is tempted to throw a budget- and wage-cutting tantrum.

Dr. Schlecht further stated that he would not be at all surprised if there were a 2.20 mark/dollar rate by the end of the year, although banking sources say he was being polite.

The D-mark is expected to strengthen even more, especially as long-term capital investment has begun to flow into Germany, DM 1.7 billion in June, but accelerating as people seek real economic investments to replace their short-term dollar holdings. The overall current-account deficit is improving steadily, and the government is having no problems placing its bonds with OPEC (2.9 billion in June, 3.8 billion in May). This development, Dr. Schlecht reported "will establish the precondition for the Bundesbank to get more ma-

neuversing room for a monetary policy that leads to lower interest rates. That would be the best investment and employment program we could imagine."

Far overshadowing the hot tempers in the coalition in the wake of the Ottawa summit, when drastic budget-slashing austerity was the favorite game of the smaller Free Democratic (FDP) coalition partner, is the fact that "no one really wants us to pursue an American-style policy," as Chancellor Schmidt stated in a television interview. That fact has taken the wind out of the FDP sails, and also dampened the enthusiasm of the Bundesbank for the dictates of "cooperation" among central banks. The chancellor, reflecting the strength he has gained from the trade-union blasts against Bundesbank "independence," publicly reminded the central bank's President Poehl that he really ought to know better than to expect such "cooperation" to protect the German economy against the expected dollar blowout. Asked whether the mark should be "decoupled" from the dollar, the chancellor rather feistily replied that "the deutschemark is not even coupled to the dollar. The Americans decoupled from us 10 years ago," without "consulting the allies," which is once again common practice. "I was finance minister then, and Mr. Poehl was my state secretary," the chancellor recalled. "Oh, well, that was a long time ago"—but not so long ago that the present Bundesbank head can afford to disregard the reminder about where his real loyalties in a crisis must lie. Bankers have responded that the chancellor's interview was proof to them that "Schmidt is back in his element."

A pathological flow of funds

Foreign money has rushed in for borrowers, who throw it into debt refinancing or speculation.

The body is bloated while the muscles waste away: this is the proper medical description of the economy under Federal Reserve Board Chairman Paul Volcker's regime. By setting interest rates high, only those industrial firms or investment outlets promising a rate of return greater than the prime lending rate—now 20 percent—can obtain funds. Yet because of this very policy, money has come flooding into the United States from abroad. In the first half of 1981, corporations obtained a record \$69 billion in external sources of funds, including funds obtained from stock issues, bonds, and bank borrowings. Taxable and tax-exempt corporate bonds sold by nonfinancial U.S. corporations in the first six months of 1981, at \$25.6 billion, is 70 percent of the total of all such bonds issued for the entire year of 1980, and 1980's level was the highest level of corporate bonds sold in U.S. history.

The value of new stock issues for the first half year of 1981, at \$11.6 billion, is greater than the total figure of stock issuance for any year in the 1970s. Corporate short- and medium-term bank borrowings grew at a hefty rate. Much of this financing activity drew on funds supplied from abroad. The higher yields offered on U.S. paper attracted at minimum an influx of \$40 to \$50 billion into the United States in the first half of 1981. A sizeable portion also found its way

into real-estate speculation, currency arbitrage, and other speculative repositories.

All in all, thanks in large part to the ocean of foreign money sweeping in, the United States was rife with funds. But these record amounts of funds did not find their way into the productive sectors of U.S. industry and agriculture. Instead, they merely lubricated the growing illiquidity of U.S. corporations.

Two ratios exemplify the worsening of liquidity. In 1980, the ratio of corporate liquid assets (cash and Treasury and other securities that can be immediately turned into cash) to short-term debt stood at 0.67. This meant that in times of a crisis, a corporation could cover 67 cents on each dollar of its debts out of its liquid assets pool. By comparison, in 1945, the liquid assets to short-term debt—or liquidity—ratio, was 4.84, or six times what it was in 1980. However, by the end of the first quarter of 1981, the short-term liquidity ratio had fallen to 0.61: a drop of nearly 10 percent from the 1980 level in just one quarter!

In fact, the level of corporate liquid assets fell from an average of \$193.2 billion for 1980 to \$187.7 billion during the first quarter of 1981.

What happened is that more and more corporate funds are going into paying off the escalating interest payment on outstanding

debt. The ratio of interest paid on corporate debt to gross corporate internal funds for 1980 averaged 58.5 percent. This means that the amount that nonfinancial U.S. corporations disburse solely on payment of interest on outstanding debt in the course of 1980 is equal to 58.5 percent of the amount they spend on corporate capital spending. But, by the end of the first quarter of 1981, the ratio of interest paid on corporate debt to gross corporate internal funds jumped to 63.4 percent. The absolute amount of interest debt payment corporations pay jumped from a level of \$115.29 for 1980 to \$138.85 billion on an annualized basis, by the end of the first quarter of 1981.

More and more money is passing through the U.S. economy, and yet the once-healthy organs of the economy barely see the money for more than a few days before it passes out through them in the form of debt service to the banks.

Moreover, on top of this, nonfinancial corporations also spent \$35 billion in the first six months of 1981, and \$9 billion in the five subsequent weeks on corporate takeovers. The nonproductive and inflationary activities of debt refinancing and corporate takeover financing, consumed at minimum 60 percent of externally obtained funds by U.S. corporations.

Consider this: the velocity of money in the United States is such that the entire \$100 billion in New York city clearing house banks checking accounts turns over every four hours, and the banks clear \$1 trillion a week.

The economy is flush with cash, yet none of it is ingested into the industrial sector to aid the physical economy.

USDA sells half the 'butter mountain'

Despite State Department sabotage efforts, USDA is taking the steam out of the antidairy lobby.

The U.S. Department of Agriculture announced officially during the first week of August that it would sell 220 million pounds of butter held in government stockpiles to New Zealand for a total of \$155 million. That's less than the government paid American dairy farmers for the butter under the dairy price support program, but it's a respectable contribution to recouping government expenditures. Beyond the sale proceeds proper, several million dollars worth of savings in warehousing costs can be added.

The sale is the first action by the government to move dairy product stocks held by the Commodity Credit Corporation that administers the price-support program into commercial export channels. The CCC now holds 440 million pounds of butter, 530 million pounds of cheese, and 740 million pounds of nonfat dry milk.

Since at least the beginning of the year, when the David Stockman and Common Cause-coordinated attack on the dairy industry went into high gear, producers have been demanding USDA action.

The butter sale has been blocked by the State Department for more than a month. In one more episode in his ongoing war with Agriculture Secretary Block, Secretary of State Haig implored President Reagan that the butter should be kept in government warehouses rather than allowed to fall into So-

viet hands. The Soviets were the only serious buyers in the market.

"Frankly, I prefer to sell," Secretary Block argued publicly, but Haig torpedoed even plans to sell the butter to brokers or traders. It would send the "wrong signal" to the Soviets, he said.

The New Zealand sale, reportedly complete with a clause prohibiting resale to the Soviets, was drummed up to move the matter off dead center. Though Haig's tough-guy routine is still intact, there is apparently nothing to stop New Zealand from selling their own ample dairy product output to the Soviet Union.

The "surpluses" bought by the government and held in government warehouses have been the pretext for attempts to strip down the dairy program, the strongest of the federal farm programs. But as producers have explained, the unusual buildup of "surplus" stocks over the past year did not result from the 80 percent parity price-support level. Instead it was the result of such extraneous factors as Paul Volcker's usurious interest-rate policy, which has prompted dairy manufacturers to let the government store the product inventories they usually maintain in the commercial pipeline.

Considerable evidence existed, furthermore, that the CCC was complicit in helping to create the stockpile buildup by refusing to use its existing authority to move sup-

plies into commercial markets.

While dairy producers were being branded as "freeloaders" and the dairy program attacked as a "giveaway" by David Stockman, dairy producers have been put into an economic bind made tighter by congressional bows to the Reagan administration's demand that the April 1 price adjustment be eliminated, effectively freezing dairy prices at the October 1980 level.

From 1979 to 1980, a study done by North Carolina State University extension economist G. A. Benson showed, dairy producers' losses rose from 34 cents per 100 pounds of milk to a substantial \$1.34 per hundredweight.

The so-called surplus of milk could change rapidly into a disastrous shortage, Benson warns.

The first steps to getting CCC action on dairy sales were taken last spring when Sen. John Melcher (D-Mont.) proposed an amendment, which was adopted, to the 1981 Farm Bill directing the secretary of Agriculture to undertake a sales program. The House Appropriations Committee included similar directives in the Appropriations bill for fiscal 1982. Early in the year, CCC reached an agreement to supply Mexico with 60,000 tons of dry milk amid rumors that Mexico would have taken much more had CCC presented better terms.

As late as a week before the announcement of the New Zealand sale the entire effort was threatened with a new round of DOS objections. Strong intervention from members of Congress, including Congressmen William Wampler (R-Va.) and Charles Stenholm (D-Tex.) and Senator Robert Dole (R-Kan.), helped keep the project on course.

World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
	U.S.S.R. from U.S.A.	Present grain supply agreement extended for another year. Soviets will buy at least 6 mn. tons and guaranteed up to 8 mn. tons during year beginning Oct. 1. USDA officials say they welcome Soviets buying heavily in fall and seeking additional purchases next year.	In addition, the U.S. still has offer for extra 6 mn. tons of corn and wheat, good until Sept. 30.
\$590 mn.	Iraq from Yugoslavia	Ivan Milutinovic-Pim will build the port city of Um Qasr for Iraq. Contract includes building 31 warehouses, 57 cranes, and related facilities.	
\$107 mn.	Iraq/Jordan from West Germany	MAN has won order for 400 trucks for convoys from Aqaba port in Jordan to Iraq.	Needed while Iraqi ports repaired from war.
\$153 mn.	New Zealand from U.S.A.	The New Zealand Dairy Board bought 100,000 tons of butter from the U.S. Commodity Credit Corporation surplus stockpile. The butter, much of which is 3 years old, will be made into commercial-grade butter oil.	N.Z. expected to use U.S. butter to cover for added N.Z. butter sold to Soviets.
	India from Pakistan	State cotton boards of the two long-feuding neighbors reached agreement for Pakistan to supply India with 100,000 bales short- and medium-staple cotton during September. It makes up for Indian shortfall.	India-Pakistan trade had been almost nil.
\$490 mn.	Saudi Arabia from South Korea	Saudi National Guard has awarded a 2,288-house project to SAMHO.	Guard has placed 5 orders worth \$2.2 bn. since May.
\$200 mn.	Turkey from Switzerland/West Germany	Engineering for 900,000 ton capacity new silos in Turkey will be provided by Siloplanning consortium which is composed of Swiss Bank Corp. affiliate, Peters Windels Timm and Surbeck of Germany, and BMB of Turkey.	
\$320 mn.	Abu Dhabi from U.S.A.	Chicago Bridge and Iron will build three 80,000 cubic m. LNG storage tanks, four 50,000 cubic m. LPG tanks and related plants at Abu Dhabi's new liquefaction plant in Persian Gulf.	Being built on swamp to blast-proof specs.
UPDATE			
\$1.2 bn.	Peru from Brazil/U.S.S.R./France/Sweden/U.K.	Peru is negotiating with Norberto Odebrecht construction co. of Brazil an integrated project to divert river flows from the Amazon basin, under the Andes to Peru's arid Pacific coast. Project will also provide hydro power. Most interesting is the multinational aspect of project. Soviets already have Peruvian agreement for \$200 mn. worth of equipment. Odebrecht is seeking \$950 mn. construction orders to go equally to itself, Skanska (Sweden), and Tarmac (U.K.). Brazil and France would supply remaining \$50 mn. equipment.	All govts. involved have pledged low-interest financing; Soviets recently agreed to sharing such projects with Brazilian companies.
CANCELED DEALS			
\$100 mn.	Poland from U.K.	Cementation Intl. of England has broken contract to build skyscraper hotel in Warsaw because of \$700,000 in unpaid bills.	Polish PAP news agency said U.K. had received \$50 mn.
	Australia from Canada	Alcan has canned Bundabert aluminum smelter because of depressed aluminum market.	

Nuclear power still stalled under Reagan

by John Schoonover and Lydia Schulman

Whatever favorable sentiments the Reagan administration may have expressed about nuclear energy, the Federal Reserve's high interest-rate policy and continuing regulatory and environmentalist delays are jeopardizing the completion of plants currently under construction. Situations in two parts of the country illustrate how far along this process is.

The first is the plight of nuclear units 4 and 5 of Washington Public Power Supply System (WPPSS), the nation's largest municipal power utility. Citing mushrooming costs, the "Don't Waste Washington Initiative" is trying to halt construction on the plants by subjecting all state bond issues, including future WPPSS bonds, to a public vote. Washington's Governor Spellman has formed a commission of prominent businessmen who will conduct "a thorough economic analysis" of the plants and look at potential alternatives.

But it hardly takes a major economic study to discover why the cost of the plants has escalated so dramatically. For \$2.5 billion in principal borrowed to construct the plants, the utility will pay more than \$8 billion in interest charges, bringing the total cost to nearly \$11 billion. (The cost for five WPPSS plants is now estimated to be \$23 billion.) Interest rates on WPPSS bonds has risen steadily since construction on units 4 and 5 began, from 5.86 percent for the first issue to 11 to 12 percent now.

A second endangered project is Bailly Nuclear One under construction by Northern Indiana Public Service Company (NIPSCO). Here, the major factor has been continuing regulatory delays and environmentalist challenges. Bailly Nuclear One was first announced in 1970, but it wasn't licensed until 1974. To date, the only construction that has taken place has been digging the foundation hole and driving some of the test pilings for the foundation. In issuing its second-quarter report July 31, NIPSCO announced that it may now have to stop construction entirely because of continuing "political and emotional factors, regulatory delays, and other hos-

tility."

NIPSCO has issued a seven-page chronology of its unending court battles to get Bailly Nuclear One built. We excerpt from it here as a case study in how nuclear power development continues to be sabotaged in the United States.

8-27-70 NIPSCO applies to Atomic Energy Commission for Construction Permit.

5-15-72 Intervenors admitted as parties to public hearings.

5-1-74 Atomic Energy Commission issues Construction Permit for Bailly Nuclear One.

5-6-74 Intervenors appeal to Atomic Safety & Licensing Appeal Board.

10-16-74 Court of Appeals grants the Intervenors' petition to stay certain construction activities.

4-1-75 Court of Appeals sets aside the AEC Order, permanently enjoins construction of Bailly Nuclear One and orders the excavation filled.

11-11-75 U.S. Supreme Court reverses the 4-1-75 decision of the Appeals Court.

5-77 Representative Sidney Yates, (D-Ill.) requests Cecil D. Andrus, Secretary of the Interior, to intervene in the Bailly case and block construction of the unit.

5-17-77 Secretary of the Interior Andrus informs Representative Yates that Department of the Interior will not intervene.

9-14-77 Department of Interior contacts NRC requesting remedial action by the Commission of the DOI's complaints concerning NIPSCO's dewatering process, monitoring program and evacuation plans.

9-28-77 Pile-driving activities at the Bailly site are suspended at the request of the NRC until additional information can be supplied regarding the jet drive placement of long piles.

12-30-77 NIPSCO announces the change of the projected in-service date of Bailly Nuclear One from 1982 to 1984, citing repeated construction delays caused by the obstructionist tactics of interventionists.

01-31-78 NIPSCO announces that preliminary estimates indicate the delay from 1982 to 1984 will increase the cost of the project from \$705 million to \$850 million. . . .

2-07-79 NIPSCO requests NRC to extend latest completion date for permit for Bailly One from 1979 to 1985.

2-28-79 NIPSCO receives copies of intervenors' re-

quests to the NRC to hold hearings on the extension of the construction permit.

8-31-79 NIPSCO amends its request for extension of Bailly One construction permit from 1985, to 1987, 98 months after the NRC concurs on resumption of pile placement.

6-9-80 NIPSCO learns that the City of Gary, [Indiana], USW Local 6787, Bailly Alliance, Save the Dunes Council, and the Critical Mass Energy Project had filed a request for action with the NRC to suspend and revoke the construction permit, asserting that construction should not be resumed at the Bailly site until the NRC considers whether the surrounding population can be evacuated in case of a nuclear accident.

9-24-80 The National Audubon Society, National Wildlife Federation, Sierra Club Legal Defense Fund, Izaak Walton League of America, Natural Resources Defense Council, and National Parks and Conservation Association also request NRC to prepare a supplemental EIS [environmental impact statement] for Bailly Nuclear One.

10-3-80 Cecil D. Andrus, Secretary of the Interior, by letter requests John F. Ahearne, Chairman of NRC, to have the NRC prepare a supplemental environmental impact statement for Bailly Nuclear One.

11-3-80 NIPSCO announces extension of Bailly Nuclear One in-service date to 1989.

3-5-81 NRC informs NIPSCO that the pile placement method is acceptable and that the company may drive the safety-related piles after necessary revisions have been made in the quality assurance/quality control manual for pile installation.

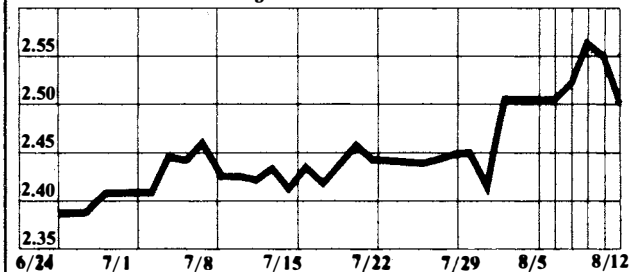
5-26-81 NIPSCO announces estimated cost of Bailly Nuclear One is now \$1.815 billion [from initial \$700 million] with an in-service date of 1989 citing the continuing effect of double-digit inflation on direct and indirect construction costs, and an increase in the allowance for funds used during construction.

7-31-81 As part of a news release regarding the company's second quarter ended June 30, 1981, "it is becoming increasingly difficult to plan to achieve commercial operation of Bailly Nuclear One in 1989" as a result of (1) a July 1, 1981, decision of the U.S. Court of Appeals for the District of Columbia, and (2) a July 10, 1981, denial of the company's request to begin hearings on the construction permit extension on Sept. 15, 1981. "The company recognizes that if political and emotional factors, litigation delays, regulatory delays, and other hostility result in making the 1989 operation unachievable, construction of Bailly Nuclear One may have to be terminated."

Currency Rates

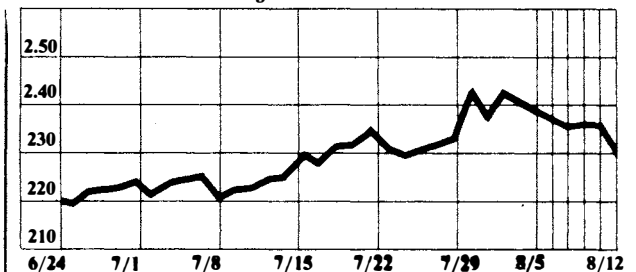
The dollar in deutschemarks

New York late afternoon fixing



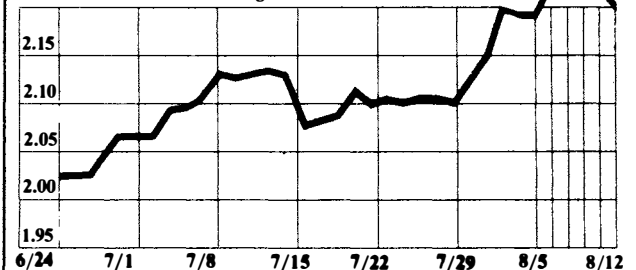
The dollar in yen

New York late afternoon fixing



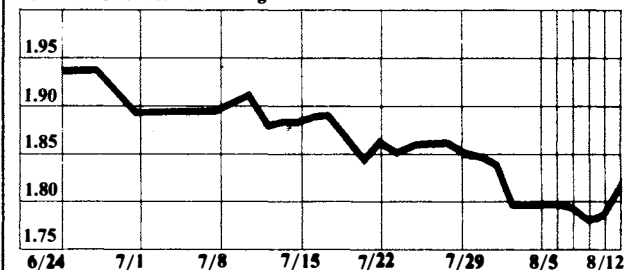
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Business Briefs

International Credit

Japan now number two in world banking

Japan's international banking has now emerged second only to the U.S. in volume due to mushrooming growth in the past couple of years. According to Bank for International Settlements estimates, Japanese banks' external dollar assets amount to approximately \$100 billion, compared with U.S. banks' \$140 billion. (Neither figure includes securities firms, corporations, etc.)

Much of Japan's growth has come as a result of OPEC countries placing new dollar deposits into Japanese banks rather than the usual U.S., British, or Swiss institutions. According to Japanese banking sources, such deposits have become informal but customary corollaries of Japanese industrial projects in those countries.

Japanese banking sources also expect to increase their international portfolio from 10 percent of total assets at present to as much as 30 percent in only a few years, a much more rapid internationalization process than had been expected.

Of Japan's \$92 billion in external dollar bank assets at the end of December 1980, Japanese sources estimate one-third is invested in securities and two-thirds in loans. They say the division between long- and short-term holdings is roughly equal.

High Technology

Three-way hookups among Japan, U.S., and Europe

A rapid series of corporate cooperation agreements between Japanese, U.S., and European firms is occurring in some of the most promising areas of high-technology ventures, such as integrated circuits, robots and aircraft, according to the Japanese press.

In the field of Very High-Speed Integrated Circuits (VHSIC), in which the

U.S. Pentagon is cooperating with such firms as Texas Instruments and IBM, the DOD has advised these U.S. firms to get their Japanese subsidiaries involved in the joint government-private research efforts in that field. The Japanese government in turn is suggesting a three-way technology research cooperation effort including Europe.

In the aircraft field, a number of cooperative ventures have emerged. Pratt & Whitney and General Electric have approached Rolls Royce and Ishikawajima-Harima, Mitsubishi, and Kawasaki to get involved in their ongoing jet engine project.

General Electric and Hitachi announced in early August a cooperation agreement in robots, the first such agreement between a Japanese and foreign firm. For the next three years, Hitachi will sell GE 500-600 industrial robots for GE to market under its own name. The deal includes sale of technology to allow GE to produce such robots on its own.

Banking

Major commercial banks squeezed by interest rates

McKinsey & Co., the management consulting firm, has released a report on the future of U.S. commercial banking which shows that U.S. domestic consumer banking is presently the loss leader in the banks' world operations. Unless consumers pay more, McKinsey writes, the banking industry could plunge from annual profits of \$20 billion in 1980 to an annual loss level of \$24 billion by 1985. Already, Citicorp has suffered a 6 percent decline in overall earnings due to the consumer problem in 1980, and Bank of America's earnings in the first quarter of 1981 have dropped by 19.4 percent.

Spiraling costs of money in the U.S. have not generally been matched by the interest rates which banks under various usury laws have been able to charge customers, especially in New York, where until the end of 1980 the usury limit was 12 percent. The same held true in Califor-

nia, where Bank of America has had to pay 5 percent higher on its consumer deposits over the last three years, while earning only an average of 2.23 percent more on consumer loan portfolios. The costs of running widespread, labor-intensive consumer banking are also rising at about 15 percent per year in the U.S.

Both Citibank and Bank of America, the nation's leading consumer banks, still intend, however, to expand and take control of the national consumer deposit market. The customer, however will have to pay for their strategy. Not only are new consumer deposits being taken only on a longer-term basis, but the banks insist upon higher and "floating" interest rates for consumer loans, as well as hefty charges for their consumer credit cards.

Public Policy

German labor unions challenge Bundesbank

The trade-union federation in West Germany's Ruhr region, and the smaller national unions such as the textile union, are heading a wave of opposition to the high interest-rate policy adopted by the Bundesbank in tandem with the U.S. Federal Reserve. This pressure has begun to challenge the "cautious" attitude of the union federation's national leadership toward Bundesbank president Karl-Otto Poehl.

The textile union issued a statement at the beginning of August which read in part: "There is now the great danger that the recent raising of the discount and Lombard rates to the highest level in the postwar period will deepen its effects in a period of conjunctural decline and will thus increase recessionary tendencies.

"The measures taken by the Bundesbank are hostile to smaller industries and favor the trend toward greater concentration. We know that in order to avoid those consequences, a partial change in the Bundesbank Law [now promoting the central bank's independence] would be necessary. . . .

"We consider it intolerable that losses

Briefly

in production and growth, as well as underemployment, are occurring as a consequence of the Bundesbank measures."

The textile and food workers' unions tried unsuccessfully to push forward a resolution denouncing the environmentalists at a recent federation conference; they were also the first to march into Poehl's office at the Bundesbank and demand a reduction in interest rates.

Energy

Reagan and multis opt for an LDC oil grab

The Reagan administration, which unveiled its foreign petroleum development plan in mid-August, and the multinational oil companies are advocating a "free enterprise" scheme which would give the oil companies free rein to grab oil resources in the non-OPEC developing sector.

According to a State Department source, the administration and the multis aim to return to the kind of "old relationship between the country and the oil company which existed before the militant nationalizations of the 1960s." This policy envisions that any loans or economic aid for resource development will go not to the country but to the oil company.

A British source at Chase Manhattan commented that "if the host country decides to expropriate, that country will be told it will have all credits cut off. . . . I believe as well that the World Bank and the IMF will cooperate in making sure these countries behave." The oil-producing states in the Third World would "have to bite the bullet" and accept the fact "that only the oil companies can develop and market oil." He said that many countries which have nationalized their oil, such as Nigeria, are now under the pressure of depressed demand, desperately asking the oil companies to come back in order to try to market their oil.

Both the World Bank and the Treas-

ury department speculate that whatever merger royalties the host country gets from the oil company will go to pay off outstanding debt.

Gold

Commission controversy to emerge next month

A core of economists inside and outside the Reagan administration intends to use the next meeting of President Reagan's commission on gold remonetization Sept. 18 to argue that the Federal Reserve's monetary stance rules out any prospect of economic recovery. "Supply-side" advocate Jude Wanniski, a former *Wall Street Journal* associate editor who now heads his own consulting firm, argues in a new letter to clients that the tax cuts by themselves will not bring about recovery because "the monetary locomotive is pulling in the opposite direction."

A Wanniski associate, gold commission member Lewis Lehrman, is making the same argument inside the Reagan camp, arguing that a return to the gold standard is the only alternative to the present Federal Reserve policy. However, Lehrman, like British gold advocate William Rees-Mogg, proposes an ultra-deflationary gold standard on the 19th-century British model. The Lehrman plan envisions gold as an absolute brake on monetary growth.

Another Reagan economist who has issued strong warnings of what the supply-side camp has called an "economic Dunkirk" is Office of Management and Budget chief economist Lawrence Kudlow. Formerly the chief economist for Bear, Stearns, a Wall Street investment house, Kudlow flew to London last year for meetings with William Rees-Mogg, to consider means of persuading the next administration to adopt a gold standard. Kudlow was the principal source for an Aug. 12 *Wall Street Journal* lead article warning of an unmanageable budget deficit due to high interest rates and recession.

● **C. FRED BERGSTEN**, a former Carter Treasury official, provoked outrage at the Federal Reserve with a forecast of marked dollar weakness late this year. Federal Reserve officials dispute Bergsten's forecast of a big turn of the U.S. current account into deficit.

● **BANQUE ROTHSCHILD** in Paris is preparing for nationalization by moving key Rothschild assets into a new holding company structure, leaving the family bank as a dispensable shell.

● "THE EURODOLLAR goes home" is the title of an Aug. 12 commentary in the *Frankfurter Allgemeine Zeitung*, noting the massive reflow of foreign dollars to U.S. borrowers. *FAZ* asks whether this won't eliminate credit sources for "weaker debtors," like the Third World.

● **KUWAIT'S** withdrawal of a \$2 billion portfolio from Citibank's management is reportedly due to a report boasting of Citibank's influence in Kuwait leaked by a disgruntled employee.

● **THE DUPONT** family is so severely factionalized that Seagram could wield the controlling interest in DuPont-Conoco. The Seagram firm holds the second largest block of DuPont stock after the DuPont family itself.

● **UNITED OVERSEAS BANK** of Hong Kong, rebuffed in an attempt to take over Long Island Trust, has settled on an \$85 million California bank. Litco is meanwhile being purchased by Italy's Banca Commerciale Italiana.

● **ANDREW RACZ**, the controversial broker who helped popularize commodity-backed bonds, says he is a "heavy buyer" of Phibro stock after the just-completed merger with Salomon Brothers.

Haig, Weinberger perform Carrington's strategic bluff

by Criton Zoakos, Editor-in-Chief

The entirety of the United States' foreign, economic, and defense policy under the Reagan administration is now, at least temporarily, dictated by Lord Carrington's Foreign and Commonwealth Office. Summarizing this lamentable state of affairs is the grand-scale maneuver of combined military/diplomatic ultimata jointly delivered by Defense Secretary Caspar Weinberger and State Secretary Alexander Haig during the Aug. 4 to Aug. 11 week.

These ultimata are addressing three distinct recipients. First, the developing nations of the Third World who are told to instantly abandon all policies of economic development or face the full wrath of "the West"; second, the Soviet Union, which is told not to dare meddle in the ongoing Cambodianization of the Third World; third, the Western allies, especially in Europe, who are told to join the United States in this *and* face the prospect of having a limited nuclear war fought over their territory. Few, including the authors of the currently unfolding policy, would disagree that the present fever of actions emanating from Washington is anything but a headlong flight-forward into the unknown. As one of the principals of the policy, who insists on anonymity, said, "We are taking tremendous risks and we may lose; if we took no risks, we would definitely lose."

Thus, with all the bombast that accompanied the announcement of the neutron bomb decision and Haig's Aug. 11 speech in New Orleans, the foreign policy of the United States is defined by its very authors to be a choice between possible national loss and definite national loss. In our view, they are mistaken in even this self-description. But first, let us resummarize the facts of the matter.

During the summit conference at Ottawa, Canada, last month, West German Chancellor Helmut Schmidt informed President Reagan that American interest rates were so prohibitively high that unless they went down, his government would be forced into a type of drastic budget cuts that would leave very little for any serious defense spending. The President, under the influence of Paul Volcker and Alexander Haig, engaged in a vehement defense of high interest rates and, moreover, committed himself to a policy



Caspar Weinberger inspects a U.S. army base in West Germany.

of population reduction in the developing sector, one of the main objectives of Volcker's high interest-rate policy. West Germany, therefore, allowed no other choice, went ahead and trimmed its defense budget.

Within days, at a U.S. cabinet meeting, the decision was made to proceed with the manufacture and stockpiling of the so-called neutron bomb, a low-yield enhanced-radiation weapon whose only military significance is that its possessor can claim that he is interested "only" in limited, tactical nuclear engagements. Secretary Weinberger and others orchestrated a thorough propaganda effort to persuade the public that the "neutron bomb" is not as horrible as Russian propaganda makes it out to be, that it in fact is a very effective deterrent against the overwhelming Soviet conventional forces in Europe.

The tactical nuclear war doctrine

Since the Russians' conventional forces in Europe are superior to the West's, the Weinberger argument goes, if and when these forces move to invade, we shall not count on our own conventional forces for defense (those are too weak), nor shall we respond with a strategic nuclear retaliation; that would be risking the safety of the continental United States for the sake of Europe, which is not our policy, as per PD-59, Carter's Presidential Directive. Instead, we shall use limited nuclear weapons, and first among them the neutron bomb. In short, wherever in the world our conventional forces are inferior to those of the Soviet Union, we shall use limited tactical nuclear weapons.

Therefore, the "neutron bomb" announcement was

not what ordinary citizens took it to be. It was an announcement that the current, operative defense posture of the United States is limited nuclear war. In point of fact, the propagandistic objections coming from the Soviet Union are not objections to the purported "inhumane" character of the enhanced radiation weapon; they are objections to the delusions of the U.S. military and foreign-policy strategists that "limited," "tactical," nuclear war is possible.

The Soviets have repeatedly and articulately stated that any military conflict between the two superpowers, anywhere in the world, will be of general strategic/nuclear character, that no "limited" tactical nuclear warfighting will occur.

Weinberger and Haig have now established the counterclaim that the Soviets are bluffing when they say this. Privately and semipublicly, they are disseminating reports to the effect that the Soviets, when confronted with an imminent "limited" nuclear engagement, will not respond in the way they say they will, but rather they will respond to "negotiations." Eventually, the Soviets will negotiate, is the line at the State and Defense Departments.

In this thick atmosphere of self-delusions, Secretary Haig delivered an ultimatum to the U.S.S.R. which, from its internal features, seems to have been designed to "call" what the authors of Haig's speech consider to be the "Russians' bluff." Haig's ultimatum was his New Orleans speech on Aug. 11. Stripped of inessentials, that speech announces the "four pillars" of the new U.S. foreign policy, which are: a) rearmament, b)

beating NATO into line, c) mass genocide in the Third World, d) forcing the Soviet Union to "stay out of it."

As Alexander Haig has it, America's "most persistent problems" with the Soviets arise from Soviet involvement in various regional conflicts of the Third World. As the policy of Global 2000 genocide is now about to be accelerated, these conflicts are bound to multiply. So the Soviets must keep out of these and get out of the ones in which they already are involved.

If the Soviet Union agrees to such an agenda, Secretary Haig announced, then the United States will be willing to negotiate. What will the United States be

The Weinberger argument is that wherever in the world our conventional forces are inferior to those of the Soviet Union, we shall use tactical limited nuclear weapons, and the Soviets are bluffing when they say any military conflict between the two superpowers will be of general strategic/nuclear character.

willing to negotiate with the Soviet Union? Basically two things: a renegotiation of the SALT II treaty to include terms which the Soviets have vehemently rejected in the past and a reduction by the Soviets of their medium-range nuclear weapons now in place in European U.S.S.R.

The Secretary deliberately omitted any reference of what the United States would be willing to offer for the sake of negotiations. The deliberate omission was meant to carry the impression that the Secretary was delivering an ultimatum.

Lord Carrington and Vicar Haig

The question is: what makes Haig and Weinberger so cocksure that the Soviets are bluffing? The answer is: Lord Carrington, the British foreign secretary, told them so.

During early July, Lord Carrington went to Moscow to test some ideas he had with respect to the Soviet leaders' willingness to negotiate a "New Yalta" deal with the West. His visit to Moscow was greeted with a spate of public ridicule against his person and numerous straightforward official statements, made at the Polit-

buro level, to the effect that the "Carrington proposals" are unacceptable to Soviet national interests.

Subsequently, Lord Carrington flew directly to Washington to inform the American government of his impressions of the Kremlin. He stated categorically that the Soviets will definitely engage in negotiations when "push came to shove." Within days, this evaluation was embellished with further folklore and made to read: "the Soviets are bluffing when they talk about general nuclear confrontation."

Certain timid objections were raised by professionals in the intelligence community, which was then terrified into submission as the "Hugel scandal," and the "Casey scandal" hit; the head of National Intelligence Estimates was replaced with Henry Rowen, the man responsible for the "Pentagon Papers" leak. After the terror wave, Secretary Alexander Haig personally told everyone that Lord Carrington's evaluation of the Soviet leadership's frame of mind must be accepted as a matter of policy.

"The Soviets have not given any signals which would contradict Carrington's evaluation," Haig's people are reported to have pointed out. With all opposition out of the way, Haig, the vicar of foreign policy, proceeded to enunciate in New Orleans the "four pillars" of foreign policy.

Policy deductions

We are thus sliding into a thermonuclear confrontation. The question which remains is: Why is Lord Carrington so confident that the Soviets are bluffing?

He no longer claims to base his conclusion on evidence he observed during his Moscow trip. The line from London now is that this conclusion is the result of Her Majesty's Minister's "deductions," not direct observations. "Does Russia have an alternative policy to what we propose?" asks Carrington to himself. "No," answers Carrington to himself. Why?

Because, Carrington thought through the fact that the Soviets have the option of another military lunge across their borders, maybe Iran, maybe Pakistan, maybe even China, most probably Poland. But, Carrington observed, if the Soviets do so, they shall have to pay a much greater political and economic cost than they now are paying in Afghanistan. Are they willing and able to pay such costs? It is possible but unlikely, deduces Carrington.

Therefore, let us make the Soviets' ordeal lighter, concludes Carrington. Let us propose to them negotiations. We shall be nice and offer to negotiate a reduction of Soviet SS-20s in Europe, and also to renegotiate the terms of SALT II. Whereupon Lord Carrington ordered the drafting of Alexander Haig's Aug. 11 speech, which Haig devotedly delivered. And the countdown began for a reverse Cuban Missile Crisis.

Western Europe responds to Pentagon

America's allies have responded to President Reagan's decision to produce the neutron bomb with near universal dissatisfaction and anger at not being consulted on the decision. The exceptions are the foreign minister in the government of French Socialist President François Mitterrand, and the Peking allies of U.S. Secretary of State Alexander Haig.

The Soviet Union called the decision a step "closer to nuclear catastrophe."

West Germany: Government spokesman Lothar Ruehl termed the decision "exclusively an American affair," adding that the United States has told Bonn the weapons are to be used "exclusively on U.S. territory."

Hans-Jürgen Wischniewski, deputy chairman of Chancellor Schmidt's Social Democratic Party (SPD), released a statement for the party expressing "deep disappointment in Europe" over the lack of consultations with the United States' allies before the announcement. The SPD's official position is that "The [Bonn] government is requested to insist during the necessary [NATO] alliance negotiations that a position be taken that this weapon not be brought to deployment in Europe."

Norway: Prime Minister Gro Harlem Brundtland said on Norwegian television following the U.S. announcement: "We only received notice yesterday, when the decision in fact was already made. One would have expected important decisions like this one to have been discussed with NATO allies beforehand." The Norwegian government has lodged an official protest with the U.S. embassy in Oslo.

Holland: Similarly criticized lack of prior notice or consultation.

Denmark: Reported in the *Washington Post* as "openly critical" of the decision.

Great Britain: Although there has been no official comment to date from the Thatcher government or

the Tory Party, the *London Times* of Aug. 10 led with a warning that the decision "may seriously endanger allied cohesion."

Opposition Labour Party leader Michael Foote attacked the decision as "hardly to be expected to help the disarmament discussion." The Labour Party has declared itself "deeply hostile to the development of the neutron bomb" because it "lowers the nuclear threshold and could lead us further toward the maniacal idea of a form of so-called limited nuclear warfare."

France: Defense Minister Charles Hernu declared that France "cannot remain indifferent" to the decision, since "this weapon is a tactical theater weapon, and eventually a European theater weapon." But Foreign Minister Claude Cheysson said the decision was not a "surprise," and that it "would have been astonishing" had the United States decided not to develop the weapon. Cheysson also contradicted Hernu by saying the decision "does not directly concern us since the Americans announced that they would not deploy this weapon" in Europe.

Le Monde, an unofficial mouthpiece for Mitterrand, backed Cheysson with an editorial statement claiming the decision was no surprise. It then called on President Reagan to step up overtures in Europe for increased arms development.

China: Radio Peking welcomed the decision, saying it would hinder Soviet expansionism, according to reports from New Delhi, India.

Soviet Union: The official government news service, TASS, covered the decision as "designed to bring the world closer to nuclear catastrophe" and to "justify the 'admissibility' of a nuclear war and condition people to this horrible thought." It called U.S. denials that the weapon will be deployed on European soil a "subterfuge" contradicted by U.S. experts. "The Soviet Union cannot remain an indifferent bystander," to this situation, TASS asserted.

Defense Secretary Weinberger on the neutron bomb and its implications

Excerpts from an Aug. 10 press conference given by Secretary of Defense Caspar Weinberger:

Q: Would you give us your views on the cost-effectiveness and military applications of the neutron bomb?

A: The enhanced radiation weapon, the low-blast weapon—whatever you want to call it—has an ability to do two things. To really neutralize or pretty well balance by its very presence what I know now is a tremendous preponderance of armor and men that is definitely on the side of the Soviets in the central front, and potentially on other fronts. There seems to be some feeling that this is only usable in Europe—which is not true.

Q: What is the price that is paid by stockpiling in the U.S. versus having these weapons actually deployed in Europe. How much time?

A: Oh, a few hours.

Q: A few hours is all?

A: Yes.

Q: Do you think you could block, say, Soviet armor by using it?

A: Well, we would certainly have high hopes that we would be able to make it at such an enormously high cost that it would be considered unacceptable to the Soviets. My hope about all of these things is that by having them in place or ready to be put in place, that we'll never have to use them.

And I think that we have very much more reason to hope for that if we have it. If we don't have it—if this very large imbalance of tanks, 44 or 46,000 to 11 or 12,000, continues—we certainly are inviting a conventional war, which would be very difficult for us to win with conventional means. But with this we can, in a very much shorter time, and at far less cost than other means in all ways, help redress that balance.

I had a question today from one of the German

representatives, who said we were lowering the threshold of nuclear war by going to this and making it therefore easier to use nuclear war, and it would be far better if we would build up our conventional forces. And I asked him, how were we going to do that, when the German government was cutting its defense expenditures?

Q: If what you say is all true about the warhead, why not deploy it immediately? Why not consult with the allies immediately and deploy it immediately?

A: Well, as we mentioned in the answer to the previous question, it is only a few hours away, should the occasion arise and should deployment discussions result in favorable decisions.

And I think that you accomplish very much the same thing by leaving it here and having it ready to be deployed without getting perhaps unnecessary, lengthily prolonged, inconclusive debates.

Q: That's one of the problems with NATO many people have raised over the years—the question of consultation before action in time of crisis.

A: Well, it's one of its problems—one of its strengths if all of these things work well, but we've been up against a concerted Soviet campaign which continues and has been continuing in one form or another ever since NATO was formed—to try to drive wedges into it. And we certainly don't think that kind of campaign should succeed in denying the opportunity—should they decide to do so—to use one of the strongest weapons of deterrence that we have.

Q: On the timing of this decision, was production of the components of this weapon at a point where you really could not avoid your decision?

A: The production process was at that point, and we had a directive from the Congress.

Q: It seems to me the burden of all you say about the use

of this weapon in breaking or blocking an offensive undermines your contention that it does not lower the threshold.

I'm getting the impression that what you're saying is that on Day One the Soviet Union could expect to be hit by neutron weapons; is that wrong?

A: No, but what I think is the—I won't use the word fallacy—but what I think is the problem in the assumption is that there will be a Day One; my point is that if we have this weapon, and they know the cost of coming up against it, we may very well have a much more effective way of preventing Day One from occurring: that's the whole object of the exercise.

Q: I understand that, but you yourself have spoken of war-fighting strategy and in the context of deterring war, but I have to assume that when you talk about war-fighting strategy, you're talking about war-fighting strategy.

What I'm asking you is, will you engage in a first use of atomic weapons or thermonuclear weapons? And will you use them faster than you would have used the 6,000 nuclear weapons you already have in Europe?

Q: Any answer to that would have to be hypothetical. That I wouldn't want to give it. We have to look at each battlefield situation as it exists at the moment that we're talking about and respond to it in the way that seems most appropriate at that given time, whatever circumstances might prevail, and I'm not wise enough to be able to imagine all of the hypotheses and give answers for every one that occurs. But the principal thing we have in mind is, that if you have a force in being that can either sufficiently approximate the force on the other side, or can make the use of the other side's force cost unacceptably high to them, that you may very well have the opportunity of deterring it at all. And that is one of the great values that I hope the acquisition of this weapon will have. . . .

I'm quite content that the neutron warhead has an enormously effective ability to destroy armor that is massed in very large numbers, as is the Soviet military—and precisely that it gives us an advantage which we do not now have, and that, therefore, as I said earlier, it adds greatly to our military capability to do that. Now you are talking about the details of deployment and who can use it when and other tactical matters. It's roughly comparable to saying—in my mind—that a man armed with a rifle has a military advantage over someone who isn't armed with a rifle, and I don't think it particularly useful to talk about whether or not you have to pull a safety, or other things of that kind.

I think it gives you that advantage—that is the ability to counter, very quickly and without adding 40,000 tanks to our inventory, an advantage which the Soviets now have.

Q: I get the impression that the symbolic effect of this action you're taking is as important as. . . .

A: Well, I am not all that much excited about symbols as I am with the reality behind them. It seems to me that if you are talking whether or not a neutron weapon which is quite usable and has immense destructive power in the areas that it is most needed, is also a symbol or not, why I wouldn't particularly argue.

Q: When will we ask for talks with our NATO allies which would outline when we would deploy. . . .

A: I don't think there's any desire to do it. We've notified the allies that we are manufacturing it, that it is going into our stockpile, and that we do not plan to deploy it at home or abroad, and that we would do so on consultation only. And that we don't have any plan to do anything else.

A: Just prior to deployment?

A: Oh, I don't think there's any desire to talk about any contingency.

A: Would you say what a few hours means in this sense?

A: Yes.

Q: Well, could you move them in a few hours from right now?

A: Yes, those that are manufactured could be, yes.

And that is the important thing, and if the deterrence works—as I believe it has a very reasonable chance of doing—we will infinitely increase our chances for peace.

Q: You have been extraordinarily vague today in outlining to the American people the incentives for this decision, other than telling us that—is this over. . . .

A: Excuse me, but I cannot really agree to that word "vague." I have been exactly as specific. . . .

Q: But you have used words like "enormous national advantage," "massive deterrence"; do you expect to be more specific when you announce and promulgate your decision on the MX and the B-1 versus. . . .

A: Oh, I think I have been very specific today, and I think we have made a substantial and major advantage—major increase—in our capacity to deterring war on the central front, and other fronts where massed armor and massed infantry or massed troops may be used. I don't have any quantitative way of measuring it on a scale of 1 to 100.

I don't think you do, I don't think anybody does, but I think that when you don't have a rifle, and you acquire a rifle, you have made a substantial advantage—an increase in your capability. And I don't think that's vague at all, and I would hope to be similarly specific at subsequent events.

New Soviet signals on military policy

by Rachel Douglas

It is understandable that the London *Economist* should have advised in its Aug. 8-14 issue, "Those mutterings from Moscow should be ignored." Take seriously the latest words of the Soviet chief of staff, the foreign minister, the party press, and even that intimate of Western geopoliticians, Georgii Arbatov of Moscow's U.S.A.-Canada Institute, and little will remain of the foundation on which Lord Carrington's strategies rest.

For Carrington, the British foreign minister, has counted on the Soviets to play a prerigged game of global crisis management. Moscow would trade real estate in far-flung corners of the globe, would even shoot some small nuclear missiles under certain circumstances—never on a scale that could not be circumscribed by negotiations, and would offer no objections to the post-industrial austerity intended for the advanced sector and starvation for the Third World.

In our Aug. 4 Special Report, *EIR* documented the Soviet decision to allocate economic and scientific resources to the military, in preparation for what one general called "the possible war which the imperialists are preparing against the countries of socialism." This war, wrote Soviet Chief of Staff Marshal Nikolai Ogarkov in July, would involve all continents and jeopardize "the whole of mankind."

According to intelligence on Soviet strategic thinking, the Soviet leadership sees two potential crises as trigger points for war. The first is the probability of a monetary collapse by this September-October, as projected by the Basel Bank for International Settlements. The chaos ensuing from such a collapse, accompanied by the imposition of the International Monetary Fund's ferocious conditionalities policy toward the underdeveloped sector, would tend to turn any destabilization in the Third World into a point of superpower confrontation.

The second crisis point, as the Soviets see it, if the West averted monetary collapse, would emerge with the stationing by NATO of Pershing II missiles in Western Europe beginning in 1983. The Soviets view the stationing of the Pershings, which could strike Soviet soil within five minutes, as a Cuban Missile Crisis—this time in reverse.

Spokesmen like Arbatov and *Pravda's* senior commentator Yuri Zhukov have elaborated Ogarkov's warning. In addition, *Pravda* carried two major articles, one

by Foreign Minister Andrei Gromyko and one over the authoritative pseudonym "A. Petrov," analyzing the geopolitical ventures of U.S. Secretary of State Alexander Haig and Lord Carrington, respectively.

On a late July British Broadcasting Corporation show, Arbatov asserted that, "for the Americans, Europe begins to be more and more a sort of forward-based bridgehead, where if necessary they can even . . . fight it out with the Soviets, including to fight it out with nuclear wars, and then have a chance to settle things somehow without suicide." Arbatov said, "In my point of view, *it is an absolute illusion*. If they have a nuclear war, we have a nuclear war, which is called limited in Europe but it will become an all-out world nuclear war."

Therefore Europe would never be the same after installation of the Pershings, wrote *Pravda* Aug. 12; there could be no subsequent return to the *status quo ante*. Since the weapons would be in American hands, the paper added, West Germany would be unable to veto their use and hence could not prevent a violation of the Soviet-West German Moscow Treaty of 1970, meant to ensure war never again began from German soil.

In *Pravda* of July 28, Zhukov compared Haig and Secretary of Defense Caspar Weinberger to John Foster Dulles, but his article was no simple rehash of Cold War rhetoric. Dulles, according to Zhukov, was a much safer person to deal with than Haig and Weinberger, because his assumption of coming through a nuclear war was founded on genuine military competence and muscle, not bluff: "For all his zoological hatred of communism, Dulles and his co-thinkers still understood that dancing on the brink of war was permissible only while the United States preserved a monopoly on atomic weapons."

The Gromyko and Petrov articles dealt with major segments of the strategic encirclement mapped by the Soviet command. Petrov's rebuff to Carrington, referring to the British-drafted plan for an international conference on Afghanistan, transcended that issue to constitute a repudiation of Carrington's geopolitical method.

Petrov on Carrington

"The statement by Reagan in the second month of his presidency about the intention to give military aid to Afghan counterrevolutionaries had a sinister connotation. . . . This aggression being carried out against Afghanistan is only a part of a vast plan for the destabilization of the situation throughout the region from South Asia to the Persian Gulf.

"What is offered in the 'initiative' of the European Community's Council, approved in Ottawa, and based on Britain's proposals? The proposals basically amount to holding an international conference in two stages. At the first it is proposed to discuss questions of 'ending outside interference,' and at the second 'to guarantee

the future of Afghanistan as an independent and non-aligned state.' . . . The underlying process of the 'European proposals' is obvious. Their authors want to lead the process of settlement away from the discussion and elimination of the basic, main reasons for the tension over Afghanistan. . . . The Western capitals and Peking are keeping completely silent about the objective motives by which the Soviet Union was guided. . . ."

In his BBC talk, Arbatov frankly explained the December 1979 invasion of Afghanistan as due not so much to destabilization in that country, but to NATO's acceptance on Dec. 12 of the Carter administration proposal to place Pershing missiles on European soil and to build up U.S. naval forces in the Persian Gulf.

Gromyko on Haig

The Soviet foreign minister wrote for *Pravda* Aug. 8, the tenth anniversary of the Soviet friendship treaty

with India. He used the opportunity to elaborate the geopolitical threat perceived by Moscow to the South.

"The results of the negotiations of Haig with the Chinese leaders cannot be evaluated otherwise than as an escalation of a reckless policy. It goes without saying that the Soviet Union cannot remain indifferent, above all, to the plans of granting China modern American arms. The American-Chinese rapprochement on a basis which is hostile with respect to the U.S.S.R. will be considered by us in an appropriate manner, in the context of our relations to the U.S. and China.

"The Soviet Union will take all measures which the development of the situation may dictate. Nobody should have doubts about the fact that the Soviet state will be capable of defending itself and its allies and friends. . . . Pakistan is more and more notably entering a path in its policy which provokes the justified concern of its neighbors."

LaRouche Statement

'Imminent Soviet moves against Pakistan'

Lyndon H. LaRouche, Jr., *EIR* founder and chairman of the advisory committee of the National Democratic Policy Committee, warned on Aug. 7 that Soviet military "hot-pursuit" operations from Afghanistan into Pakistan are to be expected within the next 30 days. Although such Soviet preemptive actions to destroy Afghan rebel bases in the border areas of Pakistan will be given justification on the grounds of the defense of Afghanistan, the anticipated Soviet actions cannot be seen merely as part of a widening conflict on the subcontinent.

LaRouche, who is currently touring West Germany, stressed that such Soviet preemptive action would represent a strategic response by the Soviet leadership to a rapidly deteriorating international situation. Abundant public as well as private evidence on the present strategic posture of the Soviet military leadership indicates this type of characteristic response. The prominence of articles in the Soviet media authored by the highest military leadership is but one of many indicators of the increasing visibility of the Soviet military command in the decision-making process. For all practical purposes the political and military leaderships of the Soviet Union are presently merged.

LaRouche noted that just as the Soviet invasion of Afghanistan was part of a predictable strategic re-

sponse to the evolving China Card and Euromissiles policy of the Carter administration, an active "hot pursuit" military policy toward Pakistan is being dictated by the overall strategic military situation. The latter is defined in Soviet eyes by the simultaneous crises represented by the new Begin government's preparations to invade Lebanon, the ongoing Polish crisis, and of course, the United States' commitment to ring the Soviet Union with middle-range missiles. The Soviet leadership, seeing itself subject to an encirclement strategy, will "choose the path of least action" to make a demonstrative military action or series of actions, in LaRouche's words. Those analysts who would try to define the subcontinent situation in local terms would thus completely fail to understand the overriding motivation of Soviet policy at this time.

With both the Soviet Union and the United States on a military buildup and confrontation course, any major Soviet move of the type indicated above would signal the Soviet perception of a) the failure and uselessness of the so-called Carrington Plan, and b) the increasing imminence of much broader strategic conflict.

The launching of military operations against Pakistan would thus represent the first of a series of military actions in a deteriorating world strategic environment.

While the Soviets tend to see the deployment of Pershing and cruise missiles in Europe as the outer parameter of the ongoing crisis, LaRouche stressed that the economic and financial crisis anticipated for the last quarter of 1981 in the West could detonate a series of major conflicts long before 1983.

Britain now 'mediates' North-South relations

by Uma Zykofsky

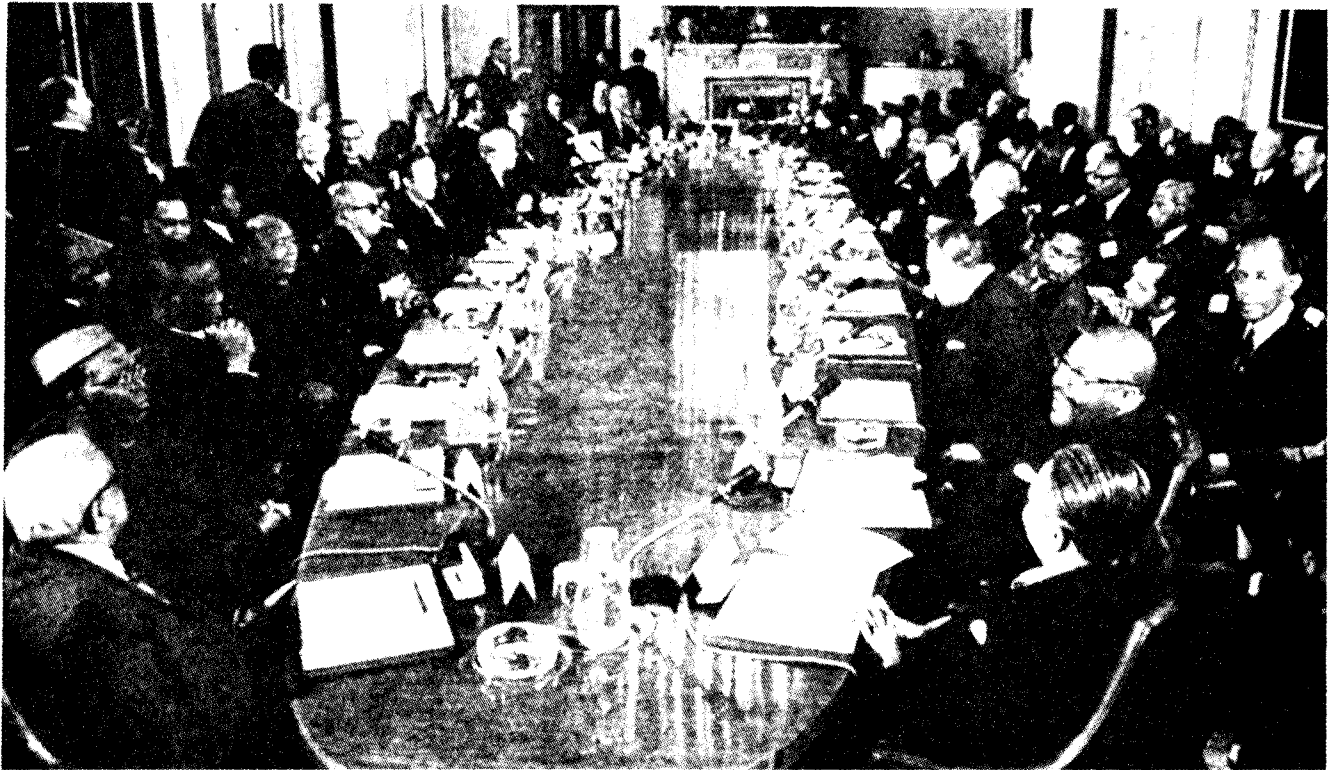
In the period leading up to the Oct. 22 North-South summit of select heads of state, British Foreign Secretary Lord Carrington has been deployed by the Royal Family to restore the power of the City of London in economic, political, and monetary affairs through the institution of the Commonwealth. According to experts in the Commonwealth Secretariat, Carrington's activities and the hectic tour schedule of Canadian Prime Minister Pierre Trudeau and French Foreign Minister Claude Cheysson are part of a scheme to make the British Commonwealth framework "a seed-crystal for a global order" to be deliberated at the Cancun summit.

The Commonwealth is an organization of former British colonies with the British monarchy at its head. It coordinates policies in international affairs as a bloc representing a combination of countries now in the developed and developing sector. The Commonwealth is scheduled to hold its own heads of state meeting in Australia from Sept. 30 to Oct. 10 and Commonwealth Secretariat sources in London view these discussions as "setting the precedent for Cancun, especially in terms of specifics, which the Mexico meeting may not be able to discuss in and of itself." Of the 22 countries that will be at Cancun, seven members are Commonwealth nations—India, Guyana, Bangladesh, Nigeria, Tanzania, Canada, and Great Britain. The British expect this grouping to provide a framework for coordination of British interests across North-South lines.

According to experts at the Washington-based Heritage Foundation, Lord Carrington's strategy is a quiet but effective positioning of Britain's global interests. It involves putting Carrington in the "middle" of two extremes: the "free-enterprise" voices of the Reagan administration versus the "globalist," redistributionist social democrats. "In the end Carrington will work something out with Haig quietly," one analyst explained. "The U.S. will come along in tow. They always do. The big tough U.S. is run by the British Foreign Office. They are humiliated, manipulated, and embarrassed. Carrington is a master at this, a real royalist at heart. Wouldn't it be funny if what emerged was a global British Commonwealth of sorts with the U.S. either sitting outside hurting or even begging to come in?"

The planning of the Commonwealth strategy began at the Institute for Development Studies at Sussex University as far back as July 10, 1980 when 30 "eminent international intellectuals and policy makers" met to focus attention on the Brandt Commission's North-South Report and the "followup needs for global negotiations." Among those present were Shridath Ramphal (now Commonwealth secretary general), the Club of Rome's Aurelio Peccei, Enrique Iglesias (currently chairing the U.N. Non-Renewable Energy Conference at Nairobi) and IDS's top planner, Richard Jolly.

According to Commonwealth sources, the Septem-



Commonwealth leaders at a conference in Jamaica.

ber Australia meeting will focus on food, financing, energy and trade—areas that will come up at the Cancún summit as well. To maintain the supranational enforcing capabilities of the World Bank and International Monetary Fund, the Commonwealth secretariat is telling developing countries that credit, from private banks, will be at exorbitant interest rates and short term: it is therefore in the so-called “interest” of the Third World to favor a “greater global role for the IMF and World Bank.”

Each aspect of the much talked about “new international economic order” has been profiled at IDS and its sister organization the Tavistock Institute for Human Relations. “Cooperation” instead of “confrontation” is the perspective Lord Carrington is promoting, in line with the Tavistock profiling. “Carrington, unlike the dominant forces in the U.S. understands the South. He knows Latin America, he knows OPEC, He’s helped bring about some movement in the U.S. State Department, if you view the tone of some of the internal evaluation papers for the North-South meeting being written in Washington,” the same analyst confided.

Canadian role

Carrington’s ace in the hole is Canadian Prime Minister Pierre Trudeau, a leading world federalist and a North-South veteran since the 1974 period. Canada is uniquely positioned as far as the Commonwealth is

concerned. It is a member of that group and can thus influence key “South” countries such as India and Nigeria. Its large financial and banking interests in the Caribbean, particularly in Jamaica, interface with the U.S. private sector and raw materials interests. Through this, Canada has a channel to the Reagan administration and political capabilities in the volatile Caribbean.

On a personal level, Trudeau has built an image of great “concern” for North-South affairs. According to Canadian sources, he was key in persuading Reagan to attend the October summit and has spent the last six months touring the world to make the Cancún meeting a “success.” He is currently in Africa, at the U.N. Conference on Non-Renewable Energy Sources, where he has spoken and committed Canadian money for Third World energy development. Trudeau has scheduled in the next few weeks visits to Tanzania, Korea, the Philippines, Singapore, and finally Australia for the Commonwealth summit.

Since June, Canada has set up two new think tanks to deal with North-South problems. One of them is the Futures Secretariat, chaired by Canadian Foreign Minister Mark MacGuigan. MacGuigan happens to be a close friend of U.S. Secretary of State Alexander Haig. By the time the Cancún summit starts, one IDS-connected Third Worldist predicted, “Trudeau may end up in the extraordinary position of acting as spokesman for the South and the North.”

China enforcing population slashes

by Richard Katz

In the People's Republic of China, according to reliable press reports, thousands of women who are pregnant for the second or third time are being subjected to forced, violently administered abortions. Often, the women are dragged from their homes, put in handcuffs, stuffed en masse into trucks, strapped down on operating tables and forced to undergo the operation.

This is the population control program that was hailed in the 1981 Annual Report of the World Bank and in the Brandt Commission report as a model for all nations to follow. In its section called "Success in Family Planning," the Brandt Commission report—now being promoted for adoption at the October North-South summit in Cancún as a globally agreed-upon policy—states:

"Those who have pursued such [birth control] programs vigorously have registered considerable success. China, which already has 1 billion people, has in the course of the 1970s reduced its rate of growth from 2.3 percent to little more than 1 percent. It aims at zero growth by the year 2000."

The barbarities committed in China to achieve this success are of no more concern to Socialist Willy Brandt, chairman of the Brandt Commission, or to the World Bank, than they are to those in the Reagan administration who portray the People's Republic of China as America's number-one friend in Asia.

The World Bank, praising China as a model, boldly lies that the country's birth control program is based on "disincentives that are mostly social—the community disapproves of those who do not conform to the birth-planning policies." Let us take a closer look at these "social disincentives."

According to the Hong Kong-based *Zhenming Daily*, a procommunist newspaper that factionally opposes Chinese strongman Deng Xiaoping, the forced abortions were ordered at the highest level of the Communist Party in Guangdong province, the home province of Canton. In Guangdong alone, 47,000 women—nearly half of those who became pregnant for the second or third time—have undergone abortions since April. Under Communist Party orders, arrest warrants were issued for

all the women "pregnant without permission"; the women were labeled "criminals." It was explained that the party had "adopted a policy of dealing with the *enemy*."

The Guangdong province party secretary said that even though he was "working contrary to the will of the people," the campaign against population growth should be treated as a military campaign in which "all measures leading to victory were permissible." He also informed party cadre that there would be no investigation of any complaints.

In the Guangdong province, for example, "Some women were abducted from their villages and carried away by truck to local hospitals. Wherever the vehicles went, the pregnant women were all panic-stricken. The vehicles were filled with wailing noises."

A paraphrase of the *Zhenming* report in the Aug. 9 London *Guardian* adds: "Other witnesses reported women being handcuffed or dispatched to the hospital in pig baskets. All victims were compelled to pay their own transport costs together with the expenses of their guards, some of whom were armed. . . . Those who refused abortions found their water and electricity cut off and their front doors sealed. Fines equal to several years' pay were levied, and televisions, bicycles, and other personal property seized. If women fled, their husbands were imprisoned until their wives returned and underwent the abortions."

Nationally, the Peking regime has instituted new *laws* forbidding couples from having more than one child, from having their first child without permission from the Party, and so forth. All this is for the goal of reaching absolute zero population growth by the year 2000, the most extreme Malthusian program in the world.

In other areas of China, the Peking press has reported, parents frequently murder their first-born girls, in order to make sure they have a son, given that each couple is allowed only one child. In a number of cases, the infant corpses have been deposited on the doorsteps of the local party headquarters. Second or third children are harassed, are refused identity cards, schooling, and the prospect of any job. The family receives no ration for the "surplus" child.

The World Bank describes this policy differently in its Annual Report: "In China, couples pledging to have only one child receive priority in financial allowances, employment, and housing." Presumably, next year's World Bank report, in discussing the Guangdong forced abortions, will say that China has a community-provided, rapidly delivered service for abortions.

As one representative of the Washington-based Population Crisis Council, on which former World Bank President Robert McNamara sits, explained earlier this year, "I am not concerned about stories about strapping women to the abortion table. The important thing is to achieve zero population growth."

Central America: September fuse

by Dennis Small, Latin America Editor

Every single country in Central America is now being actively destabilized, with the chaos in each converging on an areawide blowout sometime in September.

Cross-checked intelligence reports from Mexico City and Washington, D.C. confirm that the destabilizations are being executed on both the "right" and the "left" by a small cabal of Jesuits and Socialist International leaders, with crucial support from U.S. Secretary of State Alexander Haig. One of the control centers for this operation is the Jesuit Georgetown University in Washington, D.C., the headquarters of Haig's mentor, Henry Kissinger.

This grouping is orchestrating both leftist revolts and a round of rightist "preemptive military coups, with the objective of turning Central America into a new Middle East of explosive instability on the eve of the Oct. 22 Cancún summit of heads of government.

In addition to surrounding that summit with an environment of chaos, in which their policies of global depopulation and deindustrialization can be put through, the old oligarchic interests that run both the Jesuits and the Socialist International are particularly targeting Mexico for destabilization. Mexico, the host for Cancún, is a leader of Third World nations demanding the right to industrialize, and is a major obstacle to the oligarchy's zero-growth objectives.

Over the past weeks, three high-level operatives for the oligarchy have descended on Central America and Mexico like vultures to orchestrate the chaos.

The first to land was **Father Theodore Hesburgh** of the University of Notre Dame, who at the end of July visited Mexico and Panama to activate Church and other radical networks for the planned destabilizations (see *EIR*, Aug. 18). Hesburgh is on the board of directors of Rockefeller's Chase Manhattan Bank, the Council on Foreign Relations, the Overseas Development Council, and the Rockefeller Foundation, and is close friends with the area's leading Catholic radicals.

Second was **Ramsey Clark**, the former U.S. Attorney General-turned-guru, who led street demonstrations in Teheran in 1979 in support of Ayatollah Khomeini.

Clark arrived in Mexico on Aug. 4, where he has an extensive apparatus of human rights activists and terrorist supporters who are trying to destabilize the López Portillo government. Clark used the occasion to warn Mexico that it should stop industrializing, or it would suffer the fate of Iran, and dropped in on a quiet conference in Guanajuato, Mexico, where a small gathering of Latin American radicals discussed how to further the cause of "revolution" in Central America.

But perhaps the most significant trip of all was that of Socialist French Foreign Minister **Claude Cheysson** to Mexico, Nicaragua, Costa Rica, and Honduras in early August. Sources familiar with Central America have described the strategy of the Socialist International for the area as that of "lighting small fires in order to contain the big fire" of a possible nuclear showdown between the Soviet Union and the United States, i.e., to destabilize everything in sight! Secretary of State Haig, who has well-known links to the Socialist International, has developed a special expertise in clearing his Socialist colleagues of all responsibility for chaos in Central America, by blaming everything that happens there on the U.S.S.R.

Cheysson puffed the Mitterrand government of France as the best friend of the area's revolutionaries, to the point that Nicaragua's foreign minister, Maryknoll Father Miguel D'Escoto, cooed that "Mitterrand's government is able to understand our revolution."

Indicative of the new French method was Cheysson's stop in Costa Rica, as that country was in the midst of a battle with the IMF over debt repayment. Cheysson presented himself as Costa Rica's trusted friend and ally against the "bad" IMF, and after leaving the country, happily pronounced that all of Central America was "bankrupt." If the crisis is not "resolved in a satisfactory way," he proclaimed—meaning through the mediation of the Socialist International and the Brandt Commission—"then the whole area will be another Middle East."

As these vultures were crisscrossing Central America, Panama's strongman Gen. Omar Torrijos died in a mysterious air crash on July 31. Although no solid evidence has yet been produced publicly, area insiders are convinced that Torrijos was murdered.

Torrijos's death creates an enormous political vacuum inside Panama, which many observers believe could open the door to renewed conflict around the issue of the Panama Canal. But the probable motive for his assassination lies in his reported recent resistance to the idea of launching a full-scale insurrection in the area. "Torrijos had become an obstacle," reported a Jesuit priest at the mentioned Guanajuato gathering, smugly adding, "and both the right and left were well aware of that fact."

Torrijos's death may well serve as the signal for the two sides to launch their respective assaults. The following country-by-country survey indicates the current level of activation of this "September scenario."

Where and how the 'hot spots' have been planted throughout the region

by Gretchen Small

Guatemala/Belize: The border conflict between Guatemala and the soon-to-be-independent British colony Belize could overturn the whole chess-board in Central America.

Great Britain announced in mid-July that it will grant its last sugar-plantation colony in the Americas independence on Sept. 21, an operation personally overseen by Foreign Office Secretary Lord Carrington as a demonstration of British "anticolonialism." Immediately, the Guatemalan government, which still maintains centuries-old claims on Belize, rejected the terms of the independence: "We will continue using access to the ocean through Belize as in the past," read a recent foreign ministry statement.

As part of the package "independence" settlement, British troops and a large jungle-training school will remain in Belize—thus setting the stage for a simple "incident" to blow up into a full confrontation.

Mexican Foreign Minister Jorge Castañeda, himself an agent of the Socialist International, responded to the Guatemalan bravado with a provocation of his own: "If Belize as an independent state is attacked by another country, all our countries have certain resources in international organizations to denounce this, and even mount a defense operation."

The creation of international military forces, as suggested by Castañeda, is being mooted from several other sources as well. The Guatemalans have hinted they might ask other American states for help. And talk of a "Caribbean regiment" made up of forces from Guyana, Jamaica, and other Caribbean countries has also been revived by the British press.

Full-scale civil war may break out in Guatemala in any case in the September period. Right-wing forces are reportedly plotting a "preemptive military coup" for that month, a step that would play right into the hands of the insurrectionary forces that are seeking to broaden the conflict throughout the area. While not yet reaching Salvadoran levels of unity and firepower, Guatemala's Jesuit-run guerrilla groups have steadily stepped up activity over the past few months.

Indicative of the increasing mobilization was an interview in the latest issue of Mexican terrorist magazine

Por Esto with Father Donald McKenna, a leading member of the Guerrilla Army of the Poor (EGP) in Guatemala. McKenna, a former member of the Irish Republican Army (IRA), issued a call for all bishops, priests, nuns, catechists, and sacristans in Guatemala to assume their "responsibilities" on the side of the "poor."

Presaging the outbreak of broader civil war, the U.S. State Department placed Guatemala on its travel advisory warning list last week, as unsafe for American visitors, a category only El Salvador shares in the region.

Nicaragua: Highly reliable Mexican security officials privately report that Nicaragua could well explode as early as the end of August, in the squeeze of severe factionalization inside the Sandinista government and pressure from abroad—including economic warfare directed by the U.S. State Department. The French newspaper *L'Express* last week noted that the Sandinista leaders are hardened by a psychotic fear of U.S. subversion directed against them.

Rumors of an imminent full-scale split in the Sandinistas have reverberated since the July 9 resignation of Deputy Defense Minister Edén Pastora. While opposition forces, now regrouping in Miami for a major new offensive against the Sandinista regime, proclaimed Pastora's dramatic resignation and flight from Nicaragua as a strengthening of *their* forces, likewise left networks in the area claimed Pastora's leaving followed a decision by a faction of the Nicaraguan leadership that only the immediate activation of another revolutionary situation in Central America can defend the Sandinista government, and that Pastora was sent to head up that new front.

The two-day visit to Nicaragua this week by U.S. Assistant Secretary of State for Inter-American Affairs Thomas Enders, a Kissinger protégé who echoes Haig's defense of the Socialist International, will further polarize the situation. Enders will meet with top opposition leaders in the country to help strengthen their hand—but this may well also provide the final provocation needed to induce a hardline left coup within the Sandinista leadership.

Panama: An expert on Central America at the Jesuit Georgetown University told *EIR* that Panama, in the

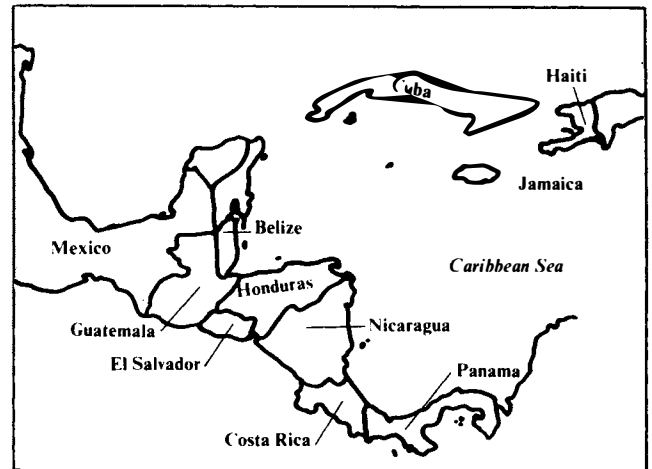
wake of Torrijos's death, "is far more unstable than even we thought it would be." There is universal agreement in the press that there is now a power vacuum in Panama, in which anything could happen as both "right" and "left" forces begin organizing to take advantage of the opening. For example, the Venezuelan daily *El Nacional* last week ran an article charging the Panamanian right with regrouping with financial help from the Venezuelan Christian Democrats. The article called on the "anti-imperialist" forces in Venezuela to launch an international effort of their own in behalf of the "broad popular coalition" which their counterparts in Panama are building.

The role of Panama's President Aristides Royo remains an open question in the situation. A technocrat who has closely followed a social-democratic line, Royo is widely attributed to have been only a figurehead for Torrijos and will be shortly swept aside. In a post-Torrijos interview with the London *Times*, however, Royo warned his detractors that "Torrijos was the Mao Tse-Tung; I was Chou-en-Lai," and proffered himself as a potential British asset in the region who intends to stay. "There is a future for British enterprise" in Panama, Royo gushed. "I personally like dealing with the British."

Honduras: Elections are scheduled for November 1981 in this military-run country, and there have been persisting reports that the right-wing faction of the army will stage another coup before they permit a return to democratic forms of government. Whether or not a coup occurs immediately, the election process, engineered by the State Department along the model of the planned elections farce in El Salvador, will lead to the same spiral of worsening conflict and weakened institutions as El Salvador now suffers. Indicative of the Haig strategy are the accusations that have appeared in the local press that U.S. Ambassador to Honduras Jack Binn has been using the election process to build up the forces of the local social democracy.

Although there has been relatively little guerrilla activity in Honduras, insurrections in neighboring El Salvador and Guatemala could spill over the border literally overnight, fed by the growing refugee population throughout the area. The *New York Times* reported on Aug. 11 that U.S. Special Forces—Green Berets—have been deployed from U.S. military bases in the Canal Zone to help police the refugee camps.

El Salvador: Civil war here has been simmering since the failed left offensive of early 1981, but a new onslaught appears to be in the offing. The FMLN guerrillas have adopted a determined campaign of economic sabotage, including knocking out electrical lines to seven different towns in El Salvador last month. Private businessmen report only 40 percent of industrial capacity in the country is used; over 100,000 of the country's elite have fled;



30,000 more have become unemployed.

The Duarte Junta is also on the brink of collapse, with rumors sweeping the capital city that Duarte has resigned, been kidnapped, or left the country. The landed oligarchy and their business allies are demanding that one of their representatives be included in the ruling junta, and that the economic policies of the government be scrapped in favor of full-scale Friedmanism. But if their demands are not met by the Junta, the oligarchy appears prepared to launch another outright military takeover.

Costa Rica: Earlier this week, Costa Rica declared itself in default on the entirety of its \$2 billion in foreign debt, and cabled its creditors asking for a rollover. The government then adopted the uncharacteristically radical stance of throwing out of the country the IMF representatives who were there to negotiate—although the IMF itself is claiming that Costa Rica has *not* broken relations entirely.

As this was occurring, the French Foreign Minister Claude Cheysson dropped in on the country, and presented himself as their trusted friend and ally in dealing with the IMF.

Terrorism is only beginning to assert itself in Costa Rica but the country has for years served as one of the primary staging grounds for much of the terrorist activities that have taken place elsewhere. This was best seen in the use of Costa Rica as the base of the Sandinista "Southern Front" during the civil war against Somoza. The core of the "Southern Front" leadership—sponsored then and now by aging social democratic leader José "Pepe" Figueres and his protégé-turned-opposition Rodrigo Carazo now the President of Costa Rica—is now regrouping in Panama under the direction of social democratic mercenary Hugo Spadafora. They intend to do battle as a new Simón Bolívar Brigade in other Central American countries. It was to Spadafora's crew that Pastora, still a Costa Rican citizen, fled upon his resignation from the Nicaraguan government.

Church radicals say Mexico next Poland

by Dolia E. Pettingell

In mid-June, 3,000 Guatemalan peasants crossed the Mexican-Guatemalan border seeking political asylum in Mexican territory. Claiming that the Guatemalan refugees were running away from political repression and torture, the Mexican left and radical press threatened that if the Mexican government refused to grant the Guatemalans political asylum, they would launch an international human rights campaign that would hurt Mexico's image.

Ignoring these threats, at the end of July the Mexican government sent all but 50 of the Guatemalans back to their country. Mexican Secretary of Defense Félix Galván explained Aug. 2 that the Mexican government had decided to send the Guatemalans back because they had been "manipulated" by a "Belgian priest" named Hugh Howard and a "social worker." By their urging the peasants to leave Guatemala because their "towns would be bombed by the Guatemalan army," General Galván explained that the "manipulators" intended to "create problems on both sides of the Guatemalan-Mexican border."

The Belgian priest and the social worker referred to by General Galván are part of the Jesuit/Socialist International plan to plug Mexico into the Central American violence scenario before the North-South meeting in Cancún, Mexico next October.

By denouncing the plot—and plotters—by name, the Mexican government has temporarily managed to defuse the plans to spread the Central American violence through massive inflows of refugees, including armed guerrillas. Developments over the past months, however, indicate that it will take more denunciations to actually dismantle these destabilization plans against Mexico. (Socialist International assets both inside Mexico and abroad have intensified their efforts to make the destabilization of Mexico coincide with the September Central America blowup scenario.)

Ramsey Clark's visit

A key indication of this commitment is the recent one-week trip to Mexico of former U.S. Attorney General Ramsey Clark, the man who takes credit for putting the Ayatollah Khomeini in power.

In the past, Clark has repeatedly "predicted" that the "repressive Mexican system" will be overthrown like in Iran by a blind insurrection of Jacobin hordes. Early last year, Clark took part in a New York City "roundtable" on political repression in Mexico sponsored by PEN International, a group of international writers which operates as a human rights front for terrorist activities around the world.

Although little was reported in the press as to whom Clark met with while in Mexico, it is known that he maintains close ties with Socialist International assets inside the Mexican government like Foreign Minister Jorge Castañeda, and the group of radical antigovernment "intellectuals" whom Clark sees as the would-be ayatollahs of Mexico.

Some of these "intellectuals," who also attended last year's PEN International roundtable, are Mexican writer Elena Poniatowska; cultist-novelists Octavio Paz and Carlos Fuentes (a "personal friend" of French President Mitterrand); and Mexican human rights advocate Mrs. Ibarra de Piedra, recently mooted as a presidential "unity" candidate of the country's left.

At last year's conference, both Clark and this Mexican group concluded that the Mexican system was worse than Nazi Germany, since at least in Germany crimes were publicly known and in Mexico they are not.

In an interview Aug. 7 with the Mexican proterrorist daily *Uno más Uno*, Clark urged the Mexican government to "intervene" in Central America before "things get worse." Clark insisted that Mexico is the only country that can stop the Reagan administration's "militarist" push in Central America.

The upsurge of violence Clark has been predicting for Mexico would be led in the field by the Jesuit Theology of Liberation priests who are currently running the Central American "revolutions" as well. An indication of what these forces intend to do appeared in recent statements by the ultraradical bishop of the Tehuantepec region of Mexico, Arturo Lona Reyes. In a challenge rarely seen in Mexico—where Church and state roles are constitutionally separated—Lona urged the Church to take on the role of leading the "Indians and poor people of Mexico" acknowledging that, as in Central America, "armed revolutions represent the last legitimate means [to] fight injustice." The Church, Lona explained, can make the Mexican political system "tremble like in Poland."

What is especially grave about Lona's remarks is that they were made *after* the Mexican interior ministry had issued a sharp warning against Church involvement in politics. In a lengthy political statement, the interior ministry reiterated in strong terms that the Constitution bans Church participation in politics, and to allow it to do otherwise would lead to a confrontation that no one desires.

Book Review

Horror tales and liberation theology

by Valerie Rush

Cry of the People

by Penny Lernoux

Doubleday and Co.

New York, 1980. 535 pages. \$12.95

With all eyes focused toward the upcoming North-South summit in Cancún, Mexico this October, the issue of Third World development is high on the international agenda. It is thus of special significance that a new book has begun to circulate in U.S. and Latin American circles which, disguised as a testament to the "people's struggle" in Latin America, is actually an assault on the essence of real Third World liberation—the right to economic development.

Cry of the People, by American journalist Penny Lernoux, is devoted to the story of "United States involvement in the rise of fascism, torture and murder, and the persecution of the Catholic Church in Latin America," or so the jacket copy claims. Its 500 pages—replete with hundreds of pornographically detailed torture stories and even an appendix of modern-day Church "martyrs"—inform us that a new "people's Church" has arisen in Latin America which, in the name of human rights, is leading the downtrodden masses to freedom.

The "freedom" Lernoux offers the oppressed populations of Latin America is, however, a blend of terrorism, cultism, and brainwashing, leading to self-destruction for entire nations on the model of that meatgrinder known as El Salvador. At the same time, Lernoux viciously slanders countries like Mexico, which today stands in the vanguard of Third World leadership for its ardent defense of the right to industrial development as the only guarantee of national sovereignty. The revolutionary heritage which imbues the Mexican people with a fierce patriotism and commitment to progress is dismissed by Lernoux as a myth which has merely served to engender "fatalism and apathy."

It is not accidental that Lernoux selects the Jesuit order's activities in the shanty towns of Chihuahua in northern Mexico for special praise; what she neglects to mention is that in the early and mid-1970s, these slums

became a well-known spawning ground for the terrorist gang, the 23rd of September League—under the sponsorship of the renegade Jesuit gang that infiltrated the Catholic Church in the 16th century.

Development is the issue

The unwary reader can quickly become enmired in Lernoux's blood-and-guts horror stories. But her central thesis—that development is nothing but an imperialist conspiracy against the poor—is stated explicitly enough. "The issue is the model of development," she says. "Do you make refrigerators and air conditioners or shirts and shoes? Do you build sophisticated hospitals or rural clinics, universities or primary schools?"

"It is a matter of intense national pride with these people [national leaders] that their country has a steel industry, though there may be no economic or social justification for the expensive toy. . . . Petrochemical plants may reduce a country's imports and add a few points to the GNP but they do not promote human development."

Lernoux's book reads like a vast public relations job for the "Liberation Theology" faction within the Catholic Church which over the past decade has preached socialist revolution and zero-growth ideology. Top "liberationist" spokesman Gustavo Gutiérrez gets special mention for his thesis that "liberation is a more appropriate word than development in the context of poverty and repression." Lernoux's book is exuberantly dedicated to the Maryknoll and Jesuit orders who opened up their private files to make her book possible.

The traditionalist forces in the Church whose dedication to progress and the perfectability of the human soul makes them an obstacle to the depopulation strategies of the "liberationists" are singled out for special venom by Lernoux. The "conservative" Church, she says, is essentially still the Church of the Inquisition, defender of military tyrants, and ally of the multinationals and, of course, the CIA. The liberationists' aim is to turn the traditionalist Church in Latin America into a "tower of isolation," to split the Catholic Church and shatter the influence of the Vatican growth and development faction worldwide.

Cry of the People details some of the weapons in the liberationists' armory, which include:

- consciousness-raising sessions with backward peasants.
- "popular religiosity" such as the voodoo-based *macumba* cult of Brazil. By brainwashing Latin America's peasantry with cultist rites and Jacobinist "conscientization," Lernoux's liberationist friends hope to shape a battering ram against the continent's prodevelopment forces. With such "liberation" awaiting its populations, Latin America will stand little chance of making it to the 21st century.

Kirkpatrick pushes Latin America toward military and economic disaster

by Cynthia Rush

Jeane Kirkpatrick, the United States ambassador to the United Nations, toured South America last week in a brazen attempt to line up the continent behind the doctrine of strategic confrontation now dominating U.S. foreign policy. Kirkpatrick, a right-wing social democrat whose close collaborators include Jesuit solidarist Michael Novak and U.N. aide Carl Gerschman from Social Democrats U.S.A., made two explicit policy recommendations during her stop-overs in Venezuela, Argentina, Chile, Peru, and Ecuador.

First she invited the armies of South America's southern cone to join the United States in militarily combatting "Soviet and Cuban expansionism" in Central America. Though this proposal is not new—emissaries for Kirkpatrick and Alexander Haig have traveled to South America over recent months to quietly promote the plan—Kirkpatrick's rabid statements on its behalf during her trip are a signal that the Reagan administration intends to pursue it as official policy.

Second, Kirkpatrick also publicly endorsed Milton Friedman's Chilean "economic miracle" which has ravaged that country's once-productive human and economic resources. Chile's economic recovery "has been an enormous success," she stated in Chile's capital, Santiago, "and the whole world knows it or should know it . . . I see no symptoms of a recession here."

The sole purpose of Kirkpatrick's trip was to create the necessary conditions for implementation of these proposals. The nature of the Central American conflict makes this point emphatically. Kirkpatrick is really asking the southern cone armies to fight an insurgency which her close political allies in the international social democracy have intentionally created. The purpose of pulling in the southern cone armies is not to "win" anything but to create a unified military apparatus—a virtual extension of NATO—that can be deployed on behalf of administration policy anywhere on the continent, or even the world.

The success of the U.N. ambassador's trip was ironically sealed in Brazil, a country she *did not* visit, but where the ouster of Presidential Minister Golbery do Couta e Silva paved the way for lining up the continent behind this confrontationist policy. The Aug. 11 an-

nouncement by the Colombian government that it will send troops to participate in the Sinai peacekeeping force—something Kirkpatrick and Haig have been trying to force Argentina to do—is also an immediate result of Kirkpatrick's trip.

In every one of her stops in Latin America, Kirkpatrick shrilly reiterated that the Soviet Union and Cuba were threatening "hemispheric security."

After meeting with Chile's Vice-Minister of Foreign Affairs Ernest Videla on Aug. 7, she announced to the press that "the Soviet Union first conquered Cuba and has now moved its beachhead to Central America, threatening important food and energy centers." She urged southern cone nations to band together, "despite your cultural differences," to halt Soviet subversion in Central America. In Peru on Aug. 11, the U.N. ambassador vowed that the United States would be willing to aid "any nation" threatened by Soviet and Cuban expansionism, and proceeded to list all the countries of Central America plus Colombia as targets of Cuba and the Soviet Union.

Minister Videla delightedly reported that the United States and Chile "coincide absolutely" on the need to combat communism in Central America—a fact underscored by the presence in Honduras of Chile's foreign minister to arrange military aid for that country. To cement its newfound alliance with the United States—one that reversed the last eight years of U.S. policy toward Chile—the Pinochet government announced that Mrs. Pinochet will soon travel to Washington to inaugurate an art exhibit. In return, U.S. Vice-President George Bush will make an official visit to Chile at the end of this year.

This alliance will consist of more than polite visits, however. The Chilean "economic miracle" is to become the basis of U.S. economic policy toward Latin America. Two months ago, Kirkpatrick colleague J. W. Mendenhoff, U.S. ambassador to the Organization of American States, told a group of Miami businessmen that the United States must promote adoption of the Chilean and Jamaican "free-enterprise" models in the rest of Latin America. And just before Kirkpatrick left on tour, her cothinker David Rockefeller announced that he would

use his new creation—the Americas Society—to extend Friedmanite economic policy throughout the continent.

Removing obstacles

Not all the countries of Latin America responded with the same enthusiasm as the Chileans, however. As far back as February of this year, when Haig sent envoy Vernon Walters to Latin America to drum up support for his “Soviets are taking over Central America” thesis, the Brazilian government pointedly rebuffed Walters and stated that it would prefer to rely on its own embassies in Central America as sources of information on the region. Itamaraty, Brazil’s foreign ministry, stated at that time that the government would adhere to a policy of strict “nonintervention in the internal affairs of other countries.”

The political coup that took place last week against the chief architect of Brazil’s noninterventionist policy, Presidential Minister Golbery, was an obvious attempt to alter that country’s strategic alignment (see p. 34).

The more immediate question that arises is how the Golbery removal will affect the strategic alignment of

other Latin American nations, most notably Argentina. Argentine President Roberto Viola and Foreign Minister Oscar Camilión publicly oppose Argentina’s military involvement in Central America. But extreme right-wing military factions that *do* favor participation in Central America as an extension of the proposed South Atlantic Treaty Organization—SATO—could feel sufficiently strengthened by Brazilian developments to force the government to line up behind Washington.

Last week’s Bolivian coup may also be a plus for the advocates of strategic confrontation, although the smoke still hasn’t cleared after the ouster of Gen. Luis García Meza. Rather than pursuing any serious policy changes, the coup appears primarily to have been a face-lifting operation to remove the stigma of drug-trafficking from the junta. To date, the junta’s overt involvement in cocaine-trafficking has prevented its official recognition by the Reagan administration.

A “clean” Bolivian government, finally made respectable by U.S. diplomatic recognition, could be an additional asset for Ambassador Kirkpatrick and Secretary Haig.

Who is Ambassador Jeane Kirkpatrick?

U.S. Ambassador to the United Nations Jeane Kirkpatrick is a prime example of “right-wing” Socialist International penetration of the Reagan administration. She and her husband Evron are close to Social Democrats U.S.A., a branch of the Socialist International, and Ambassador Kirkpatrick is listed on the advisory board of another Socialist International organization, the League for Industrial Democracy, housing both “right-wing” and “left-wing” socialist agents. Before she entered the Reagan administration, with help from National Security Adviser Richard Allen, Kirkpatrick worked with Senators Daniel Moynihan and Henry Jackson and leaders of the AFL-CIO in the Coalition for a Democratic Majority, a grouping disingenuously billed as a conservative Democratic alternative to George McGovern’s left-wing takeover of the party.

Kirkpatrick’s appointment was reportedly based on an article she wrote for the November 1979 issue of *Commentary* magazine. Entitled “Dictators and Double Standards,” the article drew the distinction between “moderately repressive regimes” such as Anas-

tasio Somoza’s in Nicaragua, and “totalitarian” ones such as the Soviet Union, and urged the United States to make common cause with the former against communism and consider the Soviet Union its primary adversary. Beneath the anticommunist rhetoric, Kirkpatrick’s writings defend a more insidious premise: that the vast majority of the world’s nations can have neither democratic governments nor significant economic development, and that the United States should abandon its concern for both objectives.

Kirkpatrick’s outlook stems from her admiration for Viennese logical positivist Sir Karl Popper, the successor to “New Dark Age” advocate Bertrand Russell as head of Britain’s Aristotle Society. Popper is best known for his ideological tracts equating Platonism with “totalitarianism,” and for his defense of Aristotle’s bestial pragmatism. He is also a founder of the Mont Pelerin Society, the organization created for high-level operations by the international “black nobility.”

Kirkpatrick’s allegiance to Popper was demonstrated in her recent participation in founding the Committee for the Free World. The committee claims Popper as its ideological godfather and intends to use its anticommunist cover to continue his battle against Neoplatonic science. Addressing the group’s first meeting in February 1981, Kirkpatrick vowed to use her U.N. ambassadorship to “pursue a parallel political course.”

Mossad's cold coup against Golbery: undercutting pragmatic nationalists

by Mark Sonnenblick

The success of Brazil's hardline military in forcing the Aug. 6 retirement of the man who since 1974 had tried to turn Brazil into a stable, developing nation-state, means that a dangerous period of instability is in store for Brazil and her neighbors in Latin America and in Southern Africa. Retired General Golbery de Couto e Silva was unceremoniously forced to resign his post as presidential minister for civilian affairs, from which he had master-minded not only the current "political opening" toward civilian rule, but also Brazil's geopolitical shift toward becoming an independent power in world affairs.

Golbery was known as the *éminence grise* of President João Baptista Figueiredo, who will remain in place; but in order to survive the remainder of his 1979-85 presidential term, Figueiredo will have to make ever-increasing compromises with the hardline right-wing officers, and the people who manipulate them. The departure of the only man in Brazil with a relatively coherent concept of how to hold the country together amidst a mounting debt crisis leaves a dangerous vacuum which neither the weakened President Figueiredo nor his brash enemies will be able to fill. With the rejection of Golbery and of the Machiavellian safety valve provided by his social-engineering scheme for *abertura* (political opening), the Iranization of Brazil has become a distinct possibility for the medium term.

Golbery's overthrow was orchestrated by the Kissinger-Rockefeller-Haig group with Israel's Mossad intelligence agency. Their objectives are threefold:

- As enunciated by David Rockefeller during his November 1980 visit to Brazil, democratic processes are not conducive to the deep cuts in both living standards and employment required to avoid default on Brazil's \$64 billion foreign debt.

- The Mossad had targeted Golbery because he saw himself as "the father of the Brazilian-West German nuclear agreement" of 1975. Golbery had kept that model technology-transfer process alive—despite increasingly shrill outcries from London bankers and international Zionists—because he viewed it as a big step toward building Brazil into a major world industrial

power by the end of the century. Such rapid industrial and nuclear development bothers the Israelis because "pragmatic" oil-importing Brazil has forged a partnership with Iraq and Saudi Arabia.

- Golbery consistently rebuffed Haig's demands that Brazil provide colonial troops for his "flight forward" policy of global military confrontation with the Soviets.

Haig was probably surprised as well as enraged that Golbery scuttled the February efforts of his special emissary, Vernon Walters, to enlist Brazilian and other South American armies in the Central American mess. Walters has for years acted as Pentagon liaison with the moderate "Sorbonne" faction of the Brazilian army, since serving with it in Italy during World War II. Walters reinforced those ties during what he calls "the seven best years of my life" as U.S. military attaché in Brazil (1945-48; 1962-67). Walters in fact sponsored Golbery's diligent plotting, organization, and execution of the military's 1964 takeover.

The "Sorbonne" faction, now headed by Golbery, Figueiredo, and ex-president Ernesto Geisel, has characteristically been much friendlier to perceived American interests than opposing "hardline nationalist" tendencies have been. Golbery, for example, worked as president of Dow Chemical's Brazil subsidiary when he was out of grace with the hardliners when they ran wild during the 1969-74 presidency of Gen. Emilio Médici.

Golbery's replacement as minister of civilian affairs, jurist João Leitão de Abreu, is in fact a representative of the opposing Médici faction, having served in the same post in the 1969-74 period.

How Brazil's Machiavelli was toppled

The writing on the wall in the Golbery case was already visible in February 1981. At that time, one of the hundreds of political prisoners amnestied by Figueiredo nearly slammed the *abertura* shut, when she made a stink in the press by naming the officers who had supposedly tortured her in 1971, and by demanding in court that they be punished. São Paulo Cardinal Arns and other leftists joined the revanchist chorus.

It surprised nobody that the hardliners in the military exploded against the Figueiredo-Golbery political détente process which had allowed such insults to their honor. They called for closing down the press, Congress, the mouths of everybody, for canceling the November 1982 elections, and so on. "For 72 hours," the chief of the regime's party in the Senate later reported, "we thought everything was lost." Figueiredo managed to contain the hardliners only at the expense of ceding them more positions within the military.

A few months later, two members of the army red squad, often accused of systematic torture, accidentally blew themselves up while planting a bomb in a leftist May Day songfest. Dozens of unsolved terrorist incidents against the left and liberals had undermined President Figueiredo's authority; this time he had to promise that those responsible would be punished. As the weeks passed, it became clear that army investigations were just coverups and that Figueiredo and Golbery had lost control over their own military.

Medeiros: a special background

General Otávio Medeiros, the head of Brazil's powerful national intelligence service, SNI, is the man who has thrust himself forward as the champion of the fearful and disgruntled right-wing generals. Golbery-linked sources confirmed to *EIR* that Medeiros led this week's military rebellion against Golbery. Medeiros is *not*, however, a right-wing hardliner. Since the late 1960s, Figueiredo has kept him as his protégé and most reliable military aide—with one critical exception. While he was serving as military attaché in Israel (1973-75), Medeiros was picked up by the Israeli Mossad.

From the Mossad, Medeiros learned the fine arts of political terrorism and manipulation of countergangs. As Figueiredo remarked with amazement in an interview shortly before assuming the presidency in 1979, Medeiros had explained to him during a visit to Israel how the Israeli intelligence services employ Arab provocateurs.

There is room to suspect Medeiros's hand in the series of incidents which spurred the right wing to dump Golbery. Medeiros was in a position not only to sponsor the leftists who called for vengeance, but also the press which made the threat palpable to the military. In April, for example, Medeiros saw to it that the militantly Zionist *Manchete* magazine beat out Golbery's favored liberal papers for television franchises. In June, his favored press conduits launched a series of wild exposés to the effect that Brazil was not only running a secret "parallel" nuclear program to build an atom bomb, but was even supplying Iraq with the materials needed to make a bomb. These stories were put out to discredit Golbery's cherished nuclear projects.

Also contributing to Golbery's downfall is an 800-

page book rushed into a production featuring newly discovered documents that depict Golbery as a puppet of U.S. multinationals in conducting the 1964 coup. The leftist author, René Dreifus, studied at Haifa University and did the book as his doctoral thesis at the Scottish intelligence center at Glasgow. Some invisible hand gave him mountains of secret Brazilian documents and smaller quantities of classified U.S. government correspondence. While the scheming Golbery is all over the book, his co-conspirator Vernon Walters is conveniently covered up.

One more detail pulls together a whole left-right conspiracy circle together. Della Cava, a Queens College leftist "Brazilianist" professor with extensive links to radical Church networks via Italy, had the foresight to fly down to Brazil—at considerable personal sacrifice—just in time for the demise of Golbery.

Della Cava, it seems, is the prime international protector and adviser of those Brazilian radicals who have proved so useful to the cause of dictatorship in that country. He wrote an important paper right after Figueiredo's 1979 declaration of political amnesty, in which he explained convincingly that any call for revenge or exposure of the former military torturers would necessarily tumble the liberalization process. He wrote that paper for the U.S. National Security Council, and for São Paulo Cardinal Paulo Evaristo Arns, who appears to be carrying it out with precision. Arns recently declared that armed struggle is legitimate for persons denied other paths to justice.

False hopes on the economy

The big unanswered question for the "post-Golbery" era is how Brazil will get past the crisis caused by its inability to service its \$64 billion foreign debt at high interest rates in depressed international markets.

David Rockefeller and his London associates are pleased that, since November, Planning Minister Delfim Netto has yielded to their blackmail. Without provoking the nationalist military by going to the IMF, Delfim has increasingly applied IMF-style economic policies.

Even that may not satisfy the voraciousness of Brazil's creditors. They may use Golbery's removal to demand further belt-tightening from Delfim.

"Delfim aims to stick to strong no-growth policies of which were a threat to the PDS [the regime's civilian party], to the government, and to the military. Very restrictive economic policies could hamper the *abertura*," commented a Wall Street banker.

But knowledgeable observers concur that bullets alone cannot keep the lid on Brazil today. There are abundant signs in the Brazilian press that the newly strengthened hardline military may turn out to be even *more* reluctant than Golbery to permit Delfim to squeeze the population into riot and rebellion.

London plans Iranian civil war

Middle East Editor Robert Dreyfuss reports on the strategy and the probable response from the Soviet Union.

The British Secret Intelligence Service (SIS)—the organization that plotted the downfall of Iran's Shah in 1979 and installed the Ayatollah Khomeini and the Muslim Brotherhood secret society—has launched a plan to provoke a civil war in Iran. At best, the current British-directed effort will lead to a very bloody Ten Years' War between army and guerrillas, and, at worst, a nuclear confrontation between the United States and the Soviet Union.

The British SIS is operating in Iran and amid certain Iranian exile circles through both the U.S. administration of President Ronald Reagan and the French government of President François Mitterrand, along with the participation of Israel's Mossad intelligence specialists. At the Ottawa summit meeting last month, the British brought about a marriage between the CIA and SDECE, the French intelligence service, on the issue of Iran.

The first project of that alliance was to bring ex-President Abolhassan Bani-Sadr out of Iran to his current exile in Paris, France. Now with the regime of Ayatollah Khomeini and the mullahs fast crumbling, the British, American, and French secret services are working with diverse Iranian political forces to put together a replacement government.

Various scenarios are currently being considered. At the top levels of the British elite, options ranging from the restoration of the Pahlavi dynasty to a military strongman regime to a Muslim Brotherhood socialist regime under Bani-Sadr are now under review.

But, no matter what option the British finally decide to pursue in earnest, the end result will not be a stable and prosperous Iran. The Soviet Union, which has gained enormous influence in Iran, especially in the northern part of the country, and which has tens of divisions stationed near the Iran border and in Afghanistan, is determined to prevent the emergence in Iran of any government that could present a threat to the national security interests of the U.S.S.R.

In 1978-79, when the British SIS and the Carter administration began the destabilization of the Shah's government, the Soviet Union was taken by surprise. Moscow, which enjoyed relatively good trade relations

with Iran and which hardly sought to create a severe point of instability on its southern border, was then content to allow the Shah to remain in power—as long as the Shah maintained a healthy respect for the power of the Soviet Union. But the Anglo-American effort to topple the Shah did, in fact, create that instability; and the Soviets responded by taking advantage of the lack of central authority in Teheran to increase dramatically their relative political and military influence throughout Iran.

Now, according to a former Iranian official, "Moscow has veto power over the next government in Iran."

Bani-Sadr or Shah?

In the first half of August, two focal points have developed concerning the Iranian opposition to Khomeini and the mullahs. The first is the furor created by the flight of Bani-Sadr to France, pledging to overthrow the mullah regime and restore "democracy," and the second is the public call to revolt by Shah Reza II, the heir of the late deposed Shah, from Cairo.

In an Aug. 5 statement marking the anniversary of the 1906 constitution of Iran, Reza II declared that he would support a "national uprising" by the people of Iran against the Khomeini dictatorship. In a message to the Iranian people, he said that "national organizations inside and outside of Iran are ready to join patriots fighting inside Iran at the necessary time," and that many clandestine military groups are already carrying out anti-Khomeini operations. More than 50,000 cassette tapes of the young Shah's remarks were produced for secret circulation in Iran.

One week earlier, a moustacheless Bani-Sadr arrived in Paris, France, alongside Massoud Rajavi of the "Islamic Marxist" Mujaheddin guerrilla group.

Meanwhile, inside Iran, a reign of terror was launched by opposing sides. In the past several weeks, scores of prominent Iranian mullahs have been killed by anti-Khomeini underground groups, including some important leaders of the regime, such as Hassan Ayat, the alleged "theoretician" of the ruling Islamic Republican Party. Bombs have wrecked IRP offices and the

Teheran headquarters of the fascist Pasdaran, or Revolutionary Guard. Leading judges of the bloody courts in Iran were killed in Gorgan, Kermanshah, and other cities.

From the government side, Prime Minister Bahonar declared the formation of a "war cabinet" amid crisis conditions. According to Iranian sources, as many as 100 Iranians have been executed every day of the past two weeks, and even according to official figures the number of executions is more than 200. In Tabriz, an important northern city, hundreds of military men and other officials were purged, and many executed, on the suspicion of cooperation with the anti-Khomeini forces, and several brigades of Revolutionary Guard gestapo members were dispatched to Tabriz on an emergency basis. Some observers called the recent crisis "the start of Iran's civil war."

According to U.S. intelligence sources, the center of Anglo-American operations concerning Iran has been recently established in Paris with the support of the socialist Mitterrand government, and all operations by London and Washington will go through France. Soon after Bani-Sadr's arrival in Paris, Iran's mullahs acted to prevent 116 French citizens from leaving the country, and a major crisis threatened for Mitterrand. However, on Aug. 11-12, in two groups, the Frenchmen, including Ambassador Guy Georgy, were allowed to leave the country, indicating that Iran's mullahs did not feel capable of confronting the French. According to Iranian observers, Mitterrand will step up French intelligence's support for the Iranian opposition now that the French citizens have been evacuated.

The Mitterrand government has two options: to use its Socialist International connections to aid a socialist coup in Iran in support of Bani-Sadr, or—with the CIA and the British—to give a green light to the pro-monarchist forces in the army, navy, and air force of Iran. In either case, the resulting government in Iran's capital of Teheran is likely to find itself besieged by an increasingly powerful Soviet-backed guerrilla force, led by the communist Tudeh party, extending down from Iran's northern provinces.

Inside Iran

On the surface, it would appear that the single most powerful anti-Khomeini force inside Iran is the so-called Mujaheddin. Years before the revolution, the Mujaheddin was a tiny terrorist band of Islamic Marxist ideologues, generally kept in check by Iran's secret police. But with the fall of the Shah, that organization swelled its ranks and absorbed several thousands of young, heavily armed anarchists and gang members. In recent months, the Mujaheddin has received most of the credit for the hundreds of assassinated mullahs and other acts of sabotage against Khomeini's government.

According to Iranian military sources, the reality is somewhat different. "Most of the actions against Khomeini and the mullahs are currently being carried out by small but organized groups of former Iranian military officers," said one source. "There are about 40,000 ex-officers in Iran, and many of them are organized into about 30 or 40 organizations, each loyal to the monarchy."

He added, "But the military resistance does not want the credit for these actions, because it would only make them vulnerable to the repression and executions by Khomeini. So they are content to allow the Mujaheddin to get the credit."

Other sources report that the Mujaheddin itself is infiltrated, and in some cases controlled, by former Iranian military officers. "There are really two distinct Mujaheddins. One is the obvious one, the young teenagers carrying the guns in the streets—but it is clear that they are not capable of sophisticated political assassinations. The 'other' Mujaheddin is the hit squads run by ex-military intelligence people and the police, who are responsible for such actions as the murder of Hassan Ayat."

Ayat, according to French intelligence sources, was heavily guarded and had been warned by Khomeini's secret police that he was to be assassinated—thus marking his murder as the work of a professional agency, probably the same one that exploded the bomb that killed Ayatollah Beheshti and 100 other mullahs in June.

The Iranian Air Force pilot who escorted Bani-Sadr and Mujaheddin leader Rajavi out of Iran was a former personal pilot of the late Shah, reportedly with strong CIA connections. In an interview in France, the pilot, who has asked for asylum in France, declared that he is a member of the Mujaheddin. That, and other evidence, indicates that there exists a strong overlap among the Iranian armed forces against Khomeini, the radical Mujaheddin, and the CIA-SDECE command currently backing the anti-Khomeini opposition.

In this context, according to all observers, the pathetic Bani-Sadr seems to be nothing more than a front man, a sort of "Wizard of Oz" puffed up by the forces behind the scenes. In fact, according to highly placed French government sources, Bani-Sadr has not been welcomed by top French officials, even including foreign policy adviser Régis Debray, an old friend, and has gotten the cold shoulder from Mitterrand. That indicates that the French government is merely using Bani-Sadr as a convenient public figure to attract the attention of the mullahs, while preparing for a larger operation. Moreover, among the vast majority of the Iranian exiles, Bani-Sadr is viewed as a murderer and ally of Khomeini's Revolutionary Council since the early days.

Faceoff with Soviets over Warsaw debt?

by Rachel Douglas, Soviet Sector Editor

Despite mass protests in the streets and Soviet naval maneuvers offshore, there was no more momentous event for Poland in late July and early August than the rescheduling of its hard-currency commercial debt, agreed upon by creditor banks at a meeting in Zürich. With it came increased pressure on Poland to join the International Monetary Fund.

It was the American banks, Bankers Trust and Chase Manhattan the most prominent among them, which insisted that the rescheduling arrangement require the Poles to provide detailed information on their economic and financial resources and submit to inspection by a "technical adviser" from the West. This fell short of IMF membership, but the banks' pressure was sufficient to bolster a conviction in Moscow, expressed by Soviet sources, that the Polish crisis is a challenge to the entire Soviet system, orchestrated from the West. Polish sources insist that the pressure emanates not only from the banks, but also from the U.S. State Department.

The IMF's *World Economic Outlook*, issued July 19, reported that Poland already had a debt-service-to-exports ratio in excess of 100 percent and estimated that interest payments alone ate up 30 percent of its export earnings last year. If Poland were to secure emergency imports of food and machinery, necessitated by plummeting production during the past year of strikes, its debt had to be rescheduled. Foreign Trade official Zygmunt Krolak said in a July 28 Polish Press Agency interview that Poland might need as much as \$2 billion more over and above the rescheduling, in order to survive 1981. A credit for approximately one-quarter this amount is under negotiation with the West German Reconstruction Loan Corporation.

Poland's 1981 state debt payments were rescheduled in the spring, in negotiations spurred by the recently ousted French government of Valéry Giscard d'Estaing. The commercial debt negotiations, covering \$2.37 billion or nearly one-half the payments still due this year, involved volatile interest rates and the demand for conditionalities. They were more tortuous.

The "unanimous agreement" announced by the banks from Zürich on July 22 would reschedule 95 percent of the Poles' payments due in the last three quarters of 1981, until 1988, at 1¾ percent over the London interbank rate. This is the time-frame sought by the West German banks, although London banking sources say the Germans wanted to reschedule 100 percent of the payments. The remainder of the plan came directly from the Americans, although less than 10 percent of the loans at stake coming due were to American banks. "The U.S. line is the toughest," said a London banker, and the U.S. line meant asking Poland for detailed economic information on its reform plans as well as on its sources of financial aid—the U.S.S.R. among them.

On Aug. 4, Polish officials sought a meeting in Vienna with Western bankers to clarify the proposed rescheduling terms. The *Financial Times* of London spoke of "ominous signs" that the Polish response "may not be as favorable as seemed at first sight." Handlowy Bank was objecting both to the high interest rates and to the economic information demanded, according to the London banker, because "the Soviets would see that as a wedge into the Comecon" [the socialist bloc's economic community].

Enforcing austerity

Flora Lewis of the *New York Times*, in an Aug. 5 column, proposed that the best confidence-building step for Poland would be to join the IMF outright, opening up quick funds and putting some international authority behind a rigorous austerity program, which would make the population more likely to accept it. The banks, reported the *Daily Telegraph* of London, are pushing for this as well.

But the City of London and Wall Street creditors of Poland have another lever, short of exacting IMF membership, to enforce austerity: the present conduct of the Solidarity trade unions.

When Poles poured into the streets to protect rises in the price of meat, the Polish government appealed to Solidarity's farm affiliate, Rural Solidarity, to direct peasants to deliver more meat to the slaughterhouses. But Solidarity set preconditions: rescind cuts in the meat ration and pass economic reforms "including a plan for workers' co-management in industry."

This last Solidarity demand is exactly what the banks sought, a mechanism for the shrinkage of Polish industry, in this case warfare among autonomous, worker-controlled enterprises. Under such a regime, Poland would become the showcase for the drastic deindustrialization of advanced-sector economies favored by these international financial institutions.

A Solidarity adviser traveling abroad, a sociologist of the sort that instructs Solidarity's worker-leaders in

social theory, identified the dynamic working on behalf of such reform. "If joint pressure is exerted from Solidarity on the inside and the Western bankers on the outside," he said, "the Polish government will be forced to accept" the reforms.

This Solidarity adviser was equally enthusiastic about decentralization, already occurring through the "social enterprise" network of self-managed factories, and about Poland's joining the International Monetary Fund. IMF membership would be "useful," he thought.

Poland's sociologists, and eminently the ones counseling Solidarity, are products of training by Britain's Tavistock Institute through such agents as Jan Szczepanski, Tavistock associate and vice-president for sociology at the Polish Academy of Sciences. Jungle psychology of the sort studied and cultivated by Tavistock is rife in Poland today, as Solidarity fights the government, town blames country, and countryman suspects countryman in the matter of scarce food. For every allegation that authorities are withholding food in order to provoke a confrontation and legitimize a crackdown, there is a report that peasants are keeping their crops back from state stores, in anticipation of a better price on the skyrocketing open market.

Martial rule

Lord Bethell, the British intelligence specialist on Poland and Afghanistan, believes that Poland is "doomed" to chaos and disaster in the near term, according to sources in Europe. Some Polish sources, too, fear that the population at large would defy not only the government, but even appeals from Solidarity to maintain order. In the heat of confrontation over food prices, Poland came to the brink of new crippling strikes in major cities and in the mines of Silesia.

In the Baltic Sea, the maneuvering Soviet naval units staged a huge landing operation at Baltisk, Lithuania, not far from Solidarity's stronghold in the Polish port cities of Gdansk and Gdynia. As Soviet amphibious craft passed into the Baltic, Warsaw Pact Commander Marshal Viktor Kulikov arrived on his fourth visit to Poland this year. He conferred with General Wojciech Jaruzelski, who is both prime minister and defense minister, and he viewed Soviet-Polish-Czech units on maneuver in Silesia. Official notices spoke of protecting Poland's status in the Warsaw Pact.

Before direct Soviet military engagement, Polish sources suggest, Jaruzelski will take internal measures to keep order, even if this brings on martial law. The prime minister has named three other generals to his cabinet and has dispatched army units to confiscate goods from black marketeers in several cities. With the cabinet and a special civilian-military crisis team, Jaruzelski currently confers on "preventing planned demonstrations which threaten public order."

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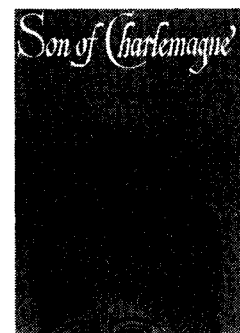
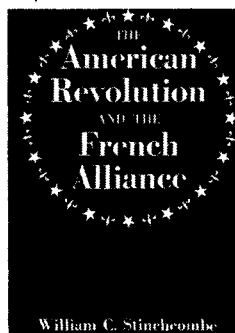
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Tarapur fuel talks with U.S. break down

by Daniel Sneider, Asia Editor,
from New Delhi

Any expectations that the Reagan administration would take a more positive approach to the question of nuclear technology exports were shattered during two days of bilateral talks held in New Delhi on July 30 and 31.

At the talks the U.S. delegation, headed by Assistant Secretary of State James Malone, continued to press for termination of the 1963 Indo-U.S. agreement for supply of enriched uranium fuel for the Tarapur nuclear plant near Bombay. The agreement was to have run until 1993, but as a result of the Percy-Glenn nonproliferation legislation and the Carter administration's stance against nuclear energy, the United States now argues that it can no longer supply nuclear fuel to India.

The Tarapur case is being looked at closely by other nations as a test of the Reagan administration's policy on nuclear technology exports. In the eyes of many countries, the termination of the agreement with India would confirm that the United States has ceased to be a reliable partner for development.

Reagan upholds Carter

Hopes for a new direction in U.S. policy under the Reagan administration were set back earlier this year when the State Department proposed a "friendly termination" of the 1963 agreement with India in a first round of talks in Washington. India grudgingly accepted the U.S. demand for termination—in large part because the government of Prime Minister Indira Gandhi wanted relations with the new administration to start off on a positive footing.

The current deadlock in negotiations, however, stemmed from the U.S. delegation's insistence, at the first and second round of talks, that India must maintain safeguard obligations on Tarapur even *after* the termination of the 1963 uranium supply agreement. This condition, which would bar the use of the spent fuel being stored at Tarapur, is unacceptable to India.

At present, India is running the Tarapur plant at low capacity, and storage facilities for the spent fuel rods will be filled by the end of this year.

The Indian government has made it clear on several occasions that if the United States fails to fulfill its obligations under the 1963 agreement, it will go its own way. Prime Minister Gandhi last month told the press that whatever the outcome of the talks with the United States, "We will keep Tarapur going."

To do so, India has two options: 1) to reprocess the spent fuel at a reprocessing plant that was recently completed at Tarapur so as to manufacture a mixed uranium-plutonium oxide fuel; or 2) to obtain enriched uranium fuel from another supplier, possibly the Soviet Union or a Western European country.

New caste system

From all indications, the U.S. team led by Malone had no intention of reaching a mutually satisfactory agreement with India. The U.S. policy seems to be to delay agreement so as to force India to take unilateral action, which can then be used to place the onus on India for breaking the agreement. Because the United States ended fuel shipments, however, India can also argue that Washington has technically already broken the 1963 agreement.

U.S. policy toward these talks is the first implementation of what was billed as a "new" policy for nuclear nonproliferation and cooperation a few weeks ago by the State Department, although it is difficult to identify any changes from the old Carter policy. Indian journalists noted that what is called a "new caste system" has been set up, which will block nuclear energy cooperation with many countries. According to these journalists, only those countries who are viewed as close strategic allies of the U.S.—like Japan and the NATO countries—would be given the green light to go ahead with expanded nuclear energy programs, including fast-breeder technology. Those countries that are not "strategic allies" would be cut off. India, State Department spokesmen made clear at the time, falls into the second category.

The recent talks have further set back the deteriorating relations between the two countries, taking place under the shadow of large U.S. arms supplies to Pakistan, India's neighbor and opponent in three wars. Indians angrily question what they view as a "double standard" in relations between the United States and the two South Asian countries, and point to the State Department's decision to ignore clandestine Pakistani efforts—previously condemned by the United States—to construct nuclear weapons.

Nor has India failed to note that while Washington is trying to end the commercial uranium supply agreement, it has begun to lobby for changes in the Symington amendment—which bars military sales to countries which are building nuclear weapons—to facilitate sales of military equipment to the government of Pakistan.

A fight for nuclear energy

Trade unions and business associations are rallying to defend the West's most advanced nuclear program.

After a first short period of hesitation, Prime Minister Pierre Mauroy's Socialist government decided to use the opportunity of the holiday period to announce the dismantling of a big part of the French nuclear program, a program that was considered to be among the best in the world. In the first half of this year, the French nuclear industry has already achieved production of a third of the country's electricity and, since the program's start, has added one new reactor to the electrical grid every two months.

Lacking fossil fuel resources and having already maximally utilized its hydroelectric capacities, France is able to attain partial energy independence only through this nuclear program; opinion polls indicate that 70 percent of the population endorses it, and of the four large parties, only the Socialist Party is opposed to nuclear energy. Now, with the Socialist sweep in the National Assembly, they fully control French policy.

Immediately after Prime Minister Mauroy's cabinet decision to "freeze" the construction of 18 nuclear reactors distributed over six different sites and totaling a power of 23.5 gigawatts-electric, a strong movement of resistance to this sabotage arose, despite Europe's August vacation period.

Among the first to react strongly against the Mauroy decision was the Confédération Générale du Travail (CGT), by far the strongest

trade union in the country; it is close to the Communist Party, which in turn is represented in the Socialist cabinet. The CGT is very pro-industrial, and, its cabinet ties notwithstanding, immediately reacted with demonstrations, sit-ins, and other actions—including the world's first pronuclear strike, at the huge Thionville steel center near Cattenom. The Communist Party itself, in the past a strong supporter of nuclear power, is now in a shaky situation, wavering between its obligation to "cabinet solidarity," and its traditional defense of industry and labor. This issue may, in fact, one day break up the alliance of Communists and Socialists. Meanwhile, the strongly anti-communist Force Ouvrière labor federation, which is linked to the Socialist Party, has joined the CGT's demonstrations.

Another wave of protests has come from the Giscardians and the Gaullists. It was somehow surprising to see Robert Galley, former Cooperation minister under Giscard, and René Monory, former finance minister, participating in demonstrations with trade unions such as the CGT.

We ought to give special attention to the case of the Cattenom nuclear complex. On this site, two of the planned 1,300-megawatt-electric reactors are near completion and unaffected by the cabinet decision. However, the other two reactors await the start of their civil

engineering phase in September.

Cattenom is located in the heavy-industry Lorraine region, which has been severely struck by the steel and iron crises and by successive "restructuring" plans, the latest being the steel rationalization program of Count Davignon. For Lorraine, the Cattenom nuclear complex represents the only hope for economic recovery.

In addition to a CGT-sponsored demonstration to defend the complex, there has been created a Committee for Cattenom, initiated by the European Labor Party, the Movement of Young Giscardians, and the French chapter of the Fusion Energy Foundation.

The Committee for Cattenom has gathered the support of important political figures in the area, including Cattenom's Gaullist mayor, Alphonse Bohler; Henri Ferretti, former deputy of the area where the nuclear complex is being built; and Dr. Denis Jacquat, the head of the Giscardian Party in the Moselle *département*.

The committee has also begun to draw international support. The New York-based Fusion Energy Foundation in the United States is circulating a telegram of support; and European Labor Parties in West Germany, Italy, and Sweden claim the committee's defense of nuclear energy as crucial to the protection of industrial growth.

The Committee for Cattenom plans regional tours, complete with a nine-foot scale model of the complex, to educate the population and build for large-scale pronuclear defense actions. The committee, we are told, will also prepare to coordinate campaigns with other pronuclear forces where nuclear energy is being threatened.

A labor president?

Veteran national trade-union leader Fidel Velásquez has started to politically play his high cards.

One of those important events in Mexican political life took place Aug. 9, when 2,000 leaders of the ruling PRI party from all over Mexico gathered to close ranks around President López Portillo.

"Everybody who is anybody" was there—including the governors, state officials, congressmen, and peasant and labor leaders who make up the PRI's machine—so fears of not getting inside led to a few pushing matches at the door. One of these tussles even jostled one of the oldest PRI chieftains, labor leader Fidel Velásquez; however, he was not only unruffled, but in perfect control by the time he got inside.

The octogenarian labor fox has been the strongman behind at least five PRI presidential nominations. And from what I witnessed at this extraordinary event, Don Fidel will again have the strongest say—after that of López Portillo—in picking Mexico's next president for 1982.

Indicative was the fact that Velásquez was chosen to give the keynote address at the PRI gathering, on behalf of the three sectors—labor, peasant, and "popular"—which officially compose the PRI. Under normal circumstances, that job would have fallen to PRI party President Javier García Paniagua.

Velásquez used the occasion to align the PRI membership with the government's lightning counterattack against mounting foreign and internal assaults on national sover-

eignty, and to proclaim the party's total political support for President López Portillo. Velásquez said that the president was "the innate leader, the recognized and obeyed guide" in defending the party from "blind and unjust criticism" of administrative corruption coming from "conservative interests."

Velásquez had in mind the field day against the government that hostile commentators have had as a result of a major scandal surrounding Coahuila state Gov. Flores Tapia, who has been accused of large-scale corruption and graft. Flores Tapia was the only one of the PRI governors who was not present at the rally, and he was forced to resign the very next day. Sources close to López Portillo say that the governor's ouster is an example of the president's dedication to wiping out corruption.

The key word which echoed over and over in Velásquez's short address was "unity." Velásquez repeatedly called on all economic and political forces in Mexico to rally behind the "still unfinished" administration of López Portillo. He concluded that when the balance is made of that administration, "its acts, attitudes, and programs will have to be recognized to be totally far-sighted and dramatically revolutionary."

After the rally had evoked a maximum of patriotic and party identity in the PRI machine, Finance Minister David Ibarra and

Planning and Budget Minister Miguel de la Madrid closeted themselves with the governors to deal with the most difficult part of the administration's strategy for surviving the economic warfare barrage. The ministers briefed the governors on the new 4 percent budget cuts, and outlined to them the necessity for spending restraints in an election year, when every incumbent politician naturally has added constituency pressures.

Don Fidel's political weight had been increased a few days earlier, when it was announced that he would become president, for the next six months, of the Labor Congress, the powerful umbrella organization that includes not only Velásquez's CTM but numerous other non-PRI unions as well. Since its founding, Velásquez has allowed the presidency to rotate almost freely among various other labor leaders, and his personal assumption of controls is widely interpreted as a major consolidation and centralization of power, in the crucial few months before Mexico's new president is nominated.

So important was the occasion, that Velásquez returned to Mexico City to accept the post after only one day at a four-day AFL-CIO leadership meeting he was attending in Chicago.

Don Fidel will be inaugurated as Labor Congress head on Aug. 14, in the presence of López Portillo, and another major political event is being organized for the occasion. There is great expectation among political circles, because the Labor Congress will present the official position of Mexico's labor sector against the Reagan administration's package for dealing with undocumented aliens.

Fahd's peace plan: a new element

The Saudi proposal for an Arab-Israeli settlement has provoked a mad scramble in Israel.

Days after Israeli Prime Minister Menachem Begin slapped the Saudis in the face by loudly denouncing as "unacceptable" Crown Prince Fahd's eight-point Middle East peace plan, Israeli politicians are tripping over themselves to signal their new-found willingness to "talk" to the Saudis, going so far as to schedule a cabinet debate on the issue for Aug. 16.

The reason for their sudden interest in the Saudi plan? Simply that they could not ignore it any longer, no matter how much they might have wanted to.

Fahd's Aug. 8 plan, which offers Arab recognition of Israel's right to "live in peace" in exchange for the creation of a Palestinian state, marks the first time that the Saudis have made such concessions officially. If the Reagan administration took it as a starting point, the Saudi proposal could form the basis of a comprehensive Middle East settlement.

The British, working together with Israel, Egypt, France, and their hangers-on in the United States, may beat Reagan to it. The British are counting on using the Saudi proposal as an entrée, not for securing an overall settlement but for roping Riyadh into joining a widened Camp David-style peace process constructed around Alexander Haig's anti-Soviet "strategic consensus." Hence the sudden Israeli "interest" in the Fahd plan.

To manipulate the Saudis into

compliance, a deal of sorts is being dangled before them: the lifting of the U.S. embargo on F-16 and F-15 fighter plane deliveries to Israel, in exchange for Israeli agreement not to oppose the sale of U.S. AWACS radar surveillance planes to Saudi Arabia.

Whether or not Begin, who is still blustering about the Fahd proposal, will cooperate with such an arrangement is questionable.

What is important, however, is the deal behind the deal: getting Saudi Arabia to integrate itself into the Anglo-American peace process and effectively relinquish some of its national sovereignty in the interest of "securing the region against the Soviets."

A first step in that direction was taken several weeks ago when the United States deployed one of the AWACS now on loan to the Saudis to Egypt to protect President Anwar Sadat on a trip to Sudan from a possible Libyan attack. The operation exemplified the kind of regional strategic cooperation that Haig in particular wants to shove down the Saudis' throats.

To help ensure Saudi acquiescence, French President François Mitterrand will visit Saudi Arabia next month. French efforts to ingratiate themselves with the Saudis are further reflected in Foreign Minister Claude Cheysson's public welcome for Fahd's peace plan.

So far, the United States has officially ignored the ground-

breaking Saudi plan, which is the most extensive proposal ever issued by Saudi Arabia for an overall settlement of the Arab-Israeli crisis. The Fahd plan calls upon the United States to abandon the Camp David framework of the Carter administration and urges the adoption of the Saudi proposal to conduct general negotiations through the United Nations.

In his peace proposal, Fahd makes no mention of the Palestine Liberation Organization. "Perhaps the omission is to make it easier for the U.S. administration to support the sort of U.N. resolution he is suggesting," commented one diplomatic source.

The adverse effects of Anglo-American Middle East policy on the moderate faction around Fahd have already begun to undermine the Crown Prince's position and drive a wedge between Washington and the Saudi royal family. A leading Saudi newspaper has reported that Fahd will cancel his planned October visit to the United States unless there are "radical" changes in U.S. policy toward the Middle East.

Kuwait and Libya are working to widen the gap between the Saudis and the United States. The Kuwait defense minister has announced that Kuwait will reject U.S. offers to sell Kuwait defensive Hawk missiles and instead will send a team of military experts to Moscow to buy advanced weaponry. At the same time, Libya's foreign minister visited Kuwait.

A Kuwaiti official who heads up the recently formed Gulf Cooperation Council said that he fully expects increased contacts between Moscow and the Persian Gulf states, including Saudi Arabia.

International Intelligence

IISS warns against N-bomb deployment

High-ranking representatives of the London International Institute of Strategic Studies (IISS) are criticizing the recent U.S. decision on the neutron bomb. IISS director Christopher Bertram stated Aug. 12 that its deployment could endanger the existence of U.S. cities.

IISS member Theo Sommer, editor of West Germany's weekly *Die Zeit*, wrote that the entire "flexible response" doctrine of limited nuclear war should be re-evaluated, since the use of any nuclear weaponry would quickly escalate to full-scale war.

Sommer added that President Reagan told Chancellor Schmidt in June that the neutron bomb would not be an issue in the foreseeable future, and already he has broken his word; now the neutron bomb will become a stumbling block for arms negotiations and will fuel the peace movement.

Sommer concludes that Washington is mounting an "ersatz" policy rather than a strategic policy, and not one real decision has been made thus far by the new administration.

Holger Börner, governor of the West German state of Hesse and one of the chancellor's closest political allies, declared Aug. 12 that the neutron bomb decision will undercut the NATO alliance.

U.S.S.R. issues a message to Pakistan

The Soviet Union sent a veiled warning to Pakistan Aug. 12 when the news service TASS reported on a four-day battle between Afghan troops and guerrillas near the Pakistan border. The report is one of the few Moscow has issued on the military situation in Afghanistan.

The possibility of a Soviet response to the deteriorating international situation

by means of a military operation against Pakistan is increasingly discussed in think-tank and intelligence circles. A Reagan defense policy architect and close Haig associate noted in a recent interview that Pakistan is "the easiest place for the Soviets to push, given their massive problems in Afghanistan. . . . If the Russians want to drive home a point, going into Pakistan is certainly an effective way to do it, and there's certainly nothing we can do about it."

A senior Soviet expert in West Germany also noted that a strike against the Afghan rebel bases in Pakistan is "no mere speculation." The Soviets could use the longstanding border dispute between Pakistan and Afghanistan for this purpose, or they could play "the Baluchi Card"—the strong anti-Pakistani movement in the region of Baluchistan, which also includes parts of Afghanistan and Iran. There have been persistent reports that the Soviet Union has set up training camps for Baluchi dissidents in Afghanistan.

Calvi reveals \$21 million bribe to Socialist Party

The leadership of Italy's Socialist Party (PSI), including its general secretary, Bettino Craxi, took a \$21 million dollar bribe from the illegal Propaganda-2 Freemasonic lodge, according to official testimony now in the hands of the Italian magistracy.

Roberto Calvi, the P-2 Banco Ambrosiano operative temporarily jailed for conducting illicit financial operations on behalf of P-2, told judges in the course of questioning that he had deposited the bribe in a secret account for the PSI leadership at the request of Umberto Ortolani. Himself a P-2 member, Ortolani is the ambassador to Uruguay for the Knights of Malta, and has often been described as "the man who owns Uruguay."

The latest issue of the Italian magazine *Panorama* further reports that as soon as Judge Guido Viola had obtained

this testimony from Calvi, he told the mayor of Milan, a PSI member, "Look, this is a big scandal. The leaders of your party are involved. The only way for you guys to emerge clean from this is by pushing Craxi to the side."

Mayor Tognoli responded by calling a press conference denying that Viola had ever discussed the matter with him.

Libya's foreign minister tours the Gulf

Libyan Foreign Minister Ali Abdassalam Tureiki has embarked on a Persian Gulf tour aimed at widening the gap between the Gulf states and Washington.

Tureiki's trip, which began the first week in August, has brought him to Bahrain, the United Arab Emirates, Kuwait, and Qatar, where he has busily promoted the "Islamic bomb" and the need to consolidate an alliance against Israel and the West.

One aim of Tureiki's organizing venture is to isolate Saudi Arabia and create the conditions whereby the Saudi royal family can be weakened, if not overthrown.

Libya's present organizing drive also extends to Beirut, where Prime Minister Wassan has accepted a Libyan offer to supply Lebanon with an air defense system.

Colombia joins front line of Haig's strategy

The Colombian government of Julio César Turbay has simultaneously decided to send a contingent to the multinational Sinai peacekeeping force and to step up its activity on behalf of David Rockefeller's and Alexander Haig's Caribbean policy.

In an Aug. 13 interview with the *New York Times*, Turbay declared that Cuban training for M-19 guerrillas was "a kind

of Pearl Harbor for us. Central America and the Caribbean are now our number-one priority." After a strategy session with all of Colombia's ambassadors in the region last month, Foreign Minister Lemos Simmonds has undertaken a six-nation tour of the Caribbean; and Colombia has reportedly signed a special accord with Chile to "combat Cuban expansionism."

Colombia has also provided \$10 million in aid to Seaga's marijuana-growing Jamaica, weakening Turbay's own commitment to fight illegal drugs.

The decision to participate in the Sinai peacekeeping force takes Colombia one step further to participation in the "SATO"-style military adventures promoted by the U.S. ambassador to the United Nations, Jeane Kirkpatrick. Colombia has a history of involvement in such operations: in 1951 it sent a crack infantry battalion to fight in the Korean War, and it has just participated in the Ocean '81 naval maneuvers in the South Atlantic. Although Egypt and Israel have invited several Latin American countries to dispatch troops to the Sinai, Colombia and Uruguay are the only ones to date to respond affirmatively.

Nigerian oil output declines

Nigerian oil production fell an additional 530,000 barrels per day from June to July due to the oil glut, bringing total production down to 815,000 bpd, according to the French financial daily *Les Echos* of Aug. 10. Citing statistics gathered in Lagos, *Les Echos* reported that as of July 31 anticipated oil income for the year totaled \$3.3 billion, or 13 percent of the \$24 billion originally projected by the Nigerian government.

Nigeria made its budget based on projections of 2.1 million bpd to finance its ambitious development plan. If the glut continues, the drop in income (Nigeria gets most of its foreign exchange from oil sales) will force Nigeria to cut back its development plans which could

lead to instability.

Les Echos cites observers who report that, due to Nigeria's low level of indebtedness, Nigeria could easily borrow to tide it through the glut period.

Iran gunboat seizure part of larger plan

Intelligence sources have confirmed that the Aug. 14 seizure by anti-Khomeini Iranians of three French-built gunboats being delivered to Iran was a joint operation coordinated by Adm. Kamal Habibollahi, Adm. Ahmed Madani, and Gen. Bahram Aryana.

The seizure, according to sources, marked the first step in a larger operation to remove the mullahs from power in Iran and install a more nationalist-oriented regime.

The plan reportedly has the backing of the Central Intelligence Agency; French intelligence; British intelligence; the Turkish/NATO military apparatus; the leftist Mujaheddin-e Khalq of Masoud Rajavi; and sections of the Iranian armed forces, in particular the navy.

"The seizing of the missile boats is right on schedule," commented one well-placed U.S. intelligence source. "It is the opening salvo. We are now expecting major action in September. Habibollahi, Madani, and Aryana have all been in Turkey recently to secure Turkish military backing for their coup efforts. The person who is likely to emerge as the strongman if a coup does occur is Admiral Madani."

The source ruled out overt participation by the Pahlavi dynasty in a takeover attempt, but foresaw a possible return to Iran of the young Shah Reza Pahlavi six months to a year after a coup. The source also foresaw possible participation in a new regime by Ayatollah Ruhollah Khomeini, who "will change his colors overnight."

The participation of the Mujaheddin is crucial, the source added, noting its importance in rallying the youth of Iran behind a change in regime.

Briefly

● **ROGER LERAY**, Grand Master of the French Freemasonic lodge known as the Grand Orient de France, announced in an interview the lodge's full support for the Brandt Commission, World Bank, and Global 2000 population reduction policy. In his Aug. 13 *Le Monde* interview, Leray said that the French Freemasons—of which his organization is the largest—will play a crucial role in the "North-South dialogue" because they have branches in many Third World countries, and about 10 members of the Mitterrand cabinet are also members of the Grand Orient.

● **BETTINO CRAXI** and his Italian Socialist Party have emerged as one of the most enthusiastic supporters of Cap Weinberger. Craxi has released an interview to *La Stampa* stating that just as there was no protest when the U.S.S.R. increased its missile deployments, the U.S. is justified in increasing its own armamentarium in order to achieve "equilibrium" with Soviet forces. Other PSers say the neutron bomb is needed to counterbalance Soviet subversion in the Mediterranean.

● **PRINCE SAUD Al-Faisal**, the foreign minister of Saudi Arabia, is reported to have agreed to consider the World Bank's plan for indexing OPEC oil prices to inflation and the price of other commodities, during his visit to Venezuela the first week in August. The Saudis had previously resisted the plan, which Venezuela promotes.

● **CLOVIS MAKSOUD**, Arab League ambassador to the United Nations, has threatened to take "certain diplomatic initiatives and measures" against the countries of Colombia and Fiji for having agreed to contribute troops to the international peacekeeping force in Sinai. The force is being pulled together as part of the Camp David accords, which the Arab League opposes.

PATCO strike used to militarize economy

by Robert Greenberg, Editor, *Investigative Leads*

The PATCO air traffic controllers' strike should have come as no surprise to anyone. It is a matter of public record that both PATCO and the Federal Aviation Administration (FAA) have been planning for the strike for at least two years. What is not generally known is that the script presently being played out by both parties involved was written by the U.S. branches of the Sussex-based Tavistock Institute, as an important step toward the militarization of the U.S. economy.

Tavistock is the international center of psychological warfare planning, where psychological engineers have developed techniques for shaping a population's behavior through the creation of a controlled environment, in which all choices are predetermined. Thus any choice "freely" made is guaranteed to fit into Tavistock's game-plan.

According to spokesmen for the Industrial College of the Armed Forces, which is heavily staffed by personnel from the RAND Corporation, a U.S. Tavistock Institute affiliate, the PATCO strike fits perfectly into a long-term plan for restructuring the U.S. economy. These plans—which are fully supported by the Department of Defense through the new Office of Industrial Response and Deputy Secretary of Defense Frank Carlucci—are designed to result in both the restructuring of the U.S. economy centered around the defense sector, and the total consolidation of the economic infrastructure—logistics, travel, communication—under military control. It is being sold to the Reagan administration by Secretary of Defense

Weinberger as a necessary part of a U.S. defense buildup.

The PATCO strike sets the stage for fulfilling the three preconditions necessary for the plan to succeed: breaking the trade unions, rationalizing industry, and acclimating the population to military involvement in the civilian economy.

Breaking labor

A spokesman for the Industrial College of the Armed Forces who is close to FAA head Lyn Wells openly admitted that one of the major problems for the militarization plan is organized labor. "We can no longer tolerate these bottleneck union situations. It is like the tugboat workers in New York threatening to cut off the city's food supply. . . . The firmness of the administration will break labor's expectation of getting more and more by threats. This is a signal to the Teamsters, machinists, auto workers and steel workers. This [the PATCO strike] is the opening salvo by the administration which wasn't possible under Carter because of the AFL-CIO."

This same sentiment was stated by former FAA general counsel Clark Omstad, who helped draft the emergency measures the Reagan administration is presently enacting. "The second question here is the fact that there is an air traffic control system on the drawing boards that will cost \$3 billion. It has been worked on for six or seven years. The aviation community agrees with it and Lyn Helms will decide in October if we will

go with it. The unions could hinder implementation of this plan.”

Interviews with a variety of trade unions confirm that the effect of the strike has been to serve as a pacesetter for labor-management negotiations and thus a major setback for labor.

EIR's special report, “Who’s Who in the Reagan Administration,” profiles both Transportation Secretary Drew Lewis and FAA head Lyn Wells leaning towards rationalization and consolidation of the airline industry. The strike is giving the airlines exactly the rationale they need to accomplish this, as we show in the accompanying article.

As soon as the strike was announced, the two-year-old emergency measures drawn up by the FAA/DOT/DOD task force were put into effect. President Reagan fired all striking workers and replaced them with active-duty military personnel from the Air Force. Presently there are 653 Air Force personnel fulfilling that function, with up to 400 more in reserve. This move was greeted with a collective sigh of relief by a population faced with the spectre of major air disasters.

This is not where the military role ends, however. Because air traffic control (ATC) is vital to the smooth functioning of the economy and is partially integrated with the military in coordinating commercial and military flights, a second, classified, contingency plan was drawn up to reduce the effect of the strike on national defense. The trigger for activating this plan is believed to be when the exhaustion factor overwhelms those presently in ATC functions, and the military has to provide more than 1,000 people. At that time the Air Force, the National Guard, and the Reserves will be put on standby to be immediately called up if necessary. Moreover, the task force will begin prioritizing all flights, commercial and military, from a national-security standpoint, further militarizing the economy.

Tavistock and the Socialist International

The full extent of this only begins to emerge when it is realized that both principals in the strike negotiations—President Reagan, and the union—have been totally manipulated to achieve the result desired by the RAND-Tavistock planners. Sources close to the administration admit that everyone knows how Reagan would react when confronted by such a strike; Reagan’s profile was established when, as governor of California, a wave of student riots occurred. At that time, Reagan’s policy, supported by Ed Meese and others in his present inner circle, was to move hard against the rioters, “six-gun” style, just as he has done during the PATCO strike.

The manipulation of both sides was outlined at the December 1980 conference of the Socialist International in Washington, D.C., at which labor leaders such as

William Winpisinger, president of the International Association of Machinists, and Bill Lucy from AFSCME joined with West German Social Democratic Party Chairman Willy Brandt, Tavistock fellow Stuart Holland, François Mitterrand, now Socialist president of France, and other Socialist leaders, in making plans to use Socialist International agents provocateurs within the trade unions to start strikes and foment chaos. President Reagan would then react according to his “cowboy” profile.

Trade-union sources as well as Senate sources close to the strike negotiations report that PATCO deliberately sabotaged the negotiations, focusing on financial rather than safety issues. PATCO President Robert E. Poli walked out on a good-faith offer from the government, knowing that the illegal strike of his 12,000 members would be met by Reagan’s hard-line policy.

The Socialist International, which functions as a Trojan Horse in the labor movement, controls Poli and PATCO through its American Federation of Government Employees. The AFGE leadership, particularly President Ken Blaylock and political organizer Jane McMichael, is very close to Poli’s top circle of radical advisers as well as to Poli himself. Sources close to AFGE speculate that Poli’s fiancée, who is very close to McMichael, is a major influence on Poli’s decisions. It was the AFGE that urged PATCO to force a showdown, according to these sources.

AFGE’s McMichael is a protégé of Socialist International executive member William Winpisinger and, in fact, traveled with him to meet Raul Castro in Cuba last year. In carrying out the Socialist International policy of destabilizing the Reagan administration, AFGE has not hesitated to work directly with a series of proterrorist organizations such as the Communist Workers Party and the Institute for Policy Studies. Blaylock is quoted in the July 29-Aug. 4 issue of *Workers Viewpoint*, the Communist Workers Party’s newspaper, as stating, “People are ready to take this country back. The poor can overturn this country. . . . We’re in a better position to overthrow the government than the Communists in El Salvador.” Winpisinger himself stated at that Dec. 1980 Socialist International conference, “the quickest way to progress often is to self-destruct.”

The Tavistock manipulation of the air traffic controllers is carried out by the Maine-based National Training Laboratories, a Tavistock affiliate. From 1968 on, both controllers and FAA supervisors were forced to attend workshops at the NTL on how to handle occupational “stress,” in which they were manipulated around the fact that their job is much more difficult than others. One participant reports that previous to the NTL workshops, PATCO workers displayed none of their present radical militancy.

Rationalization and contraction: the goal for the U.S. airlines

by Leif Johnson

A 25 to 30 percent scale-down of the airline industry, conceived two years before the 1978 deregulation and concretely planned two years ago, is now in full implementation.

The scale-down includes a phased reduction in trunk line routes, resulting in fewer connections at traditional major airports, fewer small cities served, and less capacity to handle peak demands during holiday seasons.

The airline labor force will undergo one of the most thorough reorganizations ever performed in any industry. New nonunion carriers who are absorbing large chunks of the industry markets will recycle the industry's labor force, rehiring workers at entry-level pay as the major airlines lay them off. Seniority will be largely abolished and work rules shifted or abolished.

As the national air transportation system is unwoven over the next 12 months, fares will rise faster than the 24 percent increase of the past year. According to one analyst, "There will still be no-frills excursion fares to certain destinations like Miami or Los Angeles, but much air travel will return to the conditions of the thirties and forties, a sort of exclusive club of air travelers who can afford the luxury."

The strike pretext

The trigger for scale-down implementation, expected to be nearly complete by next April, is the strike by Professional Air Traffic Controllers (PATCO), which began Aug. 3. "With the public diverted with this strike and sympathetic to the airlines because of their big operating losses, this is the time to cut the routes," claimed an Air Force industrial expert.

Airlines are already reaping the first benefits of the PATCO strike. Load factors, the percentage of seats occupied by paying passengers, have bounced up from the dismal 56 percent of the first half of the year to comfortably over 70 percent after the strike began. According to industry estimates, when load factors rise over 60 percent on domestic flights, the industry is running in the black. Largely on this basis, airline

stocks have taken a jump upward: American rose $1\frac{1}{8}$, to $15\frac{1}{2}$; United Airlines climbed $1\frac{3}{8}$ to $22\frac{7}{8}$ and TWA added $\frac{5}{8}$ to $20\frac{7}{8}$.

A leading airline industry analyst emphasized that the increased load factor was not the only benefit to the airlines. "The real advantage comes through 1982 when the airlines eliminate 20 to 30 percent of their air and ground crews.

"The [PATCO] strike was just what the airlines needed. They are getting a 20 percent across-the-board cutback which they wanted and could not have gotten in any other way. They knew that the third and fourth quarter would be all downhill. Load factors were slipping and fares would continue their 20 percent annual climb.

"The problem was," the analyst explained, "that individual carriers could not easily pull out of selective markets because that would give the traffic to competitors. The strike gave them what they wanted."

As of Aug. 14, strike-related airline layoffs had reached 5,000, after American Airlines announced layoffs for 1,650 of its 36,000 workers, including at least 200 pilots.

Some airline watchers believe that with a 20 to 30 percent cutback of personnel the airlines could be made so profitable that internally generated profits will become the major source of financing for the new, smaller aircraft they are now ordering. Even so, the airlines are not expected to buy as many as they claim.

Personnel cutbacks mean fewer flights and smaller revenues. Therefore, the labor savings due to layoffs are minor compared to the savings due to recycling the entire labor force.

The explosive entrance of new airlines after the 1978 passage of the Airline Deregulation Act is the most notable feature of the post-regulation period. Except for a handful of smaller airlines that have expanded their routes, all the new entrants are nonunion. Moreover, they are hiring workers laid off from the majors at entry-level wages. The wage reductions for the relatively

high-seniority staffs such as pilots, mechanics, and other ground personnel are very large. A pilot with average seniority at a major airline would typically earn \$62,000 a year. If he were to decide that he may not be called back from furlough at his present airline, he might accept a job at a nonunion line such as New York Air or U.S. Air or People Express. His entry salary would be \$25,000 to \$30,000 a year for probably more flight time.

Although this is comparable to entry-level pay at unionized airlines, it is the loss of seniority that would eliminate half or more of his paycheck. (As for flight attendants, if recycled they earn \$900 a month compared with \$1,500 at the average seven-year seniority level.) Recycling is already well under way. Ten percent of all pilots are presently on furlough, reflecting the 5 percent drop in ridership from 1979 to 1980—the largest decline ever registered in U.S. domestic air industry history. Trans World Airline, the nation's fifth largest, has furloughed 1,120 of its 3,250 pilots. Nine years ago, the airline employed 4,400 pilots.

It is from this pool of furloughed employees that the nonunion carriers are recruiting.

'Please disappear'

The established major carriers have been conducting a "productivity" campaign over the past year to discourage furloughed workers from believing that they will get their jobs back and to discourage employed workers from making salary demands. In a letter to a laid-off employee, for example, John Treux, vice-president of in-flight services at TWA, said, "At the time you were furloughed. . . . future planning indicated you would probably be recalled in the spring of 1981. We have just completed the financial planning and staffing levels for 1981 and it now appears that we will not have an increase in staffing sufficient to warrant any recall prior to the second quarter of 1982." The letter concludes, "On behalf of TWA, may I wish you the best possible holiday season and a brighter 1981 for all of us."

In addition to such "kindly disappear" letters, TWA's president, C. Edwin Meyer, recently sent employees a notice that, in light of the August 1981 contract negotiations, they should expect no wage increase for at least one year and no makeup of that wage loss at any time in the future.

Using a heavy mix of entry-level-paid employees and hand-me-down aircraft, the new entrant airlines can absorb increasing portions of the majors' traffic. When World Airways entered the Washington, D.C. to Los Angeles market in 1979 for example, it was able to capture 42 percent of that traffic by October 1980. The loss by some majors was staggering: TWA dropped from 14 to 12 percent of the market, United plunged

from 37 to 24 percent of the market, and American, whose year-earlier market share was 49 percent, was left with only 22 percent.

Balkanizing air routes

With the coming of deregulation and the accelerated phaseout of the Civilian Aeronautics Board (CAB), new airlines can enter and leave routes virtually at will. The resulting restructured air transportation grid, already significantly advanced, is a plethora of smaller airlines grouped around various hubs, instead of nationally coordinated major airlines. Such hub-oriented service is cheaper, since the airlines are increasingly local or regional carriers flying out of one or a few centers.

While this cuts layover time, and other staff-scheduling problems, it breaks the network of connections that defines a national air transportation service.

With the cutback of subsidies to lightly traveled routes and the Federal Aviation Administration's announced intention to shut 22 domestic airports, service to smaller communities is being rolled back. Between April 1, 1980 and 1981, forty cities lost all air service, including the capital of New Hampshire, Concord. From April 1, 1978, prior to deregulation, to April 1, 1981, flights per week have fallen 6.2 percent nationally with the greatest loss 20.5 percent occurring in small airport-to-small-airport flights.

One of the major causes for the drop in air passengers has been skyrocketing fares. The year-to-year increase in domestic fares from third quarter 1979 to third quarter 1980 was 23.8 percent. The airlines blamed the big hike in jet-fuel costs for the large increase, but, while the price of jet fuel has decreased by 7 percent over the past year, fares in the first half of 1981 increased by 12 percent. Thus 1981 promises to be another 24 percent fare-hike year.

In the year from the third quarter of 1979 to 1980, first-class fares on domestic trunk lines soared 37.7 percent while coach fares on local commuter airlines—supposedly the cheapest service—bounced up by 40 percent to 22.5 cents a mile or 2 cents per mile more than first-class trunk-line service. Although fare increases have been large, when the CAB is phased out, the airlines will be allowed any fare structure they wish. One scheme is to create a free-enterprise market for airline tickets, charging whatever the market will bear. According to its author, Columbia University Prof. William Vickery, the plan "would set up a speculative commodity market for tickets with lightly sold flights selling at below cost and heavily sold planes selling at above price." Passengers would have to call the airline to get a quotation on the price, which would change from moment to moment, depending on demand. Vickery admits that this would encourage airlines to fly fewer planes.

The method used to corrupt federal courts

by Lyndon H. LaRouche, Jr.

Under the Trilateral Commission's Carter administration, it was proposed to the ambitious Carter White House that Carter discredit the U.S. Congress by means of use of the powers and resources of the Justice Department to entrap and "frame" members of the Congress. A prominent jurist composed a warning, delivered to then-Attorney General Griffin Bell, detailing the monstrous violation of constitutional law in the mere intent to launch what became popularized, later, by a complicit news media, as Abscam-Brilab. Nonetheless, in spite of just such clear and well-argued warnings, with Bell's replacement by Attorney General Benjamin Civiletti, the Office of Special Investigations and the so-called Abscam-Brilab operations were set into high gear.

Since the onset of an accelerating, and intentional process of destruction of law enforcement capabilities and standards, with the New York City Knapp Commission operations, entities of the New York City liberal establishment, such as one-time New York City police commissioner Patrick Murphy, the VERA Institute and the Ford Foundation-created (McGeorge Bundy) Police Foundation, have collaborated with forces such as William Kunstler, Morton Halperin, Philip Agee's associates, and representatives of the Chicago University's anti-American Law influences (Edward Levi, Ramsey Clark, et al.), to cripple courts and law enforcement agencies with respect to traditional (and currently skyrocketing) expressions of criminal activity. The diminished resources of courts and law enforcement agencies have been redirected away from combatting crime, into those activities of politically-motivated entrapment practices abhorrent to the U.S. 1787 draft of the Constitution and the attached amendments constituting the Bill of Rights.

It would be an error to view *prima facie* subversion of the U.S. Constitution, such as Abscam-Brilab, as originating in the twisted minds of the Carter administration as such. There was not a single instance of a national policy originated by the Carter administration which was not designed in detail by a combination of the Club of

Rome, the New York Council on Foreign Relations (i.e., the *Project 1980s* papers), and the Trilateral Commission, during the 1975-1976 period preceding Jimmy Carter's inauguration. Abscam-Brilab is no exception.

The key to this ugly subversion of the U.S. Constitution at present is the commitment of forces jointly allied with David Rockefeller's Trilateral Commission and Willy Brandt's Socialist International to establish, in both North America and Western Europe, Socialist International-directed authoritarian regimes, modeled politically on the precedent of Benito Mussolini, and economically on the fascist monetarism of Nazi Finance Minister Hjalmar Schacht. The "controlled disintegration" of the Atlantic community's economies, publicly embraced as his own policy by Federal Reserve Chairman Paul A. Volcker, is a product of the Nazi-modeled component of this subversion. The destruction of "traditionalist" institutions of constituency democracy, such as law-enforcement, trade-union, and "political-machine" organization, is a leading feature of the effort to eliminate resistance to Mussolini-modeled political institutions of neo-fascism.

The Dec. 5-7, 1980 "Eurosocijalism" conference of Willy Brandt's Socialist International, held in Washington, D.C., is an important part of the count-down for both "Hooverizing" the Reagan administration and a Socialist International takeover of the Democratic Party. Both of these were projected by Brandt's co-thinkers at the Washington conference, and both are rather indispensable to the neo-fascist transformation of the United States—under projected conditions of urban rioting and Volcker depression-triggered "Hooverization" of the Reagan administration.

The role of social-democratic components of both the major parties and trade-union factions in blocking resistance to both Volcker and Abscam-Brilab is reflective of two key features of the neo-fascist perspective. Firstly, more narrowly, social-democratic trade unionists are manipulated to treat the destruction of Abscam-Brilab-targeted congressmen and trade unions as a means to

increase the social-democratic union officials' gate-receipts and relative political power. Secondly, through aid of such manipulation of the cupidities of their immediate dupes, the Socialist International's witting agents and allies are working to eradicate the last popularly based bastions of resistance to fascist measures.

All of these wicked activities, including Abscam-Brilab, proceed under the auspices of accelerating corruption of practice of law, a corruption of law reaching visibly and increasingly into the ranks of the federal bench. The key to that process of corruption of the federal judiciary in respect of fundamental principles of law is the promotion of the genocidalist doctrine of "environmentalism," radiating from Aurelio Peccei's Club of Rome. It is the growing toleration among attorneys and judges of the monstrous violation of the anti-Nazi Nuremberg Code exemplified by such policies as the Carter administration's *Global 2000 Report*, which most efficiently reflects the subversive principle underlying all the principal features of corruption being spread into the decisions of members of the federal bench.

It is examination of the methods of argument employed by the more sophisticated among the defenders of genocide which exposes to a student of the matter the method by which judges and others are becoming increasingly corrupted in fundamentals of their moral capacities for judgment.

The most extreme of the cases of such defenders of genocide are usually those members of the Jesuit order, and Jesuit collaborators, engaged in defending genocidal policies against the doctrines of the Papacy. In such cases one encounters the immoral sophistry of the "delphic method" in its slipperiest form of expression.

The exemplary case of Francis X. Murphy

Formally, Francis X. Murphy is a Redemptorist priest based in Washington, D.C., as well as a member of the Executive Board for the Population Reference Bureau, Inc. In method, he is a professedly Gnostic heathen cultist, indistinguishable from the Gnostics of Louvain or of the "left-Jesuit" cult of Liberation Theology of Hans Küng and Georgetown University's schismatic, anti-Pope agents, Malachi Martin and Steven Mumford. Among Gnostic Murphy's useful distinctions for our present purposes, his 1981 "Catholic Perspectives on Population Issues II"¹ includes scholarly references respecting the history of his argument, such that one cannot accuse him of being the usual run-of-the-mill "population freak," such as the genocidalist Draper Fund's General Maxwell Taylor. Unlike Taylor, Murphy is no brainwashed, half-literate sort of immoral

1. Francis X. Murphy, C.S.S.R. (Holy Redeemer College, Washington, D.C.), "Catholic Perspectives on Population Issues II," *Bulletin of Population Reference Bureau, Inc.*, Washington, D.C., 1981.

dupe. Rather, Murphy is a "duper."

We focus on selected passages from that article, passages employing the "delphic method" in a style become so commonplace among British liberal-arts writers and contemporary news-media interviewers that most readers might, at first glance, see nothing egregious or otherwise significant in Murphy's prose style. Yet, partly because of the cited contexts in which Murphy employs that "Delphic" confidence-man's trick of rhetorical sophistry, the fraud, the sophistry is readily adduced, and in a relevant context of policy-discussion. As we show, that method of sophistry is in and of itself the most vicious form of attack against the fundamental principles of U.S. constitutional law, as well as Murphy's more direct target of that article, the fundamental, Augustinian, doctrine of the Roman Catholic Confession.

The key to the Gnostic composition of Murphy's mind is the manner he employs the sense of the verb "to feel."

In modern English-speaking usages, the usage of the verb "to feel" encountered in Murphy's writing is most immediately congruent with the "hedonistic calculus" of the pederast Jeremy Bentham, the "hedonistic" doctrine which John Stuart Mill and William Jevons explicitly adopted as the entire basis for the immoral doctrine of political economy now prevailing in both neo-Keynesian and Mitchellite curricula (Burns, Volcker, Friedman) at nearly all universities in the United States and Britain today.

Judge Pratt's feelings

"... Questions arise as to the propriety or legitimacy of the government's conduct and as to whether the law should punish a person for engaging in governmentally instigated criminal activities. The answers must draw on considerations of philosophy, psychology, statutory construction, constitutional law, practical needs of law enforcement, and even undifferentiated visceral feelings about right and wrong."

—Judge George Pratt,
U.S. Department of Justice
memorandum order and
decision, July 24, 1981, U.S.
District Court, Eastern
District of New York,
upholding convictions of the
defendants tried before him
as a result of Abscam.



John Stuart Mill

Professor Milton Friedman, for example, publicly proposed the legalization of heroin on a nationwide television broadcast, using the same argument which Bentham presented in defense of the practice of pederasty then (and since) popular among ranks of the British oligarchy's public-school graduates. In brief, Bentham, like Mill, Jevons, Marshall, Keynes, and Friedman after him, insisted that choices among individuals' perception of momentary sensations of pleasure and pain were the sole criteria which ought to be imposed upon the ordering of human behavior. Friedman's version of "free enterprise" is based on that explicit immoral rejection of any higher, lawful ordering of human behavior by society or by the individual within society.

Similarly, the Nazis, including Adolf Hitler and Nazi slave-labor czar Albert Speer most emphatically, defended the genocidal slave-labor system of eliminating unwanted "useless eaters" on the basis of economic expediency. Similarly, the Club of Rome, Jimmy Carter's *Global 2000 Report*, executives of the Bank for International Settlements, supporters of the International Monetary Fund's genocidal "conditionalities" policies, and of the policies of Robert S. McNamara at the World Bank, argue, exactly as did Hitler and Speer, that elimination of the "useless eaters" by economic-policy means is a "regrettable" but "unavoidable" expediency.

Similarly, before certain federal courts, the immoral argument has been adopted, that the irrational and implicitly genocidal arguments of "anti-technology environmentalists" must be imposed upon the majority of

the U.S. and other populations, out of regard for the perceived "feelings" of a rabid, largely unwashed, irrationalist minority. So, federal courts have rendered decisions in favor of a Benthamite doctrine of "feeling" which the Supreme Court rightly recognized as a violation of the clear intent of the U.S. Constitution.²

Exemplary of this method in Murphy's article are the following:

Augustine, apparently influenced by his own sexual excesses as a member during his early manhood of the Gnostic sect of Manichees, countered pessimistically that human concupiscence stemmed from the original sin of Adam and was passed through the male seed.

This is a Gnostic falsification of Augustine by a priest who, in the same article, documents a fair scholarly grasp of the issue of Gnosticism. *In other words, Murphy lies.*

The notion of original sin in Apostolic Christianity, of "man born of woman," is directly counterposed to the *tabula rasa* of John Locke et al. and the "noble savage" of such modern Gnostics as Jean-Jacques Rousseau. Augustine elaborates that at great length, and in the most rigorous fashion. The new-born infant is predominantly an irrationalist-hedonist—akin to existentialism or philosophical anarchism in the infantile regressions among adolescents and adults. This notion of "original sin," as equatable to "irrationalist hedonism" of infants and infantile regression, is otherwise elaborated, on the basis of reference to St. Augustine's earlier exposition, in Dante Alighieri's *Inferno* canticle.

To attribute, even implicitly, Augustine's notion of the "original sin" of the "old Adam" to "apparently influenced by his own sexual excesses as a member during his early manhood of the Gnostic sect of Manichees," coming from a Redemptorist such as Murphy, is willful lying and nothing else.

Writing of apostate Margaret Sanger, Murphy argues:

From her experiences among the poor of New York City's East Side, she was convinced. . . .

The same method: "(I, thou, he, she, it, we, you, they) feel(s)."

The principles developed in the United Nations over the two decades of its concern with world population and family problems acknowledge a legitimate variety of goals in population policies. Some nations are *satisfied* with their current levels

2. See, *Vermont Yankee Nuclear Power Corp. v. NRDC*, 435 U.S. 519 (1978).

of population growth. A few are still *seeking* increases. Still others are strenuously working to reduce fertility *in the hope of* achieving social and economic development. While some countries *are concerned more with* problems of sterility and sub-fecundity, *the majority seems most anxious* to control fertility and. . . [emphasis added].

“Satisfied,” “seeking,” “in hope of,” “are concerned more with,” and “most anxious to,” are classically Delphic tricks of rhetorical sophistry for premising specific policies and associated beliefs on “feelings” of individuals and populations. The perception of pleasure and pain respecting isolated matters of policy and practice is made either equal to rational determination of policies, or going to more radical lengths, “feeling” is made the only basis for policy-determinations.

For example, confronted with proof that neo-Malthusian policies are necessarily genocidal in their consequences, a Murphy would argue that the proponent of that proof “feels that. . .,” and a consistent Delphic irrationalist would go further, perhaps to attribute the proponent’s “feeling” on this issue to some childhood, or later personal experience.

This same immoral and irrationalist sophistry predominates in U.S. journalism today. “So-and-so *feels that* . . . whereas, the opposing side, such-and-such *feels strongly that* . . .” “Sensitivity” respecting *the irrational feelings* of others is the “pluralist” doctrine by which the news-media and allied forms of immoral agencies are destroying the rationality and morality of so much of the U.S.A.’s population. This emphasis on pandering to the irrational feelings of most is the characteristic of the dominant news-media organization which obliges us, as rational persons, to characterize most journalists and editors as “whores.”

Consistent with his immoral, Gnostic doctrine and method, Francis X. Murphy centers his argument for a schismatic attack upon the Papacy on *opinion surveys!* He associates that approach not only with his own sophistry, but that of Archbishop John Quinn of San Francisco’s arguments during the schismatic-dominated American bishop’s participation in the 1980 Synod of Bishops. Murphy’s review of those proceedings is characterized by interpretation of virtually every treated item as a matter of “feeling.”

U.S. constitutional law

From the literature of the American colonies and United States during the 17th and 18th centuries, through the deliberations of the 19th-century U.S. Supreme Court under Chief Justice John Marshall, two interrelated facts are clear. First, the literate political culture of the majority of the 18th-century population

of the United States was premised most immediately on the correlated influence of two literary influences, the magnificent English of the King James version of the Bible and John Milton’s *Paradise Lost*. Second, that the popular writings, including the Federalist papers, which won the majority of citizens to support of the 1787 draft of the U.S. federal Constitution, prove that U.S. constitutional law is premised on *the Augustinian tradition in natural law* as mediated through the scholarly influence of, predominantly, John Milton’s writings.

This U.S. perception of a body of constitutional law under the rule of Augustinian natural law set the law of the United States into direct opposition with British law on the same fundamental issues as set John Milton’s faction of the English Commonwealth into absolute opposition to the immoral doctrines of public policy and law of the British monarchy under the Stuarts. American constitutional law is *republican* in irreconcilable opposition to the *oligarchical* principles as the basis for British law.

British law is premised on the doctrine of manipulated “democracy” of the cult of Apollo at Delphi from the 5th and 4th century B.C., of those “democrats” who condemned Socrates. This version of “democracy” is designed to enable a group of oligarchical “families” to rule society by keeping the majority of the population stupefied, and by playing the irrationalist demands of one section of the stupefied population against the irrationalist demands of other stupefied portions. The British doctrine, and its Delphi precedents, can be efficiently traced inclusively to the ancient Phrygian cult of Dionysos, which the cult of Apollo at Rome introduced as the cult of Bacchus.

Therefore, the war for American independence, insofar as it was a war with Britain, was essentially the second Civil War within Britain, distinct from the 17th-century overthrow of the Stuarts only in that the forces of the Commonwealth Party were, in the second instance, based in what became the United States. It was not the narrowly defined issues of 1763-76 which caused the war against Britain; rather, those issues expressed an irreconcilable difference respecting principles of law and morality between the Americans and the monarchical and parliamentary institutions, and common law of Britain.

The issue is the same today. A group of corrupted, and usually wealthy rentier-financier “families” of nominal U.S.A. citizenship have affiliated themselves with the rentier-financier oligarchical “families” of Europe, with family funds centered to the present day on the former sub-capital of the Roman Byzantine Empire, Venice, families called the “black nobility” in Italy of today. These politically and financially powerful American “families,” filled with a treasonous, oligarchical

hostility against the U.S. Constitution and constitutional law, are presently determined to bring soon into being a kind of neo-Malthusian, world-federalist, oligarchical world-order, accompanying this by exertions to overthrow the U.S. Constitution, to replace that constitutional order with one modeled upon the British parliamentary system, and to subordinate the sovereignty of the corrupted United States by such measures as placing U.S. policy under control of supranational institutions such as the International Monetary Fund.

The leading instrument of this treasonous subversion of the United States, as by forces allied to the British oligarchical wife of former Governor Averell Harriman, Mrs. Pamela Harriman, is Delphic corruption of both political institutions and sections of U.S. citizenry with aid of the verb "to feel."

The true citizen of a republic is rightly an "independent cuss." The citizen of the republic is one conscious of a higher authority, higher than the opinion of any episodic majority, a higher authority which is knowable to any educated, intelligent citizen through scientific inquiry into history and matters of the lawful ordering of the universe about us. That citizen is constrained *to do what is right* according to a knowledge of higher law accessible through reason. He is swayed not by opinion, but by reason.

Such a citizen, whether professing religious adherence or not, is informed by the great traditions of St. Augustine's teaching of Apostolic Christianity and by the great teacher of Judaism, Philo Judaeus of Alexandria. *In that sense*, the political culture of the United States is predominantly an outgrowth of Judeo-Christian civilization, as the *Paradise Lost* of John Milton exemplifies this.

The undermining of the adherence to reason, and the ordering of policy according to the irrationalist's doctrine of "(I, thou, he, she, it, we, you, they) feel(s)," is the most important of the weapons of subversion employed by the immoral anglophiles and their accomplices in this treason. The corruption of our courts, to the effect of introducing British doctrines of jurisprudence contrary to reason and responsive to irrationalist "feeling," represents a moral decay of our institutions so profound and dangerous that the very existence of our republic is near its end.

If we do not rise as one fist against such corruption as is represented by the errors of federal courts and corruption of the Department of Justice in their constitutional approach to the Abscam-Brilab atrocities, then this nation will soon cease to exist as we have known it, because our people have lost the moral fitness to survive. Unless we can restore the principle of a republic ruled by law, not men, a nation self-governed according to reason, not "felt opinion," we have indeed lost the most essential qualification of moral fitness to survive.

LAW

Can Mrs. O'Connor defend America's Constitution?

by Edward Spannaus, Law Editor

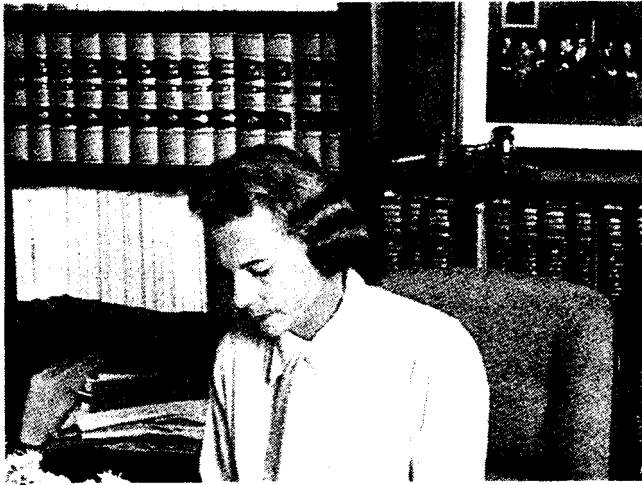
With the exception of objections from the Right to Life movement, the nomination of Sandra Day O'Connor for the United States Supreme Court seems likely to be confirmed by the U.S. Senate without dissension. Amidst the general relief that President Reagan found a woman candidate for the high court who is generally uncontroversial, there has been a singular lack of discussion as to whether Judge O'Connor is actually qualified for the position.

Even a cursory look at Judge O'Connor's qualifications indicates that she is by no means the most qualified woman that could have been found. She is a relatively recent (18 months) appointee to merely the second highest court in the state of Arizona, and according to press reports she was ranked eighth out of the 10 judges on the Court of Appeals in a survey of lawyers who practice before that court.

A survey of her published decisions is no more encouraging. Nearly all those decisions dealt with issues of Arizona state law, in legal areas which seldom if ever come before the U.S. Supreme Court. In 26 cases reviewed by this writer, only four dealt with issues under the federal Constitution. In these, Judge O'Connor treated the constitutional issues in a technical, case-precedent fashion, devoid of any sense that constitutional law is of any different order than commercial case-law or landlord-tenant case-law. (This is not at all unusual; most judges today are "technicians" who have abdicated the use of reason in favor of narrow case-law precedent-searching.)

O'Connor's background

It is not unheard-of for a Supreme Court appointee to come from the state courts without any federal experience; of the current bench, Justice Brennan, for example, was on the highest court in New Jersey for a number of years before his Supreme Court appointment. But it is unusual for an appointee to come from a



second-tier state court.

And it is not the case that no woman could be found with better qualifications; there are a number available, the most frequently mentioned being another Republican, Judge Cornelia Kennedy of the Sixth Circuit U.S. Court of Appeals.

Since Judge O'Connor was not selected for her outstanding qualifications, the obvious question is, why was she nominated?

It is relevant to note that Mrs. O'Connor has been one of the fastest-rising political stars in Arizona politics. She became the first woman Senate majority leader in any state, enjoying the backing of the state's most powerful banking interests. Her close friendship with Sharon Percy Rockefeller (the wife of West Virginia Governor John D. Rockefeller IV) gives her an inside track in the liberal, Percy-Rockefeller wing of the Republican party.

Even more intriguing was a *Baltimore Sun* report last month which cited Mrs. O'Connor's "interest in the British legal system" as among the factors "which brought her to the top among hundreds of potential candidates for the high court seat." The *Sun* added that she shares an interest in the British legal system with Chief Justice Warren Burger, and that she has lectured on the subject at Arizona State University.

As it turns out, Mrs. O'Connor's interest in the British legal system is largely a product of her participation among a select group of 10 American jurists and lawyers who participated in the Anglo-American Legal Interchange in the summer of 1980. Others who visited England as part of the 1980 program were Chief Justice Burger, FBI Director William Webster, and Assistant Attorney General Philip Heymann. (The British team was headed by Lord Diplock, author of the Northern Ireland Emergency Laws.) The Anglo-American Legal Interchange was created in 1961 for the purpose of tapping "the unique resource of the special relationship

between the United States and Britain," according to one of its principal organizers, former Chief Judge Irving Kaufman of the Second Circuit U.S. Court of Appeals in New York.

Upon her return from England, Mrs. O'Connor reportedly spoke and lectured about her impressions of the British legal system. Her associates in Arizona will say little about the content of her reports, other than to note that she was fascinated by the procedures she observed. Whatever understanding she arrived at as a result of her participation in the exchange program would be a fruitful area of inquiry during her Senate confirmation proceedings.

Test facing the Supreme Court

The Supreme Court is of course the final arbiter of what the Constitution means, and upon their shoulders rests the ultimate defense of our fundamental law. Alexander Hamilton once described the Justices of the Supreme Court as the "guardians of the Constitution," and it hardly needs emphasizing that if these guardians of the Constitution are not ready, willing, and able to defend it, there are few other quarters to which we can look for protection.

Under present circumstances the composition of the Supreme Court is especially crucial. This is afoot today a variety of groups whose purposes are to revise and rewrite the U.S. Constitution. Rep. Henry Reuss (D.-Wisc.) has proposed a series of constitutional amendments designed to break down the distinction between the executive and legislative branches, including allowing the Congress to remove the President through a vote of "no confidence."

Historian James McGregor Burns is involved in a number of groups which are examining the "deadlock" between the President and Congress with an aim toward substituting a parliamentary-type system. And last year Lloyd Cutler, in a *Foreign Affairs* article, argued that we are entering an era of scarcity and shortages and that only a parliamentary-type system can impose the types of "choices" between conflicting goals and groups which will have to be made.

The current wave of Abscam prosecutions by the federal government poses another kind of threat to the Constitution, as do proposals aimed at cutting back traditional constitutional protections such as habeas corpus petitions and the "exclusionary rule" pertaining to illegally seized evidence. Abscam is the product of federal law enforcement run amok, creating crime where none can be shown to have previously existed, and selecting and targeting its victims on the basis of political activity and affiliation. These are only a few examples of why the role of the Supreme Court is so important at the present time. We could also point out actions taken by the Supreme Court itself, such as the

unanimous affirmation of President Carter's Iranian assets and hostage settlement, a debasing violation of the principle of national sovereignty, which is the very bedrock of our Constitution.

With the Constitution being attacked and undermined in these and numerous other ways, it is essential that any new appointee to the Supreme Court understand the unique nature and purposes of our Constitution, and, in particular, how it differs from the British system it was created to replace.

Republican and oligarchal law

It is impossible to read through the extant notes of the debates of the Constitutional Convention and not come away with a deep appreciation of the commitment of most of the participants to create a republic based upon the virtue and wisdom of its citizens, and of their explicit rejection of the British model of government. A system based upon hereditary privileges and class distinctions could not be the model for America, said the Framers, and even the separation of powers in the so-called British constitution was not an appropriate model, for in that system the different branches of government were based upon a division of powers between the monarchy, the aristocracy and the nobility, and the common people.

O'Connor's Arizona judicial experience

Of 26 published decisions surveyed, only 4 of the cases dealt with constitutional questions. Following is a listing by category of these 26 cases.

- **Criminal law:** Six cases. Two of the six treated constitutional questions, one had to do with a guilty plea, the other with *Miranda* warnings.
- **Employment and Workman's Compensation:** Five cases.
- **Commercial law:** Four cases.
- **Landlord-Tenant:** Three cases. Two involved interpretations of leases; the other produced a finding that an appeal bond requirement was unconstitutional.
- **Tort Liability:** Three cases. Involved hotel liability municipal liability, and attorney and witness liability in a malpractice case.
- **Family law:** Two cases.
- **Taxes:** One case, upheld constitutionality of a rental occupancy tax.
- **Eminent Domain:** One case.
- **Arizona Open Meeting Law:** One case.

In America conditions were entirely different. Here the Founding Fathers were creating a republic whose purpose is not the perpetuation of the privileges of the aristocracy, but the happiness and perfection of its citizens.

"The cultivation and improvement of the human mind," not the protection of property, was understood as the highest purpose of government. This was to be accomplished by creating a framework of government that would ensure the conditions for scientific and industrial development, in which every citizen could develop and exert his individual powers to the utmost.

The laws of such a government could not be those of Great Britain. In order to transform the laws from top to bottom, a framework of fundamental law, a written constitution, was instituted. It provided for a scheme of government in which the power of making the laws, and the power of executing and administering the laws, were completely separate. A third, independent department of government, with final responsibility for interpreting the laws and ensuring that all of them conform with the fundamental law, was created; this latter, an independent judiciary determining the constitutionality of the laws, is unknown in Britain.

The difference between British and American law

This is only the framework. The underlying purpose was to create an industrial republic, to guarantee the most rapid development of manufacturing, agriculture, and commerce generally. As such, Congress was given a broad grant of powers to "regulate" (i.e., direct) the national economy; and the presidency was created as a strong position *not* dependent upon or subservient to the Congress. The broad powers of judicial review given to the Supreme Court and assumed by Chief Justice John Marshall were intended to ensure that the confusing and conflicting mass of common law as taken over from England was transformed and developed subordinate to the principles of fundamental constitutional law.

Thus, whereas the British common-law system is based upon custom and precedent, growing out of a desire—persisting today—to preserve a system of oligarchic, class-based privilege, the American system of law is based upon republican *principles*, not custom. In our system of law the role of case-law and precedent is to be strictly subordinated to fundamental law as expressed in the Constitution. The British common-law method has, particularly in this century, permeated all too much of our state and federal judiciary. There is nothing in Judge O'Connor's writings and background to indicate that she will do anything to arrest this trend, and there is unfortunately much to suggest that she will help perpetuate it.

Gonzalez bills would curb the Fed

The Texas Democrat has submitted legislation, reports Katherine Notley, that modifies the 1913 powers of the institution itself.

Texas Democrat Henry Gonzales introduced two pieces of legislation, H.R. 1520 and H.R. 1530, on July 31 that call for the impeachment of Federal Reserve Chairman Paul Volcker by congressional resolution and would, "in effect, repeal the 1913 Federal Reserve Act," which the congressman declared "has been overdue for many years." "As a sequel to that first [impeachment] bill," Gonzales elaborated, "I have introduced another which, in effect, partially removes jurisdiction by virtue of the Federal Reserve Act from the Federal Reserve to the Department of the Treasury." His statement on the floor of the House of Representatives, and the subsequent exchange with his fellow Banking Committee member and fellow Texan, Jim Mattox, demonstrate that House



Rep. Gonzales

Democrats are beginning to catch up with Democratic traditionalists in the Senate who kicked off the anti-Volcker moves before the congressional recess.

The significance of Gonzalez's legislation is above all the determination to return the powers of the so-called independent Federal Reserve to the control of constitutionally elected government, and would remove not only the current abusive Fed chairman, but would also curb the powers of the runaway institution itself.

In his introduction on the House floor, Gonzalez emphasized his intentions: "Now, I know that when one speaks of impeachment, it seems as if it is farcical or an act that does not have any serious intention, and I wish to dispel that because I would not have made a frivolous introduction of any bill or measure. . . .



Rep. Jim Mattox

"I am in dead earnest. It is my hope, and I am approaching the Judiciary Committee and the proper subcommittee in due course of time to consider the resolution . . . and will give . . . what I consider to be serious and substantial reasons.

"The two bills introduced today are certainly in dead earnest. They reflect the fruit of investigative research

and reading of the past 16 years, since 1965; but more particularly since June 1969, because I believe that history will show that that was a turning point. . . ."

Gonzalez continued: "What is involved here is the matter of economic freedom. . . . I have spoken out . . . since 1969—and I know that what I have had to say . . . has been overlooked. But it really is part of an integral hope . . . that I find inescapable as a member of the Banking Committee, because since I first came to the Congress 20 years ago, and also from my preceding studies, I have always been interested in this field and for that reason welcomed my assignment in 1961 and 1962 to . . . the Banking Committee."

Gonzalez, the first Mexican-American to be elected to Congress, currently ranks number three on the House Banking Committee. In 1977 he chaired the House Special Committee on Assassinations, established to investigate the John F. Kennedy and Martin Luther King murders. Despite the fact that he was the main force behind the inquiry, he was forced to resign from the committee because of his effort to investigate a conspiracy. Following the March 30 attempt on President Reagan, Gonzalez warned that Secretary of State Alexander Haig was involved in a power grab against the administration.

Jim Mattox, a fellow Texas Democrat on the House Banking Committee, signed onto the legislation and helped Gonzalez motivate the two bills. Where Gonzalez had emphasized that Congress must re-assert its mandate to protect what he called "economic freedom" from the Fed's arrogant defense of its "independence"—which was contrary to "political freedom," without which "life in itself and our form of Government, of course, would be impossible"—Representative Mattox detailed the damage the Fed has done: "I think that everybody on our side of the aisle ought to join with [Gonzalez]. . . . It is obvious to me that if Mr. Volcker and the folks down at the Federal Reserve do not understand the nature of what they are doing—that is, if they have not entered into their activities with a malicious intent—it is obvious that they are a danger to themselves and the

communities in this country by the policies they are setting up."

Mattox continued: "Mr. Speaker . . . I feel . . . embarrassment when we have the Federal Reserve come before our committee and see them engage in just a callous disregard for the industries of America, particularly when we see the automobile industry just on its knees and going into bankruptcy and when we see all the big homebuilders, unable to even operate at anywhere near a profitable level based on the monetary policy that is being followed.

"I think we are going to continue to have this kind of problem until this Congress draws unto itself the power that was granted to use by the Constitution, the power over the money system and the money supply. . . . Until we get the power and draw it unto our own bosom, we are not going to be able to solve this problem.

"When we have the Federal Reserve floating around and we have a man like Mr. Volcker there just exercising that arrogance, things are going to be bad not only for our country but it is obvious things are going to be bad for our party also. [Representative Gonzalez] and I know that. It is time that we took this power unto ourselves and got the people to work with it.

"It is unfortunate that Mr. Volcker and the present administration have the exact same philosophy of trying to solve this inflation problem with high interest rates. They do not seem to understand that high interest rates feed inflation. . . . They are forcing inflation higher and causing more and more problems."

Gonzalez took up the theme of the political ramifications of the Fed's high interest rates. "Let me say that . . . unless and until the Congress does something about it, nothing is going to be done about high interest rates. High interest rates are just one of the concomitants deliberately and premeditatively brought about by the usurious [policies which] drain the lifeblood of our businessmen, the real business element of our country . . . not the mastodons who are struggling over the huge resources of banking credit that seem to be available in order to knock off another giant such as Conoco, and not the speculation which has played into the hands of the speculators in Zürich, Switzerland, in London . . . they have lost literally the economic shirts of the American people and the average small businessman."

Referring to this distinction between productive and nonproductive, purely speculative uses of capital, Gonzalez concluded: ". . . the choice is between abdicating the only vested national and international leadership that we have in the world toward a new and unselfish world order, economic, and not reviving—and this is what we are doing—an old-world economic system which has been tried over and over and failed, and through which I believe the American people will be doomed to economic slavery."

Interview

DOD's DeLauer talks about technologies

Dr. Richard DeLauer is the undersecretary of defense for research and engineering. For more than 20 years before assuming his current position, DeLauer was with TRW, one of the nation's foremost high-technology corporations, where he directed fusion energy, laser isotope separation, and other programs. The interview with EIR's Stanley Ezrol was conducted on Aug. 10, the first business day after the Defense Department's controversial announcement on neutron bombs.

Ezrol: What major military technologies is the United States interested in developing, and what priority do we place on each?

DeLauer: As you know, very high speed integrated circuit technology is being pursued vigorously, and its initial capabilities are better signal processing, which is the whole story of antisubmarine warfare, for example.

Ezrol: What percentage of our R&D budget is in that area?

DeLauer: It's a small percentage, around a quarter of a billion dollars. But on the other hand, there's an awful lot of research being done in the private sector. They're investing more than the Department of Defense is.

Ezrol: What sort of priority do we place on the development of space-based ABM systems?

DeLauer: We're getting a pretty good start on the phenomena-oriented research: We have a pretty good program, as best as can be carried out with the kind of people involved, what it takes to do it, and the resources—not the dollar resources, but the intellectual resources. I think the program is structured pretty well. We're not pushing toward the device end yet, because it's not clear that we know all of the answers on (1) how to do it and (2) what are the countermeasures.

Ezrol: In your view, what are the requirements for a system of that sort in terms of industrial capabilities,

civilian technological capabilities, manpower, and so on?
DeLauer: Well, you need good high-energy physics people. It's a marriage of the national labs who are doing a lot of work on the physics side of it, particularly as it pertains to the correlation between that work and weapons work, and the industrial side of it, to be able to eventually design and produce and test it—a real operational system—and that's not exactly right around the corner.

Ezrol: Do you have any assessment of where the Soviets stand on the way toward developing such a system?

DeLauer: No, nothing but what I read in *Aviation Week & Space Technology* and in your publication. You guys are the experts. Old Robbie [Lt. Flood] here told me you guys are supposed to know more about it than anybody else.

Ezrol: The requirements for such a system would be a space station and high-energy plasma-generation equipment. In the area of space-station deployments, the Soviets seem to be ahead of us.

DeLauer: Well, I don't know. What's a space station? We had one, we had a space station in orbit. The orbiting lab [Skylab] was up there—that's a space station. The Soviets have had a bit more activity of late because we've been putting the development money into the Space Shuttle. The Shuttle is supposed to be the forerunner of the Space Transportation System. Until we get that in business, really going, I think space-station activity is just a matter of spending money and putting the stuff up there, and we've shown that we can do those things.

I don't think the space station is the key to weapons in space, however. The key to defensive weapons in space has to do with survivability and capability. That's more than just being able to generate a high-energy stream of electrons or particles. You must have pointing accuracy; you must have target acquisition; you must have all the things that make a weapon out of it. If you look at some of the schemes for generating streams of electrons, they use pretty precise equipment. Take a look at the magnetic fields required, for example, and the precision in tailoring the magnetic fields generally. At least the ones I'm familiar with are permanently set in big pieces of concrete so they don't move around. You've got to re-engineer that into a space-borne capability, which certainly can't be in the same form. You've got to have different types of engineering.

Ezrol: Are we concerned that the Soviet SS-20 would be able to target U.S. submarines in the North Atlantic, the Mediterranean, and other areas?

DeLauer: Yes, I think everybody should have some concern with that. But again, that depends on their targeting capability and their ability to predict. For the

SS-20 at that range, even given the best trajectory, it must have at least a 12- to 15-minute flight time. If that's the case, you've got to be able to predict where it's going. But on the other hand, with the advent of the Trident system you're moving farther and farther away, well out of the range of the SS-20.

Ezrol: Are you satisfied that the economy can provide the sort of industrial base that we'll need for high-energy beam weapons and other advanced technologies? Studies indicate that the current high interest-rate situation is depleting the sort of capital base that we need.

DeLauer: I'm satisfied to a degree, but not completely. We'd like to see people who really would like to make investments in advanced technology, but that's not the case right now. People are not making large investments into programs that have a payoff in 10 or 15 years. The industrial environment doesn't seem to lend itself to that. You hope the new tax bill and some of the things we're trying to do will encourage that. Look at the sorry state we're in because we didn't make investments in beating the Japanese in making a little car until it was forced on us.

Long-term investments are not a very attractive option to many industrial managers. When the profit rate and the inflation rate are 10 percent, the return on assets employed has got to be almost double that in order for you to just keep up with about 5 percent real growth. And that's hard to do with a program like space-based lasers. That's why more people will get into very high speed integrated circuits. There you don't have any problem of high interest rates keeping people from making investments.

Ezrol: Are we having to orient our development of technology and of weapons systems to a lower cultural level, a lower literacy level within the armed forces?

DeLauer: We haven't attempted that. You know, it's always a question for discussion, but I don't think that's the issue. I think the issue is how you train them. To see the same group of young people you're talking about, go to any arcade where they've got Atari games, Space Cadet, and all the games they're playing. They seem to be able to handle that sort of stuff. Now you have a problem with maintenance and so on, but I think that can be addressed with proper training and proper equipment design.

I think it's a much broader issue than just the Department of Defense. We haven't been successful in raising the standards of education; if anything, the standards have been going down. There's some evidence that they've flattened out, but it's not clear whether they've flattened out to go up or to be on a plateau. We haven't been successful in creating an overall literacy capability. Kids don't read as much and comprehend as well. We're

educating more of them, so you'd think we'd have more bright ones, but we're not doing that well.

Certainly, we're not educating enough engineering and scientific and technical people. We're starting to pick up a little now, but we've neglected most skills for a decade. Not only academic skills, we've neglected very high grade blue collar skills—tool-makers, electronic technicians, and the like—that we'd like to have in our overall industrial capability, let alone the DOD. We've neglected it, and we have to redress that.

Ezrol: One area you're familiar with from your civilian experience is plasma physics and related research. We've looked closely at the importance of understanding Bernhard Riemann's work on shock waves propagated through an infinite cylinder, which has relations both to hydrogen bomb technology as well as to high-energy beam-weapon technology. It's our assessment that this is much better understood among Soviet physicists than among Americans.

DeLauer: Well, I wouldn't sell the American scientists short. How many guys do you need to understand that and do what we want to do? You don't need a cast of thousands.

Ezrol: In the Manhattan Project we had a cast of thousands.

DeLauer: The Manhattan Project was a cinch compared to what we're talking about. People keep saying, "go analyze." Look at what the separable parts were. There's the whole question of isotope separation. They had a process called the diffusion process, so they went out and handled the diffusion process all by itself. They went to Oakridge and got a lot of power out of TVA; and they got a good industrialist and he designed it. Then you had the question of criticality, and you had the best guy in the world who understood it all, Enrico Fermi. The hard part was the calculations. We didn't have the thing, so the War Department supported work at the University of Pennsylvania and at Princeton University, von Neumann and the early computers. Then they had the separate plutonium chemistry problem. Then you had Oppenheimer and the Los Alamos crowd, who were worrying primarily about the explosive issue.

But each problem was separable, which is a lot easier than trying to build an airplane or a missile system, in which they've all got to be put together. I was in the bomb business myself.

Developing high-energy beam weapons is a factor of 10 beyond even missiles. Everybody says, "Well, you did the Manhattan Project, so you ought to cure cancer" or "You ought to be able to do beam weapons." The same group that built the atomic bomb had been trying to build beam weapons, and that's called fusion, controlled fusion. We've been trying to do it for 20 years or more.

When I left Los Alamos in 1957 everybody was fighting for who's going to get the Nobel Prize for making the first useful fusion device for energy. We still can't get one sustained really. You use fusion devices and you get power out of them, but you don't get a sustaining one that gives you a net positive contribution. It's a hell of an engineering problem because the parts are all put together, and you've got to make the mirrors, you've got to contain the plasma. Sure, the Soviets claim they have it with the big toroidal thing, but they're still building fission plants and burning oil. I think trying to get controlled beam energy is a damned tough problem.

Ezrol: Most publicity over the last few weeks on new military technology seems to be focusing on Pershing II's and cruise missiles. A number of people, including our own contributing editor Lyndon H. LaRouche, Jr., have argued that these are really not very advanced technologies at all.

DeLauer: It all depends upon your guidance schemes. I mean the reliability of a thing like that. Some of them have pretty advanced guidance schemes in the cruise missile. That's not exactly a kid's toy, it's a highly accurate system.

Ezrol: Would you say that this is a stop-gap, or fallback system given that we don't have the capabilities to go with directed beam systems yet?

DeLauer: No, I don't think the cruise missiles or the Pershings have anything to do with defensive systems, which is what applications of beam systems would be. They're not something you put on something and go someplace with as an offensive system.

Ezrol: We have a situation of economic stagnation in the United States right now in which the number of physics graduates, engineering graduates produced per capita has been declining, and yet we're trying to confront the Soviets with new technologies and weapons systems while their scientific manpower has been increasing as never before.

DeLauer: Well, I think that's true, but I think you have to look at the underlying reason for the decline of numbers of people in the scientific disciplines. We had almost a decade of "the greening of America." Science was bad, nature is great. That whole malaise started in the mid-1960s with the disenchantment of the Vietnam War and was carried on with a bunch of gurus who kept saying, while they're driving around in their father's car or their own and using gasoline, that you ought to do away with all of that. The gurus went down to the supermarket and took advantage of food stamps and a distribution system that was built on modern technology, and yet they're sitting there saying this is all phony. I think it had an effect on our schools, I know it did.

A wedge against Davis-Bacon

Cap Weinberger is among the strategists undercutting the American system of well-paid, high-skilled construction.

Sources on Capitol Hill report that for the first time since its passage 50 years ago, the enemies of the Davis-Bacon Act, which guarantees payment of union scale wages on federally funded construction projects, may have enough strength to force the act's repeal.

The first phase of the showdown will come this fall, when networks linked to the Fabian Society's right-wing Trojan Horse, the Heritage Foundation, will try to line up votes for a measure exempting billions of dollars of military construction projects from Davis-Bacon.

"This is our foot in the door," said an aide to Sen. Don Nickles (R-Okla.), a leader of the repeal movement.

The military exemption has the backing of Strom Thurmond (R-S.C.), the powerful chairman of the Senate Judiciary Committee, who latched the measure as a rider onto the military appropriations bill coming up next month.

It also has the backing of Caspar Weinberger's Defense Department.

Deputy Secretary of Defense Frank Carlucci told the Senate Labor Committee July 28 that the Defense Department would welcome passage of the amendment as well as a full repeal of Davis-Bacon. "This is the signal we have been waiting for," said a committee staffer. "It means that the anti-Davis-

Bacon crowd in the administration is gaining the upper hand." He identified that group as the monetarists in the Treasury Department, David Stockman's Office of Management and Budget, and Paul Volcker's Federal Reserve.

If they succeed, either unionists will take an income cut that undermines overall productivity eventually, or nonunion workers, with their record of lower skills and (as on Texas projects) criminal proclivities, will move in.

Labor Secretary Ray Donovan is said to be pressing President Reagan to come out strongly against the repeal, citing a Reagan campaign promise to that effect. But Donovan, relegated to dealing with the baseball strike while the air controllers' strike approached, has been browbeaten by Stockman et al. into crafting new regulations that would have the effect of gutting the key provision of the act, the section which calls for effective interpretation of "prevailing wages" to mean "union scale." While Donovan has issued no public position on the military construction exemption, he will soon release new regulations redefining the "prevailing wages" section later this week. This requires no congressional action to alter.

According to an aide to Senator Nickles, "If we have the votes for the military exemption, we'll take it." The aide said, "If Reagan stays

quiet and says nothing about repeal, then we may try a test of strength on that." They would do this by bringing the Nickles repeal bill, S. 1505, onto the Senate floor for a vote, possibly as a rider to another bill. They doubt that they have the votes for full repeal of Davis-Bacon.

It is the confrontation with organized labor that they desire. "We can show how weak they [labor] are," said an aide on the Senate Labor Committee working on the strategy. "If we do that, we can get everybody to act more boldly."

The repeal advocates are aware that a final break between the Reagan White House and the labor movement, especially the Teamsters and the building trades unions, might occur if the President refuses to support Davis-Bacon. "We want to force his [the President's] hand on this," said the aide. "It is the right time.

"He has just gotten kicked by labor with the controllers' strike and he kicked back. Reagan thinks he can beat the world and maybe he can. They don't need labor. . . . The White House has got to get serious about knocking down wages and here is a good chance to do something about it."

Strategy meetings are scheduled for early September. If Donovan convinces Reagan to make a statement, the aides who are planning the offensive say they will "not buck the President, even if he is wrong. We couldn't beat him." But no one is betting on Reagan to follow Donovan's counsel. They say that Reagan will listen just as much to Defense Secretary Weinberger, who is telling people that cutting out Davis-Bacon will save "billions in the defense budget."

National News

Nunn calls for renewed drive to bust IBT

A Senate subcommittee headed by Sam Nunn, Democrat of Georgia, has denounced the Labor Department's five-year investigation into the International Brotherhood of Teamsters Central States Pension Fund for its failure to successfully break the IBT. "The Labor Department's inquiry was a textbook illustration of how not to conduct an investigation," Nunn said, adding that a "historic opportunity" had been wasted "to rid the union of the influence of organized crime."

Nunn's subcommittee has issued a report which states that the Labor Department should assume a pre-eminent role in investigating union pension funds, and that operations should be fully co-ordinated with the Justice Department to allow for full criminal prosecution of "organized crime associates." The subcommittee is also recommending to Congress legislation to allow the Department to remove union officials at will "who breach their fiduciary duties." The subcommittee also recommended that the Labor Department seek a court order to remove Teamster president Roy Williams from office until he agrees to come before the committee and answer questions relating to "reports" that vaguely "connected" him to "organized crime."

"Organized crime" is a liberal code-word referring to any unionist not controlled by the Socialist International.

Heritage: 'Who knows less about science?'

The following dialogue was observed Aug. 11 in Washington, in a light but earnest tone. "He saw the coming of the atom bomb in the 1920s, he predicted ICBMs, and yet he knew nothing about science." "Well, I can confidently say that I know even less than you do, so I

guess you can say I get the prize when it comes to knowing nothing about science."

The scene was the headquarters of the Heritage Foundation, a nominally conservative think tank with close ties to Britain's Fabian Society. An audience of two dozen listened to the concluding remarks of Dr. Patrick Cosgrave, adviser to Prime Minister Margaret Thatcher, on the subject of Winston Churchill as a domestic leader. The second voice (and winner of the know-nothing prize) was John O'Sullivan, editor of the Heritage magazine, *Policy Review*.

Dr. Cosgrave had earlier explained how he solved the dilemma of having to write a speech on science policy for Mrs. Thatcher: he simply lifted a Churchill speech from the 1920s, because, as he explained, Churchill, who also knew nothing about science, said it so eloquently 60 years ago, why try anything new?

His overriding point was that the U.K.'s collapse since 1955 was due to Churchill's death. The solution, according to Cosgrave, is a return to Churchill's policies of free trade and no credit. Privately, he fretted about the Queen's shower of attention on Foreign Secretary Lord Carrington: "Only America has any right to formulate policy for the Middle East. Churchill was a friend of Israel. Carrington is pushing this ridiculous European stuff."

Volcker the topic at governors' meeting

At the National Governors' Conference in Atlantic City U.S. Deputy Secretary of Agriculture Richard Lyng was put on the spot over the question of Paul Volcker's interest rate policy.

In the agriculture meeting, Idaho Gov. John Evans asked Lyng to "present the outlook" on governmental cutbacks on farm credit programs since he had been unable to get reliable figures. Lyng responded that there would be more credit in farm operating loans, but less in other

categories, and admitted that the problem came from high interest rates.

Governor James Hunt of North Carolina took up the theme of farm credit: "I want you to know that current interest rate levels are creating a hardship for all farmers—the tools used to fight inflation are exacting too heavy a toll," Hunt told the deputy secretary.

Lyng, feeling the pressure, said "I want to repeat we are very concerned on the interest rate problem; indeed it is *the problem*. Vermont's governor and incoming president of the National Governor's Association, Richard Snelling, then interjected, "I want to emphasize what Gov. Hunt has just said."

"I promise you interest rates will go down before the end of the year," Lyng said.

John Carlin of Kansas said, "but notice he didn't say how much they'll come down."

Rifkin provides 'entropy' for fundamentalists

Aquarian Age intellectual Jeremy Rifkin, a former leader of the proterrorist People's Bicentennial movement, explained in an Aug. 10 interview how he is using his entropy theory to transform such groups as the Moral Majority and National Right to Life Movement. He noted that the "creationists" have adopted the concept of entropy, because it entails that natural evolution toward higher states is impossible, and man-induced changes in God's universe represent decay.

Rifkin has appeared five times on the Pat Robertson "700 Club Praise the Lord" national radio program; Robertson himself has used Rifkin's book *Entropy* regularly in his newsletter, and now advocates total nuclear disarmament and "transfer of wealth" from richer to poorer nations. Cal Thomas, right-hand man to Moral Majority leader Jerry Falwell, is a close friend of Rifkin's, though Falwell himself "still believes in capitalism and the nation-state," Rifkin says. Yet

Falwell has used Rifkin's book, *The Emerging Order*, and has promoted entropy-based "creationism." Rifkin is writing a new book against Darwinism.

On June 24, Rifkin was one of four keynote speakers at the National Right to Life convention, where he discussed entropy, stewardship of nature, and a halt to genetic engineering. He has also toured fundamentalist Christian colleges. "There is a tremendous reservoir of support for the environmental movement in the nation's 40 to 50 million evangelicals. They are liberated from the enlightenment," he says, adding that the religion of the future will have to be a mixture of Judeo-Christianity with an Eastern "philosophy of learning to surrender to the world as it is."

Social democrats challenge Klenetsky

The first week of New York State Supreme Court hearings on a challenge to Mel Klenetsky's campaign for the Democratic mayoral nomination in New York City came to an end on Aug. 14. A day earlier, lawyers for Klenetsky's opponent Frank Barbaro argued that Klenetsky, who is supported by *EIR* founder Lyndon LaRouche and the National Democratic Policy Committee (NDPC), is not a bona fide Democrat, but is part of an illegal "party-raiding" operation against the Democratic Party. New York has particularly strict laws against such raiding.

The challenge by Barbaro, part of a broader effort by the Harrimanite liberal wing of the party to contain the NDPC's national influence, has cost at least \$70,000 to date, Klenetsky's campaign spokesmen estimate, and has involved a line-by-line examination of all Klenetsky's petitions, surveillance, harassment, and interrogation of campaign workers and their neighbors. Teams of professional process servers have been hired to try to subpoena Klenetsky campaign workers for time-consuming court appearances.

During an Aug. 10 program on liberal radio station WBAI, Roy Cohn protégé Dennis King and Sheldon Ranz of Simon Wiesenthal's "The Generation After" group, reporting that they had turned over their files on LaRouche to the Barbaro campaign, described the Democratic Party as a battleground between the Democratic Socialist Organizing Committee and the National Democratic Policy Committee, as well as their fears that Klenetsky would draw a large vote, especially among Jewish New Yorkers opposed to both Koch and social democrat Barbaro.

While Barbaro charges "party raiding" against Klenetsky, his backers and controllers, including Theodore Kheel, Bella Abzug, and Herman Badillo, have already formed a new party, the "Unity Party," which is petitioning for ballot status in the 1981 election.

Kemp: 'My economics based on football'

Congressman Jack Kemp, one of the masterminds of the Reagan economic program, told a reporter yesterday "Tip O'Neill has suggested that I don't know much about economics—Nonsense! I don't know *anything* about economics."

Rather than rely on economic science, Kemp explained in an interview in the *Washington Post*, he based his ideas in designing the economic package on his knowledge of football.

"The experience of being a quarterback from age 6 to 36 has led me to the conclusion," he said, "that the pressure point, the straw that was breaking the camel's back, the marginal straw that was causing the breakdown of our social, family and economic condition in this country was, in effect, the impact—are you with me?—of a sharply declining, uh, purchasing power of our dollar coupled with a steeply graduated tax system on both labor and capital."

"I love ideas," Kemp concluded. "But I'm no intellectual by any stretch of the imagination."

Briefly

● **ALEXANDER HAIG**, asked Aug. 11 what effect the neutron bomb would have on U.S.-Soviet reciprocity, responded, "I think a dandy effect."

● **HEALTH AND HUMAN SERVICES** department sources, commenting on the possibility of replacing Medicare with a voucher system for the elderly to buy their own private health insurance, said Aug. 12 that the plan is designed to do away with the "reasonable cost reimbursement system" now in effect, and drastically cut back the amount people spend on health care, in turn forcing hospitals to cut back on their own outlays. A special HHS task force is studying the plan, which would reverse the trend toward U.S. longer life spans achieved under Medicare. Impetus for the plan comes from David Stockman.

● **DR. ROBERT KUPPERMAN**, the executive director of Georgetown University's Center for Strategic and International Studies, wrote and directed the Aug. 6 ABC "If You Were the President" program, a simulation of crisis-managing a terrorist threat in New York Harbor. Kupperman, asked what other TV games he would like to play out, says "The sky is the limit. The 1980s will be a decade of unconventional warfare—low-intensity operations such as Third World flareups and terrorism. We could run the crisis management of a natural disaster, or something hairier like a strategic crisis between the U.S. and the Soviets over the Middle East. . . ."

● **GORDON WALGREN**, former president of the Washington State Senate and a leading traditionalist Democrat, was reinstated to the Washington State bar Aug. 5, outraging the liberal press. Walgren had been suspended as a result of a conviction stemming from an FBI "sting" during the Gamskam scandal. Walgren's conviction is under appeal.

Why they hate James Watt

The Interior Secretary holds a record beyond rhetoric in fostering growth that has drawn the environmentalists' fire.

There are certain people in the administration who are problems—number one is Interior Secretary James Watt. That is why the Global Tomorrow Coalition is making him a prime target.”

With that recent remark, a Club of Rome spokesman who also belongs to the Global Tomorrow group explained a plan by those organizations, along with the oil multinationals, to throw Interior Secretary Watt out of office.

Those gentlemen, who want an end to industrial progress, boast of manipulating other administration officials, but have trouble with Watt.

As Secretary, Watt has initiated the following programs:

- In his first official act, Watt directed Assistant Secretary Caruthers to sign 83 orders revoking withdrawal of about 680,000 acres of federal land from resource-exploitation activities. Declared Caruthers: “The need for these resources is vital to our economy and our national security.” The lands, some of which are believed to have uranium, are now open to mineral development, livestock grazing, timber harvesting, and recreation.

- As one of his first acts in office, he fired over 50 “environmentalists” on the department’s payroll. Representative Ed Markey (D-Mass.) and Katharine Meyer Graham’s *Washington Post* charged Watt with “criminal violations” of the department’s “merit system.”

Watt ignored them.

- On April 10, Watt, in conjunction with Energy Secretary James Edwards, announced a dramatic expansion of off-shore oil and gas leasing on the Outer Continental Shelf. Oil multinationals like Atlantic-Richfield (Arco)—whose chairman, Robert O. Anderson, is probably the largest individual financier of environmentalist organizations in the world, as well as Exxon and others, howled in protest. These firms not only have “preferred positions” in presumably competitive Alaskan oil, but are basically marketing monopolies, not producers, and desire to keep as much oil *in the ground* as possible. Arco and Exxon were joined by howls of protest from the Sierra Club, which recently endorsed the *Global 2000 Report* mass-murder recommendations, and by California’s ectoplasmic governor, Jerry Brown, whose family imports competitive Indonesian oil and gas.

Watt replied: “I would like to see 87 sisters, not just 7.” The oil and gas leasing was finally postponed, apparently after California GOP circles mounted a pressure campaign on President Reagan.

- Watt also recommended, and President Reagan agreed, to “indefinitely freeze” negotiations on the so-called Law of the Sea Treaty. The treaty, negotiated by David Rockefeller’s Trilateral Commission on behalf of the Carter admin-

istration, not only would have prevented exploitation of the enormous mineral resources on the sea floor, but set a dangerous precedent for eliminating national sovereignty on economic policies by imposing a “supranational taxation system” on seabed mining receipts. Watt put a stop to it.

- On May 21, Watt’s office announced that it was accepting applications from companies wishing to explore for oil and gas on more than 100 million acres in Alaska—a massive “onshore” leasing program that elicited new screeches from the oil multinationals and the “environmentalists” funded by the oil multinationals. This program, a reversal of the Carter administration’s policy, was coupled with Watt’s order that the Bureau of Land Management expedite applications for oil and gas drilling on bureau-administered lands. Under Carter, permits lay stacked in piles in regional offices, without processing or intent to process.

These lands are known to contain some of the richest U.S. deposits of oil and gas. Watt has also:

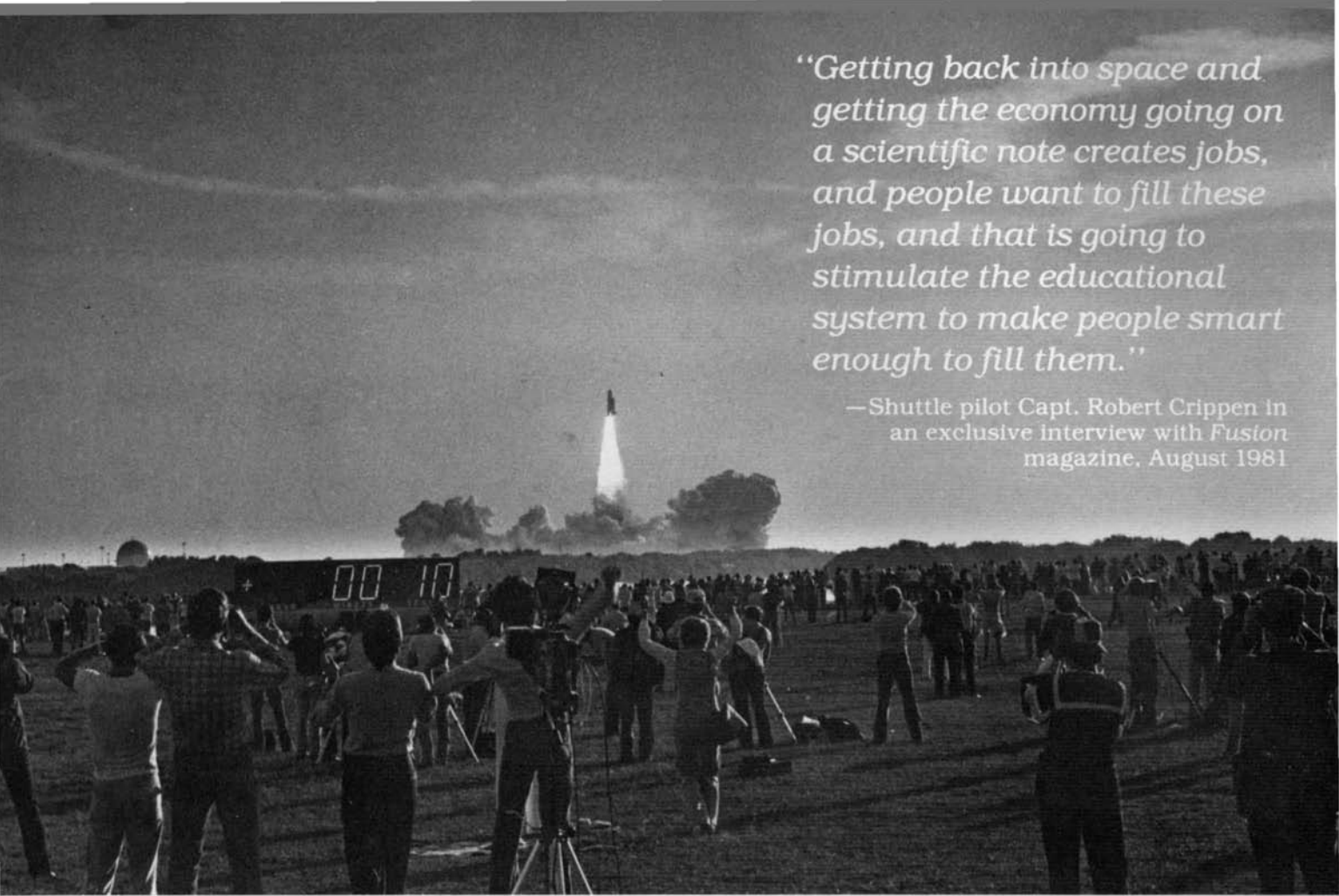
- Centralized control of 33 earth-moving, canal, dam, and waterway projects;

- Assumed control of the cabinet-level Council on Natural Resources and Environment, denounced by environmentalists as a “power grab to put more money into water projects” (Sierra Club).

- Begun leasing of 37 million acres of coal land in southern Appalachia;

- Ended Office of Surface Mining powers to harass and slow strip-mining projects;

- Expedited the reclamation of abandoned coalmine land in West Virginia.



"Getting back into space and getting the economy going on a scientific note creates jobs, and people want to fill these jobs, and that is going to stimulate the educational system to make people smart enough to fill them."

—Shuttle pilot Capt. Robert Crippen in an exclusive interview with *Fusion* magazine, August 1981

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