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Executive Intelligence Review

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'Systems analysis' is white-collar genocide
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**LaRouche-Riemann econometric model:
the second Great Depression is on**



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EIR

From the Editor

There are two points to add to our report this week on the advent of the Second Great Depression in the United States. The first is one that will occur to any thoughtful person reflecting on history from the Versailles Treaty to the outbreak of World War II: that crushing monetary and fiscal policy triggers depression, and depression can lead to fascism and war.

The second is, of course, the question of reversing depression, which was the subject of our Oct. 13, 1981 Special Report on *EIR* founder Lyndon H. LaRouche, Jr.'s proposal for gold remonetization. The purpose is to secure adequate credit at low cost to American borrowers for improving output, productivity, and exports; this counterinflationary flow of credit would be accomplished by combining gold-reserve status for the dollar (agreeing to exchange gold in payments for current-account deficits with other nations who follow a similar policy) while replacing the Treasury's fiat money with U.S. notes backed by gold reserves revalued at \$500 per ounce.

The gold backing amounts to a discipline: if productivity and exports are not expanded, gold outflows will ensue. It is the Federal Reserve's opposing kind of "discipline" that has allowed offshore lenders and domestic speculators to flourish while the U.S. productive sector goes under.

The kind of gold standard LaRouche proposes was successfully carried out by Jacques Rueff after Charles de Gaulle returned to power in 1958. The alternative is a monetarist gold standard that would only compound Volcker's wreckage. And the alternative to American action on this score is a new depression, on a weaker industrial base, and with a less morally healthy population, than existed in 1929-31.

Susan Johnson

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Many of you are continuing to receive telephone solicitation from an unsavory group operating out of Detroit which were formerly distributors of *EIR*. These people are seeking subscriptions to a newsletter called Producers & Investors, and in some cases they are soliciting business investments of a questionable nature.

In many cases these people are representing themselves as *EIR*, or are telling you that they have purchased *EIR*'s subscription list. This is a lie. These people have no affiliation whatsoever with *EIR* or with *EIR*'s founder Lyndon LaRouche. They have in fact abandoned the principles

for which Lyndon LaRouche and this publication stand, and have thrown in their lot with the evil forces of Dope, Inc. and the Global 2000 genocide lobby.

The Detroit group operates under the name of Inform America, Inc. If you are contacted by this group and you are asked to subscribe to Producers & Investors, Parity Newsletter, American Labor Beacon, or to invest money in businesses such as Renaissance Printing or Computype, please advise us immediately. And do not allow any charges for *EIR* to be made payable to Inform America or any Detroit-based entity.

Special Report



At an unemployment center in New York City this winter. Stuart Lewis/NSIPS

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Part Two of *EIR* founder Lyndon LaRouche's examination of the dogma underlying "equilibrium economics" in both the West and the East bloc, counterposed to the actual science of economics as developed since the beginning of the 17th century.

The third and final part of this article will appear in the Jan. 13 issue of *EIR*. The Jan. 6 issue will be largely devoted to an analytical review of the events of 1981.

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Second Great Depression hits the United States

by Leif Johnson

If memories of Jimmy Carter have receded from the minds of most Americans like last week's bad dream, the full effects of the wilful economic policies of that administration weigh immediately and awfully on the nation. The United States has entered into its Second Great Depression.

The depression is the result of Carter's threefold policy: a policy of *usury*, mandated by Federal Reserve Chairman Paul A. Volcker's Oct. 6, 1979 credit tourniquet, of *deregulation* of the nation's transportation and banking industries, and of *budget slashes and tax revisions* that undermined capital growth in basic industry.

A Second Great Depression from which the nation is not intended to re-emerge is the basis for carrying out the Carter administration Global 2000 doctrine. That anti-technology doctrine wields the myth of scarce physical and financial resources in order to depopulate not only the southern hemisphere but the United States itself, on behalf of "post-industrialism."

Phase changes

In April 1980, *EIR* published the results of a major advance in the LaRouche-Riemann economic model, applying to economic science the thermodynamic notion of "phase change" and showing that when major alterations are made in the underlying energy flows of an economy, the economy as a whole is transformed. Business-cycle theory was proven nonsensical, if not a cover for economically ruinous policy.

We said then that the 1979-80 Volcker recession was the beginning of a major world depression based on a policy of intentional "de-industrialization" of the U.S. economy. We also showed that depression could be averted by a national economic policy that would raise labor productivity, measured in energy throughput, by 3 percent per year and would develop advanced nuclear-energy production.

The Reagan administration, despite its promise to sweep out the muck of Carter economics, has not only maintained the same Federal Reserve Chairman and the same credit policy, but has made a virtue of the budget-cutting program begun under Carter. Its supposed pro-growth tax program has turned into a traffic in fraudulent "lease and buy-back" contracts among corporations which enables corporations who make no capital expenditures to rake in tax benefits at the expense of general revenue.

Deregulation and the termination or weakening of federal institutions make recapitalization of U.S. basic industry even more remote. If these industries are not soon recapitalized, and production is imprisoned at 40 to 60 percent below 1978 levels, the entire industrial infrastructure, including the nation's labor power, will be ruined. The rich fabric of transportation, sources of capital and raw materials, industrial parts, and distributive networks will be driven into disuse and progressively liquidated.

A comparison of production levels today with those

before Carter applied the Volcker strangulation show a marked similarity to 1929-32, the first three years of the Great Depression.

Since 1978, new housing starts in the United States have fallen 42 percent, to the lowest levels since the last depression. Given present economic conditions there is no possibility of any recovery, and as Paul Volcker told a private meeting of homebuilder leaders nearly two years ago, it is his policy not to allow any significant building until the 1990s.

One quarter of the nation's 1979 lumber production has vanished by 1981.

Finished steel production is down 14 percent since 1979.

Auto production, the heart of the American industrial machine, is off by 25 percent in three years.

Two additional statistics should immediately recall the Great Depression. Net farm income is today 42 percent lower than it was in 1979. Caught between escalating production prices and declining market prices, and facing a collapse of farm land values, the American farmer is being bankrupted.

The second statistic is for machine-tool orders, the measure of the future intentions of manufacturers. If the producers believed that an "upturn" was to occur in mid-1982, they would be currently placing such tool orders. Yet orders in 1981 are running 35 percent below 1980 levels, and continue on a downward path.

Machine-tool orders for the auto industry, representing tools to be used for the 1984 and 1985 model years, are only 15 percent of their 1980 levels—net orders are 85 percent below last year's. Half way through the industry's \$60 billion retooling the auto makers have suddenly brought the process to a halt. Eight major new plants or extensive renovations have been cancelled, accounting for \$8 billion worth of lost orders.

The most candid estimate by auto industry analysts is that U.S.-Canada combined auto and truck production, 17 million units at its peak, will fall back to 12-13 million units "once the industry is shaken out"; no one believes in the standard business-cycle recovery.

It is *EIR*'s present estimate that U.S. and Canadian production will be reduced to half of former capacity, and that this outcome was planned during the '75-76 restructuring carried out by the auto companies themselves. The death agony of Chrysler, spanning the last decade, was designed to acclimatize the population to this covert policy.

In June and September 1979, the Carter administration formed the Steel and Auto Tripartite Committees along traditional Italian Fascist management-labor-government lines, and made public the policy of reducing employment in those industries by 50 percent through the 1980s.

Early this October, General Motors announced that by Sept. 30, 1981 it had run its working capital down to \$367 million from \$7.5 billion on Sept. 30, 1979. Using this as proof of the industry's desperate straits, General Motors board chairman Roger Smith inaugurated a wage-cutting labor policy not seen since the Great Depression.

Whether Smith's figures are real or emanate from "creative bookkeeping," for industry as a whole the credit picture is very serious. Fifty-nine percent of all new corporate debt contracted in the first three quarters of 1981 went to pay interest accrued on debt, as Richard Freeman emphasizes below. Total interest payments equalled 69 percent of gross internal funds—profits after inventory valuation. Little is left for capital spending.

The scope of collapse

If the use of the term Second Great Depression is shocking to some, it nevertheless understates the severity of the present conjuncture. Consider the effects of a protracted seizure of industry on the infrastructure of the entire American industrial machine.

What happens to the raw materials or parts producers during 10 years or more of a depressed economy—or to the transportation systems and the distributive-sales capacity of the economy?

Already in 1980, homebuilders informed us that the one-year recession in their industry had closed so much raw-materials capacity, especially in lumber and cement, that the capital costs of restarting the housing industry were rising formidably.

A reduction of U.S. auto output by 50 percent will lead to the collapse of Conrail, the government-run East Coast freight system, and to a chaotic situation in the trucking industry, which is already being ruined by environmentalism and deregulation. Then consider how a nation in the depths of depression, facing municipal bankruptcies and lacking federal funds, will maintain the worn interstate highway system.

As a leading federal auto-industry statistician pointed out, the productivity gap between the United States and Japan has not been as noticeable as it might have been because the U.S. industrial infrastructure was far larger, and therefore more responsive to production needs than that of Japan.

If the industrial infrastructure, the "pipeline" of raw materials, parts, transportation and distribution networks are broken by mass bankruptcies, the basic industries themselves cannot recover.

Finally, consider the effect of the Second Great Depression on the workforce—the loss of skills, the loss of work discipline, and the failure to train future generations of entering workers. That entails the destruction of industrial society.

Liquidity picture is sheer disaster

by Richard Freeman

Heavily indebted, and plagued by confiscatory real interest rates, the U.S. economy is very near bankruptcy. The monetary system is simply papering over the crisis, but at the same time looting the industrial base of the economy, which brings it closer to collapse.

Consider how the monetary system is presently functioning. The U.S. economy is falling apart, yet a borrowing boom is now pushing interest rates back up again—after months of small, gradual declines—and strains the resources of the banking system to meet these needs. Never before in the post-World War II period has the demand for credit skyrocketed upward while the economy went plummeting downward.

During October and November, U.S. industrial production fell by 1.5 percent and 2.1 percent respectively, yet corporate borrowing did not decline. In November,

for the week ending Nov. 25, the combined rate of growth of business loans at large banks (domestic and foreign) plus non-financial commercial paper grew at a 24.3 percent annual rate, after increasing by 18.8 percent during the month of October.

What is happening?

The overbuilt level of U.S. corporate debt, hiked by the multiplier of Volcker's high interest rates, is intersecting a corporate sector whose profits, in real terms, are collapsing. Lacking enough funds even to maintain their reduced level of economic activity, and facing increasing debt payments, corporations go out and borrow. For the first nine months of 1981, more than 50 percent of all new corporate loans went to pay new interest on debt accrued.

In the U.S. economy, it has thus come to be the case that debt wags the economy, rather than the other way around, whereby the expansion of industrial growth determines temporary increases in the level of debt. The danger is that at the point that a number of corporations—such as Chrysler, International Harvester, Ford, or Pan Am—reach the point of inability to meet their debt payments, several financial institutions could be blown out and bring down the entire economy. Even in the period leading into the 1929-32 crash, the debt picture of the U.S. non-financial corporate sector was never so extreme as today.

This debt picture deteriorated over the course of the entire post-war period, especially in the 1970s. But it

Figure 1

Liquidity ratios

(I-IV = billions of current dollars)

(V-VII = liquidity ratios)

Year	I Liquid assets	II Long-term debt	III Short-term debt	IV Total short-term liabilities	V Ratio I/IV	VI Ratio I/III	VII Ratio II/III
1945	\$ 38.7	\$ 35.5	\$ 8.0	\$ 33.1	1.17	4.48	4.44
1950	44.0	56.4	14.5	64.7	0.68	3.03	3.89
1960	51.4	122.1	31.9	109.6	0.47	1.62	3.84
1970	69.5	281.8	88.6	261.8	0.27	0.78	3.25
1971	78.8	318.3	91.2	278.5	0.28	0.86	3.49
1972	88.0	352.6	104.2	313.6	0.28	0.85	3.38
1973	101.0	393.9	127.9	378.6	0.27	0.79	3.08
1974	105.4	441.3	158.5	349.3	0.30	0.66	2.78
1975	125.2	477.2	152.2	347.0	0.36	0.82	3.14
1976	139.0	515.8	163.1	379.0	0.37	0.85	3.16
1977	141.0	566.2	190.0	426.2	0.33	0.74	2.98
1978	151.3	624.5	221.2	507.5	0.30	0.68	2.82
1979	170.2	693.7	264.6	617.3	0.28	0.64	2.62
1980	186.1	761.0	301.1	667.3	0.28	0.62	2.53
1981, 1Q	192.9	773.4	305.0	678.8	0.28	0.63	2.54
1981, 2Q	197.2	786.9	321.4	704.4	0.28	0.61	2.45
1981, 3Q	202.7	799.3	343.2	732.9	0.28	0.59	2.33

Figure 2

Relationship of corporate debt to internal funds

(in billions of current dollars)

Year	I Corporate interest debt service	II Gross corporate internal funds	Ratio of I/II
1946	\$ 1.19	\$ 7.83	15.2%
1950	1.73	17.82	9.7
1955	2.75	28.80	9.6
1960	5.28	34.69	15.2
1965	8.64	56.09	15.4
1970	23.36	58.85	39.7
1971	23.75	73.50	32.3
1972	26.91	85.00	31.7
1973	36.72	91.70	40.0
1974	49.66	85.60	58.0
1975	46.72	119.70	39.0
1976	49.44	134.20	36.8
1977	56.09	156.10	35.4
1978	70.62	171.90	41.1
1979	93.10	190.60	48.8
1980	119.49	197.00	60.7
1981, 1Q	139.57	220.00	63.4
1981, 2Q	148.45	226.00	65.5
1981, 3Q	167.75	233.00	69.4

was when Paul Adolph Volcker became Federal Reserve Board chairman in August 1979, that a monetary system already pushed near the limit began exhibiting the signs of utter pathology.

To appreciate fully the viciousness of Volcker's policy, consider this: in the 1940s, the average prime lending rate was 1.60 percent; during the 1950s, it was 3.33 percent. As of November 1981, during the 28 months Volcker has been in office the prime rate averaged 16.6 percent, a thousandfold increase over the decade of the 1940s (despite the heavy wartime demand for credit) and a five-hundredfold increase over the decade of the 1950s.

Of course, Volcker has claimed that his high interest rates were needed to fight inflation. That is a sham. During Volcker's reign, inflation has been at its highest rate since the end of World War II: 11.85 for the period between August 1979 and October 1981. High interest rates, which add an extra charge to the costs of production, have been passed through in the form of higher prices, and often in the form of reduced production as well.

Thus, Volcker's policy is maintaining a floor under the inflation rate, and keeping interest rates high at the same time.

How this intersects the monetary system is indicated by the debt maturity and corporate liquidity ratios shown in Figure 1.

In 1945—even though, as noted, the war had meant tremendous corporate borrowing needs—corporations were still flush with cash. Thus the ratio of their liquid assets (cash and readily liquefiable assets) to short-term debt (mostly bank borrowing) was 4.84. This means that for every \$1.00 in short-term debt, corporations had \$4.84 in cash and liquefiable securities, or nearly \$5 in their corporate treasury for every \$1 owed to the banks. But through the 1950s and 1960s, this ratio declined.

By 1970, corporations had only 78 cents in liquid assets for every dollar of debt, because short-term debt rose spectacularly, while assets built only slowly. This meant that by 1970, corporations could no longer cover all their debts in an emergency.

By the end of the third quarter of 1981, this ratio had fallen to the point that for each dollar of short-term debt, corporations had only 59 cents to cover it. Of course, this is an average for all corporations, large and small; most small and medium-sized corporations have only 20 to 30 cents for each dollar in short-term debt. In the event of a call-in of debt, these corporations will go belly-side up.

If one measures liquid assets against total short-term liabilities, which include commercial paper, finance-company loans to corporations, bankers' acceptances, etc., then the situation is even more dangerous. By the end of the third quarter of 1981, all corporations together only had 28 cents in cash and liquid assets in their treasury for each dollar of short-term liability. Again, the condition of small and medium-sized firms is worse.

At the same time, the maturity of debt has shortened. One of the reasons for this development is that Volcker's high interest rates have kept corporations from going to long-term bond markets, and forced them to loan up on short-term debt. The debt maturity ratio is represented in column VII of Figure 1. From a ratio of 4.44 in 1945—meaning that corporations had \$4.44 in long-term debt for each dollar in short-term debt—the ratio fell to 2.62 by 1980. However, this ratio utterly collapsed during the course of 1981, falling from 2.62 to 2.33, a drop of 11 percent in just nine months.

From the 1950s to the 1980s

The difficulty here is twofold. After each succeeding recession in the post-war period, corporations have found it more and more difficult to fund out into long-term debt, thus precluding essential capital formation. Second, the growth of short-term debt relative to long-term debt means that corporations are ever more dependent on credit which is volatile, requires more frequent rollover, and is more expensive. This can be seen in Figure 2.

For most of the 1950s and into the middle of the 1960s, corporate interest payments consumed between

Figure 3

Relationship of interest to corporate debt, 1978-81

(in billions of current dollars)

Year	I Corporate credit	II Annual growth in corporate credit	III Annual growth in interest debt service paid	IV Ratio III/II
	(\$)	(\$)	(\$)	(%)
1978	819.2	85.5	14.53	17.0
1979	915.6	96.4	22.47	23.3
1980	1030.2	114.6	26.39	23.0
1981				
1Q	1045.9	15.7	20.8	127.9
2Q	1082.6	36.7	8.9	24.2
3Q	1112.0	29.4	19.3	65.6

10 and 15 percent of the equivalent of gross corporate internal funds (which are essentially profits, adjusted for inventory valuation). By the middle to late part of the 1960s, the ratio rose to between 20 to 45 percent. But starting in 1980, the ratio has gotten higher and higher, to the point that in the third quarter of 1981, interest payments were a shade under 70 percent of gross internal funds.

The amount interest payments are taking out of corporate treasuries directly reflects the growth of corporate indebtedness. Figure 3 compares two amounts: the *increase* or *increment* in corporate total indebtedness from one year to the next, and the *increase* of corporate

interest debt service paid from one year to the next. The ratio between these two amounts can be expressed as the answer to the question, "How much new debt contracted for in one year must go to pay for new interest accrued in that year?" As can be seen, for 1980, this ratio reached 23.0 percent, meaning that 23 cents out of each dollar in new corporate debt was going to pay for new interest costs.

For 1981, the figures have gone wild. During the first quarter of 1981, new interest charges were 127.9 percent of debt, as corporations took \$15.7 billion in new loans but had to pay \$20.8 billion in new interest debt charges. The total amount of new corporate bor-

Figure 4

Growth in household debt and interest, 1960-1981

(in billions of current dollars)

Year	I Annual increase in household debt	II Annual increase in interest on debt	III Ratio II/I
	(\$)	(\$)	(%)
1960	15.306	1.842	12.0
1965	25.281	1.538	6.1
1970	19.498	1.964	10.1
1975	45.900	-0.103	-0.2
1976	83.200	6.194	7.4
1977	130.200	12.194	9.4
1978	149.000	20.789	14.0
1979	144.500	28.159	19.5
1980	84.600	21.003	24.8
1981			
1Q	35.700	16.886	47.3
2Q	24.800	5.447	22.0
3Q	24.480	10.986	44.9

rowing in the first quarter of 1981 had to go to pay for new interest charges; on top of that, \$5.1 billion had to be taken out of corporate treasuries to make up the difference in what is owed.

During the second quarter, the ratio fell to a more manageable 24.2 percent ratio; by the third quarter, the ratio was back up to 65.6 percent.

Thus, for the first nine months of 1981, corporations borrowed \$81.8 billion, a very large amount. But of that amount, \$49.3 billion went to pay new interest charges, or a staggering 60 percent of total borrowing. When it is considered that 25 percent of all corporate loans went to pay for corporate mergers, like the DuPont-Conoco deal, and another 15 percent financed inventory build-up, a largely involuntary buildup caused by lack of sales, it can be seen that the amount borrowed for productive purposes, such as expanding plant and equipment, was *negative*. Corporations borrowed heavily and still had to pick their own pockets.

Household illiquidity

The same problem is also wreaking havoc with the U.S. household balance sheet. As Figure 4 shows, the average household was paying at least 22 percent (and

as high as 47 percent) of its new consumer and mortgage debt this year, just to cover new interest charges. Consumers' purchasing power is not being enhanced; rather, the consumer is relying much of that new borrowing in payments just to stay out of bankruptcy court.

Figure 5 shows that, even taken against total household income, the interest burden is becoming a serious problem. From less than 1 percent in 1945, and less than 3 percent up until 1960, the total amount of interest debt service outstanding has risen to 8.5 percent of U.S. households' total disposable income.

If we divide the sum of consumer debt and mortgage debt by the population for that year, we get the result:

1971	\$2,541 per person
1976	\$4,008 per person
1981	\$6,914 per person

The real after-tax disposable income of the average non-agricultural worker with three dependents fell by 11 percent since 1979. Households are paying more and more debt, while the income they have to pay it out of is shrinking. The same is true of the corporate sector. This is the magnitude of the U.S. debt crisis.

Figure 5

Relationship of household debt* to disposable income, 1945-1981

(I, II and IV in billions of current dollars)

Year	I Sum of household debt	II Disposable income	III Ratio I/II	IV Interest debt Service on I	V Ratio IV/II
	(\$)	(\$)	(%)	(\$)	(%)
1945	20.462	1491.1	13.8	0.974	0.07
1950	56.701	206.6	27.4	2.623	1.3
1955	112.391	275.0	40.9	5.553	2.0
1960	180.408	352.0	51.3	9.893	2.8
1965	285.634	475.8	60.0	16.190	3.4
1970	393.158	695.3	56.5	27.952	4.1
1971	435.400	751.8	57.9	29.172	3.9
1972	491.800	810.3	60.6	33.051	4.1
1973	560.800	914.5	61.3	42.937	4.7
1974	605.500	998.3	60.7	52.088	5.2
1975	651.400	1096.1	59.4	51.985	4.7
1976	734.600	1194.4	61.5	58.129	4.9
1977	864.800	1311.5	65.9	70.373	5.4
1978	1013.800	1462.9	69.3	91.162	6.2
1979	1158.300	1641.7	70.6	119.321	7.3
1980	1242.900	1821.7	68.2	140.324	7.7
1981					
1Q	1278.600	1947.8	65.6	157.210	8.1
2Q	1303.400	1985.6	65.6	162.657	8.2
3Q	1327.400	2041.8	65.0	173.643	8.5

* Household debt equals the sum of consumer installment credit plus household mortgage debt.

LaRouche-Riemann model: no recovery

by David Goldman, Economics Editor

That the U.S. economy will undergo a 10 percent reduction in industrial and other tangible-goods output between mid-year 1981 and mid-year 1982 is not, at this point, a forecast that surprises most observers. But the "consensus" forecast points to an early "recovery" from a "cyclical" downturn. Some commentators, e.g. the economists of Salomon Brothers, Goldman Sachs, and Tucker Anthony Day, have ventured to suggest that the obvious illiquidity of the corporate sector will draw out the "cyclical" downturn past the "normal" recovery phase, an approach that is less blinkered, but no less incompetent.

The physical economy

The extraordinary success of the LaRouche-Riemann econometric model in judging the likely behavior of the U.S. economy since November 1979 derives from our insistence that short-term, or "business-cycle," fluctuations are irrelevant to the process involved. The LaRouche-Riemann model is unique in computing a competent array of measures of economic activity, which together answer the question: how is the econo-

my's current activity affecting its future capacity to produce? The model computes the productive versus overhead, or non-productive expenditures of the economy, and measures the physical requirements of future production so as to determine how present decisions change the future profile of the economy.

Although the measures presented here reflect the relatively short-term behavior of economic output, the criteria whence they were derived are computer-based measures of the economy's capacity to withstand such disturbances as the Federal Reserve has introduced into the credit system. Such analysis of the fundamental productive base of the economy is precisely what "conventional" econometrics of the Wharton School variety edits out of analysis.

The conclusion that the economy will fall—in the present leg of depression—by a solid 10 percent in terms of productive output, and essentially remain at that trough level or slightly above through 1983, is based on a measurement of the weakened American economy's capacity to withstand a shock, that in turn can, at least in rough terms, be measured quantitatively, through the liquidity analysis presented in this report.

Since 1974, the United States has undergone a fundamental deterioration in productive capability, characterized by:

- 1) A collapse in relative productivity that has made unfavorable trade balances a structural condition;
- 2) A diversion of 40 to 50 percent of investment resources into investment in expensive energy-producing or energy-saving areas, with consequences much greater than the initial cost of higher energy prices;
- 3) Virtually no growth in productivity during the past three years (while Japan, for example, has averaged

Figure 1

Total U.S. instantaneous growth rate (in percent)

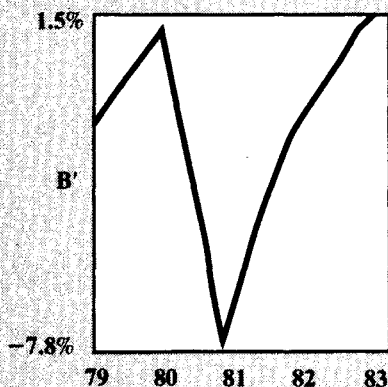


Figure 2

Net investable surplus (in billions of 1972 dollars)

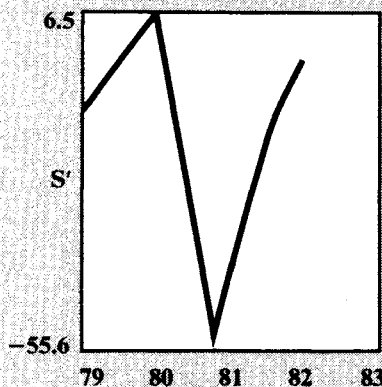


Figure 3

Net surplus (in billions of 1972 dollars)

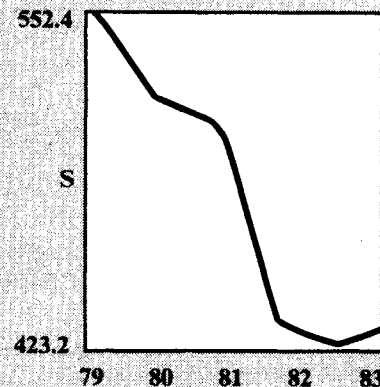


Figure 4

Net surplus annual change (in percent)

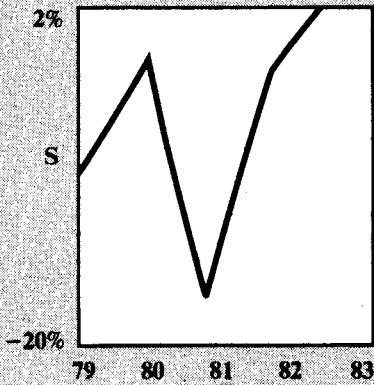


Figure 5

Circulating capital (raw materials) consumption (in billions of 1972 dollars)

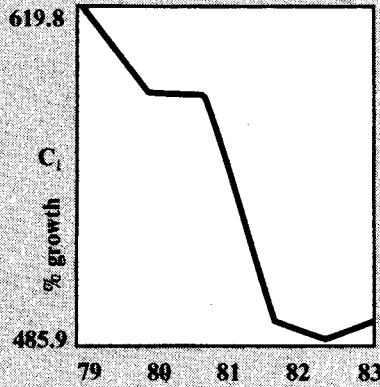
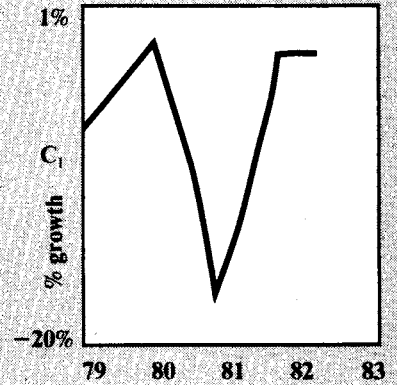


Figure 6

Circulating capital percentage annual change (in percent)



more than 8 percent productivity growth per annum); and

4) Adverse shifts in employment favoring white-collar and service employment over goods-producing employment in manufacturing, construction, agriculture, transportation, and mining.

The assumptions of this forecast are:

1) That the Federal Reserve will not accommodate the budget deficit through easing monetary policy, but will insist, as Paul Volcker has warned repeatedly in congressional testimony, that more borrowing by the

federal government must be paid for through less credit to the private sector;

2) That the tax and budget policies already voted by Congress will not be altered substantially from their present direction;

3) That there will be little or no productivity growth over the next year.

The total economy

Figure 1 shows the economy's growth rate, or net investible surplus per unit of labor and capital input, in

Figure 7

Depreciation of plant and equipment (in billions of 1972 dollars)

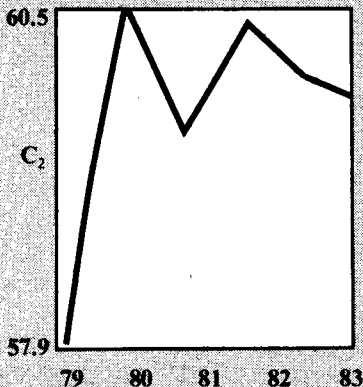


Figure 8

Depreciation cost annual change (in percent)

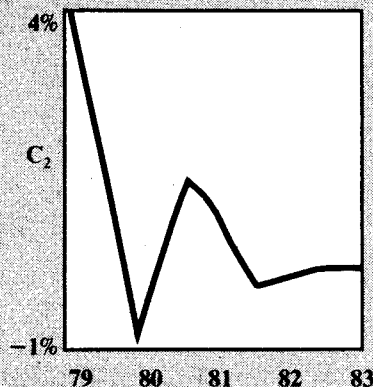


Figure 9

Net capital investment (in billions of 1972 dollars)

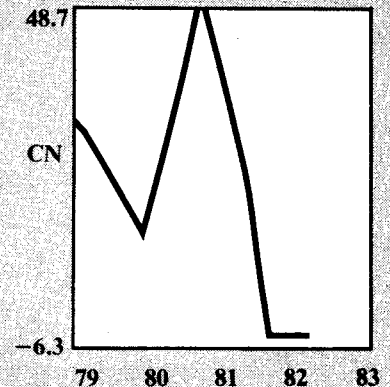


Figure 10

Non-productive expenditures
(in billions of 1972 dollars)

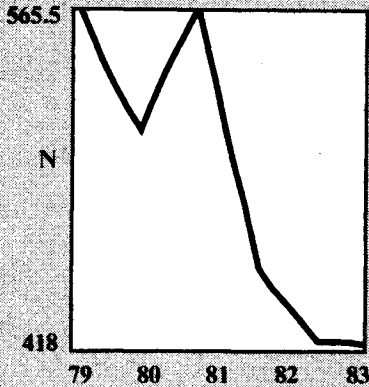


Figure 11

Non-productive expenditures
annual change
(in percent)

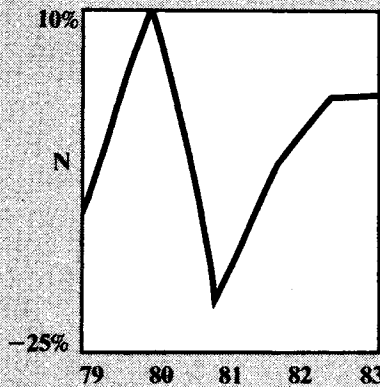
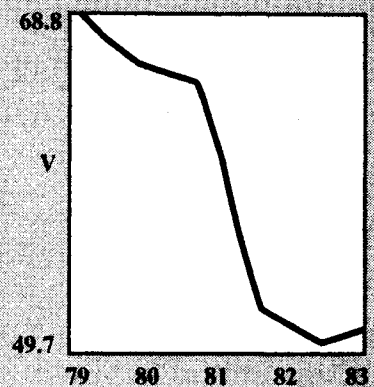


Figure 12

Productive employment
(in billions of 1972 dollars)



average annual values. The rate of growth peaks in the beginning of 1980, at a positive growth rate of about 1 percent, and falls to a negative growth rate (rate of decline) at the end of 1980 of almost 8 percent per annum.

This is followed by essentially no growth during 1982, and negligible growth during 1983.

Figure 2 shows the economy's net investible surplus, or goods available for investment in expanded plant and equipment or expanded labor, falling into the negative during 1980 and through 1981. Under this simulation, the economy was losing employment and investment at an annual rate of \$56 billion constant

1972 dollars before an upward tick toward the previous low level.

In viewing the sharp up-and-down movement of the graph, it must be remembered that investible surplus is a rate, and that the return of the measure to the zero line during 1983 means only that the economy has ceased to lose output—not that a recovery has taken place.

Figure 3 shows the economy's net surplus over the relevant period. Following the 1979 recession, surplus production stabilized, falling during 1981 and 1982 to a level approximately 20 percent lower, prior to stabilization during 1982 and very slight growth (of about 2

Figure 13

Total factor productivity
(dollars/dollars)

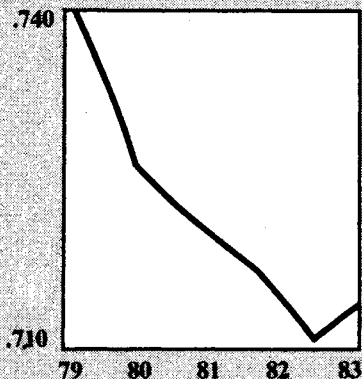


Figure 14

Total factor productivity:
percentage annual change

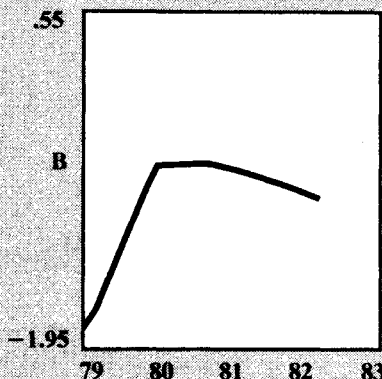
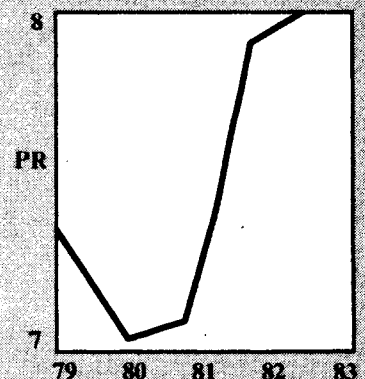


Figure 15

Labor productivity
(surplus per unit
of labor input)
(dollars/dollars)



percent) during 1983.

Figure 4 shows the same data in percentage terms; during 1980, the reduction of surplus bottoms at negative 17 percent per annum.

Figure 5 shows the expected volume of raw materials utilization in goods-producing industries. Because raw materials usage is dependent on overall activity, the shape of the curve is almost identical to that of overall surplus output.

Figure 6 shows the same data in percentage-change terms, with raw-materials consumption falling to a negative 17 percent rate of change during 1982.

Figure 7 shows the depreciation cost of U.S. plant and equipment. Because of the fall in capital investment past 1979, the cost of replacing old or worn-out plant and equipment does not change substantially from the 1980 level.

Figure 8 shows that depreciation cost varies within a small spectrum of percentage changes, i.e., between positive 4 percent (reflecting the last year of significantly increased capital investment, 1979) to negative one percent.

Figure 9 shows net capital investment falling sharply during 1981. Considering that machine-tool orders are now 30 percent less than a year ago, and that capital-goods categories earlier exempt from the worst effects of the economic downturn are showing reduced orders, this conclusion is not surprising. Despite much talk of retooling in auto to produce more fuel-efficient cars, and retooling in aerospace to meet the demands of the military budget, and despite substantial continuing capital investment in the energy field, the currently available data show a definite downward trend, and square with the computer forecast shown in this graph.

In fact, these data vastly understate the actual deterioration of American plant and equipment, which is measured implicitly in the productivity analysis otherwise generated by the model. For purposes of short-term analysis the Commerce Department's measure of depreciation is used, which reflects only a small portion of the actual deterioration of plant and equipment. Competent depreciation is measured not by historical accounting but by current replacement cost, as a first approximation. The depleted American industrial base could not produce the same plant and equipment at the same *relative* cost of twenty years ago; in fact, the present level of capital investment, adjusted for true depreciation costs, has been negative since 1971, as *EIR* demonstrated in a March 1980 analysis. However, this underlying deterioration is reflected in the model's result that the economy has virtually no capacity to recover.

Figure 10 shows the behavior of non-productive expenditures, including the results of the President's budget-reduction programs. The shape of the curve is close to, but steeper than, the shape of the curve for

overall surplus (surplus is equal to non-productive expenditures plus re-investible surplus).

Figure 11, which shows the same data in percentage-change terms, indicates that the rate of decline of non-productive consumption was even steeper than the rate of fall of overall surplus. This result is striking, since the entire growth in employment since the Carter administration came in five years ago has been in this sector. The bloating of white-collar employment rolls represents a form of overhead which the depressed economy can no longer afford; and the implication is that substantial layoffs will occur not merely in basic industry but in white-collar sectors such as finance, banking, insurance, and service sectors such as retail and wholesale trade, restaurants, and entertainment.

Figure 12 shows a steep fall in productive employment, representing a combination of higher unemployment and lower wages. Implied is a pattern of layoffs continuing through 1982, bringing the unemployment rate up to depression levels. Already, the rate of unemployment (counting workers forced from full-time into part-time work) is almost 14 percent; the official employment rate, a poor but widely-cited guide to actual unemployment, may well exceed 12 percent.

Figure 13, or total factor productivity, shows a modest decline from .74 (that is, surplus divided by total capital and labor inputs equals .74) to .71. This small decline is due to the fact that labor may be pared down along with production, but capital costs are relatively fixed, so that the denominator of the equation falls more slowly than the numerator.

Figure 14 shows the same data in percentage terms, i.e. that total factor productivity falls during 1981-1982 at an annual rate of about 1 percent.

Figure 15 shows a paradoxical rise in labor productivity (measured according to the LaRouche-Riemann model's *surplus per unit of labor input* rather than the Commerce Department's output per manhour). Although the average productivity of each sector was programmed to remain constant as a basic assumption of the forecast, nonetheless the total economy's productivity rises due to the change in mix of the economy. As noted, although all economic sectors are doing relatively poorly, some are doing considerably worse than others, and the faster rate of economic decline accentuates the distinction between so-called "sunrise" and "sunset" sectors.

The higher-productivity sectors of the economy, e.g. aerospace and electronics, still show relative stability compared with industries such as auto and housing, which are functioning at half their peak levels or less. Therefore the productivity of the "sunrise" industries weighs in more heavily in the overall calculation of productivity.

This does not reflect improvement but rather deterioration of the industrial economy of a fundamental kind.

Fundamentals of the U.S. collapse

by Peter Rush

The following summary examines some key sectors of the U.S. economy, as well as the state of the workforce.

Auto

The auto industry is now prepared to cut North American production by approximately half—and keep it at that depressed level. This reflects the effects on consumer demand of Volcker's policy, and the fact that at the top of the industry are key collaborators with the "planned shrinkage" program for U.S. industry.

General Motors, the company most volubly threatening to move overseas, and whose threats, if carried out, would wreck domestic production, claims that it will decide in the next six months. It is clear to us that the decision has already been made: eight major new plants or major renovations of old plants have been cancelled in the last four months, at a loss of \$8 billion worth of construction activity and machine-tool orders.

If GM moves abroad—\$12 billion of its \$40 billion capital investment plan has already been invested overseas—the auto industry will be fixed at approximately half its 17-million unit 1978 North American capacity. Ford and Chrysler have already cut production capacity by half. According to a Chrysler report to federal loan officials, the company has cut production capacity from 2.5 million units in 1978 to 1.2 million this October. Industry intentions are confirmed by the 85 percent drop this year in machine-tool orders by the industry. This near-total cancellation of orders currently means that production in the 1984-85 model year and beyond will be produced by existing tools. This indicates a capacity level of about half of 1978.

GM has not made its runaway decision public, apparently in hope of using the carrot of staying stateside to obtain major wage and working-condition concessions from its remaining workforce.

Since auto is the largest of our heavy industries,

consuming 20-25 percent of American steel, 13 and 17 percent of copper and aluminum respectively, and 60 percent of synthetic rubber, the effect of a permanent shutdown of half the auto industry on other industries is obvious. And there will be permanent unemployment of approximately half a million auto workers and 600,000 to 700,000 auto-parts workers, a process well under way.

Housing

Construction unemployment nationwide is above 1 million workers, or 20 percent. The new home-mortgage rate was above 15 percent for the entire year. And new home starts in 1981 were down 45 percent from 1977-78 levels—the years before Volcker took office.

In 1977 and 1978, the number of new home starts averaged 2 million per year. Once Volcker took office, the level began falling. By 1980, the level was down to 1,292,000. This year the housing industry will be lucky to average 1,100,000 new home starts for the year; for the month of November, the total was 877,000. Never before in post-World War II history has the rate of new home construction been so low for so long. This has slashed steel and lumber production.

Not only is the new home market contracting, but the quality of wood, plaster, and so forth that goes into construction—as a result of Volcker-induced cost-cutting—is falling. Even the size of housing is falling: in 1978, the average dimension of a new home was 1,527 square feet. By 1980, it was down to 1,464 square feet. And according to one of the leading home "experts" in the country, Anthony Downs of the Brookings Institution, "one end of the home-apartment market is going to become much more frugal. At that extreme the average size of living quarters will be 450 square feet, one quarter the current size."

In 1970, 85 percent of all homes sold for less than \$35,000. Today, only 5 percent of all homes sell for less than \$35,000. On the traditional premise that home costs should not consume over 25 percent of a family's household income, more than 60 percent of American families cannot afford homes. The American housing dream is destroyed. Fifteen percent of all new homes bought in 1981 were trailers.

And, as noted above, construction suppliers in the lumber, glass, and other areas are being wiped out, along with hundreds of savings and loan banks that used to supply credit for homebuilding. If recovery were suddenly financially possible in the 1980s, it would be physically constrained.

Steel

The U.S. steel industry will end 1981 with a nominally better sales record than 1980—but only because in 1980, cash-strapped steel consumers dipped into their inventories of the metal early in the year rather than

buy more steel on 20 percent credit.

Tons of steel shipped in 1980 plummeted from 100 million tons to 83.5 million tons. With the 7 million tons drawn down from consumers' inventories, total consumption of domestically produced steel was just over 90 million tons.

The major producers blame import competition; but, led by U.S. Steel, they themselves, and the banks that control them, were initiators in the 1970s of the de-industrialization policy, diversifying enthusiastically into real-estate, chemicals, and the energy sector.

Estimates for 1981, held as late as September, forecast a 92-million-ton shipment year. But the fourth quarter turned into a rout, and the steel industry is now estimating that 1981 was a 87-to 88-million-ton shipment year; the Commerce Department says 89 to 90 million tons. In either case, total *consumption* of domestic steel will be lower than 1980. The much-trumpeted 1981 steel recovery never, in fact, happened, because of the phasing out of U.S. heavy industry.

The steel industry's own investment policies, meanwhile, guarantee that even if there were an upturn in demand, the industry will not have the capacity to meet that demand. The American Iron and Steel Institute estimates that the industry must spend about \$7 billion (1978 dollars) a year just to replace and modernize essential operating capacity. Because of the greater efficiency of the modern equipment, this replacement automatically adds about 1 million tons a year to capacity. In 1979, however, the steel industry spent only \$3.3 billion—less than half the replacement level—on new plant and equipment. In 1980, the industry again spent \$3.3 billion, a real decline of 8 to 10 percent. And in 1981, it spent \$3.9 billion, compared with an inflation-corrected \$8.9 billion required *just to replace depreciated capacity*.

The reason is not far to seek: All of the steel industry's major customers are operating at severely depressed levels themselves. Motor vehicles production consumed 21.7 percent of steel output in 1978, but only an estimated 15.3 percent this year. The depressed auto industry alone cut its purchases of steel by 8 million tons. Although housing doesn't consume a lot of steel directly, home appliances do, and their production and sales are down and falling. Commercial construction was one bright spot for steel sales in 1981, especially office buildings. But that market is about to plummet, too.

Capacity utilization had dropped to 64.3 percent by Nov. 7. While these utilization rates may rise again, it will be only because there is less and less total capacity available! In 1977, raw steel capacity (which is about one third higher than finished steel output) was 176 million tons. This year, total capacity was 163 million tons and headed downward.

At 450,000 production workers several years ago,

steel employment now stands at 325,000 to 350,000.

Machine tools

The disappearance of capital expansion is wiping out the machine-tool industry, the most important component in all new growth of industrial capacity.

Machine-tool orders declined 50 percent between the end of 1980, and September 1981.

At the same time, the increased age and obsolescence of the machine tools in use is scandalous. In 1963, 36.0 percent of all machine tools in use in U.S. factories were under 10 years of age. In that year, 43.3 percent of all machine tools were between 10 and 20 years of age, and 20.7 percent were over 20 years of age. But by 1976-78, 30.5 percent were less than 10 years old; 35.2 percent were between 10 and 20 years old, and 34.2 percent were over 20 years old. Thus the number of machine tools over 20 years old increased by almost 75 percent.

The "boom" in machine tool orders that occurred in 1980, where orders reached above \$400 million per month, failed to redress this situation. Instead, as the National Association of Machine Tool Builders confessed, between 40 and 50 percent of their orders went to two industries: providing new tooling for fuel efficiency, and meeting environmental standards in the auto and airline industry. The plague of Naderism was the most important reason for the increase in orders.

Volcker's credit policy plus the deregulation of the airlines slaughtered those two industries, forcing a sharp cutback in their demand for machine tools; and they are unlikely ever to restore these orders. Machine-tool orders fell from \$450 million during the last few months of 1980 to \$188 million in September 1981. Orders are now only half the shipment level; as the backlog is worked off, domestic demand is finished.

This represents the most acute decline in orders since the 1930s. But even worse, the United States did not expand fundamental capacity for machine-tool production during the supposed boom, so that instead of enlarged capacity, the U.S., at the peak in 1980, was importing 27 percent of its machine tools from abroad. Though imports are now declining, the United States does not have the benefit of the added capacity.

For 1982 and 1983, the prospects of new plant and equipment spending are bleak. Over the last 12 months, a significant number of shops have closed, a lost capacity that America is not likely to recover.

Computers and semiconductors

It is ironic that the sunrise industries, long believed to be depression-proof, are finding their growth trimmed for much the same reasons as basic industry is now plunging into depression. First, the purchase of computer hardware, especially large mainframe computers, is being crimped by cost-cutting decisions as managements face high interest rates and cash-flow

problems. Second, the failure of computer manufacturers (most notably the industry giant, IBM) to invest in both hardware and software (programming) R&D has led to a mushrooming of software costs for endless modifications and interfaces of inadequate systems. These software costs and bottlenecks are making corporations think twice about new hardware purchases.

A deeper problem has been the failure to apply microprocessor technology to industrial production, limiting its application to office and service sector automation, in a way that would revolutionize production processes and productivity throughout the economy. The hard statistics for the U.S. industry show a decided downturn in its rate of growth: Between 1978 and 1980, the value of hardware shipments increased dramatically from \$16.4 million to \$26.0 million, a 30 percent annual growth rate. In 1981, the yearly increase was 12.7 percent. (As the price of computer hardware is still coming down, the volume increases are greater than the dollar-value increases.) With the reduced rate of growth of computer hardware sales, the market for semiconductors is naturally also slowing. Employment shows a similar trend, with annual increases in employment of 14 percent in 1977 through 1980, slowing to 8 percent this year and only a 1 percent growth for production employees.

Microcomputers and all consumer electronics continued to do well in 1981. This market is now expected to stagnate as discretionary income peters out, and with it, all nonessential spending.

A major factor in the sector's emerging problems has been federal budget austerity. The federal government, led by the Department of Defense, is the largest consumer of new computers in the economy, and is now trimming its hardware purchases. More important, without Japanese-style government support for major R&D programs, such as the large-scale application of computers to outmoded production processes, the sunrise industries will follow basic industry into the sunset.

Agriculture

That the nation's farm sector is in its worst crisis since 1934 is shown by current data for the industry and the testimony of farm producers themselves. Production costs have soared by an average of 15 percent this year, while farm prices headed downward. Returns to farm operators have collapsed by about 50 percent. And now budget cuts in the federal farm programs threaten to remove the one thing that has offset the steady erosion of farm income since the 1950s.

Producers emphasize that unless there is a sharp change in the administration farm policy by the beginning of the year, many farmers—and not just marginal ones—will not be able to finance another spring planting.

The U.S. Department of Agriculture has continually revised its projections of net farm income for 1981, down from \$30 billion at the beginning of the year to an \$18 to \$20 billion range presently. That would make 1981 the second disastrous year in a row. And 1980 net income was already off 39 percent from 1979. In terms of deflated spendable income per farm (or cash receipts minus production expenses) this has been the worst year since 1934.

The price and income collapse threatens to explode a financial time bomb of soaring indebtedness that was built into the farm economy over the past 30 years, as producers were forced to operate at below the cost of production. According to the USDA, since 1950 outstanding farm debt has increased more than thirteen-fold, from \$12 billion to \$180 billion in 1981, with most of the increase in the past 10 years. The debt bubble rests precariously on inflated land values which, as long as they continued to pace inflation, provided producers with collateral for new loans.

This year farmers had to rely on borrowed money for 23 percent of their *operating* capital—compared to 5 percent just 10 years ago! As a result, today interest has become the largest single fixed cost for producers and will eat up more than \$20 billion in 1981—their entire projected net income. Cattlemen now get \$70 per hundredweight for a calf, and \$37.50 comes off the top to cover interest charges.

The only thing which has prevented a blowout until now is the patchwork of federal farm programs, including the Farmers Home Administration (FmHA) loan programs which, in the past five years, have provided 20 percent of non-real estate credit to farmers. Now the budget axe has chopped away this protection, and FmHA foreclosures are multiplying.

Last year, farm equipment sales plunged 15 percent, and they won't do better this year. The result: International Harvester, one of the largest equipment manufacturers, is on the verge of bankruptcy, and the other manufacturers have slashed production.

Over the longer term, capital investment has been seriously throttled in agriculture. Even with the highest official depreciation rates in the economy, agriculture can only afford about one third of the annual investment level in new equipment and machinery it requires. Especially in the last 10 years, producers have been unable to afford investment in enhancement and maintenance of soil fertility, including water management, contouring, and crop rotation. The lack of real profitability in agriculture has forced producers to cost-cut these crucial investments. The results are documented problems of soil erosion and soil deterioration in our agricultural heartland.

The land-price bubble, and now the usurious interest rates on borrowed capital, have also made it increasing-

ly impossible for young farmers to get started. The median age of America's farmers today is over 50.

It was precisely this type of crisis in agriculture during the 1920s that precipitated the 1930s Great Depression. Initially producers will scramble to produce more, to try to make up for falling prices. But as bankruptcy claims more and more operators, the food glut will turn into a shortage. In the process, *one out of every five jobs* in the rest of the economy, now supported by agriculture, will disappear.

Labor force

Were the U.S. to turn to reviving the economy, the required skills would be lacking in many sectors. And most importantly, the next generation of the labor force is not being equipped to take this generation's place—a devolution that has accelerated fearfully during Volcker's term in office.

The deterioration in skill level is the most pronounced. According to Department of Labor (DOL) statistics, the U.S. economy needs machinists to fill 22,000 new jobs each year. But each year only 2,300 machinists complete apprenticeship programs. Again, according to the DOL, the economy has job openings for 8,700 tool and die makers each year through the foreseeable future. Only 2,400 tool and die makers complete registered apprenticeships each year. The average journeyman-level craftsman is now 55 years old. If action is not taken soon, within four to five years, the U.S. will face a far more acute skilled labor shortage than it faced at the end of the 1930s.

At the same time, the standard of living of the labor force is falling, which lowers productivity. Since 1979, according to the DOL, the after-tax, inflation-adjusted weekly income of the average American non-agricultural worker with three dependents has fallen by 11 percent—a far sharper drop than the 1973-74 recession or any years since the Great Depression.

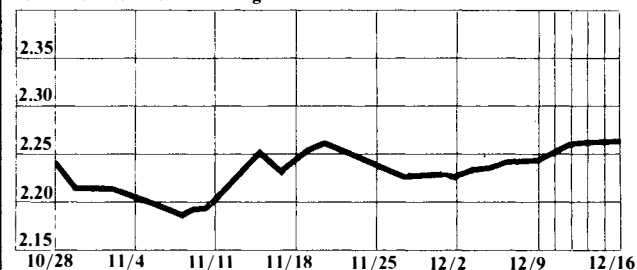
One month after Volcker took office in September 1979, nationwide unemployment was 5.99 million. Two years later it was 7.97 million, an increase of 2 million. Two *months* after that, in November 1981, nationwide unemployment was 9.00 million, an increase of another million workers. Since Volcker took office unemployment has increased by 50 percent. The only previous period of such a rapid increase was the 1930s, when the unemployment figure reached 12 million. By early 1982, official unemployment is likely to hit 10 million and above.

If workers too discouraged to work (1.17 million workers) and workers who have been forced by partial plant closings into part-time work are counted as unemployed (5 million), then the total number of unemployed is now 15.17 million, the highest it has ever been in the United States.

Currency Rates

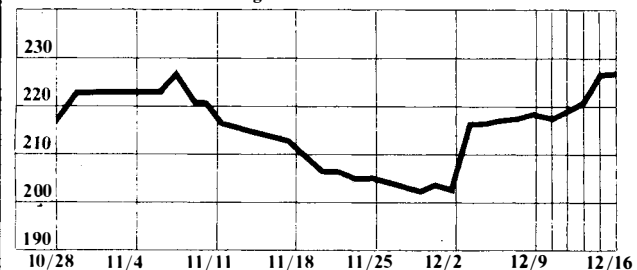
The dollar in deutschemarks

New York late afternoon fixing



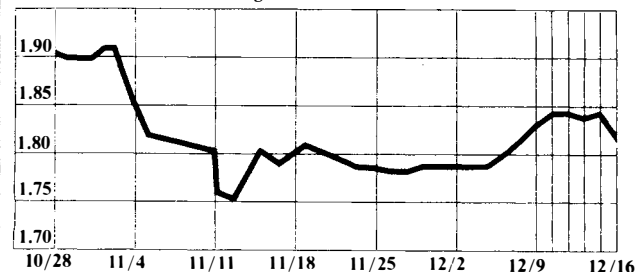
The dollar in yen

New York late afternoon fixing



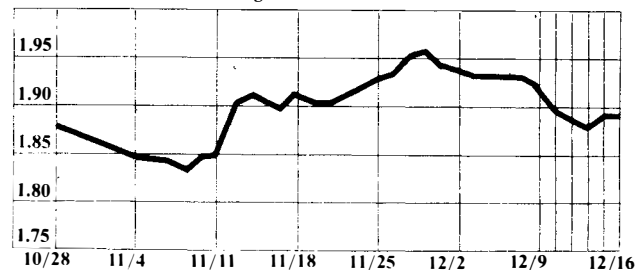
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Three strategies for Poland's debt

by Renée Sigerson

The degree to which the current financial crisis over Poland's unpaid debt to Western bankers has become a strategic-political problem, as opposed to a strictly "financial" one, was highlighted—perhaps humorously—by an editorial in the Dec. 16 *Wall Street Journal*. This bastion of free-market Wall Street policy, which has been demanding editorially that the Reagan administration not give a dime in aid to the military government in Poland because that would only help to bail the Soviets out, goes so far on this particular occasion to state:

The East-West conflict will become, more plainly than ever before, not a struggle between capitalist and communist, but one between a semi-Asiatic despotism and a tradition of human liberty drawing on the more humane elements of both John Locke and Karl Marx.

Read these words carefully. It is indeed the case that the *Journal*, as well as many other mouthpieces of Anglo-American finance, is so committed to using the crisis around Poland to strategic advantage, in the way we describe below, that they are even ready to praise Karl Marx to justify their intentions.

The *Journal* is voicing the position of the Chase Manhattan-led New York banking community on this matter. This hard-core confrontationist grouping thinks that any form of Western assistance to Poland, including giving it membership in the Anglo-American controlled International Monetary Fund, as the Poles have requested, will only serve to strengthen the Soviet "empire" in Eastern Europe. Allowing Poland to economically crumble, even at the risk of losing payments on \$16 billion in outstanding Western commercial-bank loans to the country, is preferred by this group because such a policy would allegedly saddle the Soviets with Poland's economic problems, to the end of weakening the Soviet Union itself.

This viewpoint is one of three prevalent in the international banking community, and although it is particularly voiced by New York banks, it actually exerts the

least influence on the direction of events.

U.S. banks have only one-fourth the financial commitment to Poland which West Germany has, the latter's being over \$4 billion. To the extent that U.S. institutions are taking such a "tough" line, they are simply muddying the diplomatic waters, by giving Moscow the impression that President Reagan is under intense pressure from business circles to turn Poland into a matter of strategic showdown.

In contrast, continental European banks have taken a very conciliatory stand on Poland's suspension of payments on its debt. On Dec. 16, Switzerland's *Neue Zürcher Zeitung* summed up this posture in a column asserting that Western bankers were "relatively calm" about Poland's apparent inability to meet its \$500 million interest-rate obligations for 1981 before 1982. Behind this conciliatory attitude, however, are two irreconcilable viewpoints on what the ultimate outcome of the Polish crisis should be.

One is the British-Swiss approach, as described to *EIR* by a European economist currently based in Washington. This approach assumes that if Poland's Western creditors show "understanding" for the country now at its most troubled time, and keep postponing the due date on Poland's 1981 rescheduling until a semblance of political stability has been re-established, that this will mean that six months or so down the line, the Soviets will be more willing to open Poland's doors to Western economic advisory assistance.

Half a year from now, this source emphasized, Poland should be hit with price rises ranging from 30 to 400 percent, as the first step in reorganizing its economy. The popular Solidarity movement, the source underlined, opposed a price rise on this scale, and thus, the current crackdown contains some advantages for the West; a military government may be willing to do what Solidarity opposed. Moreover, the price rises would only be the first step in transforming Poland dramatically over the next five years into some sort of replica of the Hungarian economy. Hungary is the only East bloc country which has a full-scale "free-enterprise" system, including full convertibility of its currency.

The third influential banking circle involved in the Polish events is primarily based in West Germany, although privately, many American and other European bankers agree with its outlook. Most German bankers view Poland, simply put, as an important trading partner whose economic ties with the West have served to build East-West trade, and thereby ease international tensions. As noted, Poland's largest single chunk of debt is owed to this group. Chancellor Helmut Schmidt, who has fostered this outlook, has helped to give the negotiations between German banks and East bloc officials on financial problems a professional diplomatic quality, which is helping somewhat to ease tensions.

World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$1.8 bn.	Singapore from U.S.A./ Europe	Singapore Airlines signed contracts for 8 Boeing 747s and 6 Airbus A300s. It has options on 2 more 747s and 2 Airbus A310s.	Biggest private plane order in 1981, and one of biggest ever from Third World.
\$227 mn.	Mexico from Japan/W. Germany	Sicartsa steel plant ordered continuous casting equipment from consortium of Hitachi, Mitsui & Co., and Mannesmann Demag. Sicartsa \$2.3 bn. expansion will boost Mexico's capacity from present 1.3 mn. tpy to 3.3 mn. tpy. Sicartsa plant, at Las Truchas, is state-owned.	Davy (U.K.) won \$607 mn. steel plate mill contract in Nov.
\$311 mn.	U.S.S.R. from France	Mitterrand govt. approved Thomson-Brandt contract to supply computer and information systems to control West Siberia-Europe gas pipeline. French forced company to reduce technological level of computer to bring it within guidelines on Western exports.	U.S. entirely opposed sale, losing market for U.S. suppliers.
\$260 mn.	France from U.S.S.R.	Contract for Creusot-Loire to supply gas refrigeration stations for West Siberia-Europe gas pipeline signed during Dec. 15 Moscow visit of French For. Min. Jobert.	Could not reach agreement on gas prices.
\$40 mn.	Nigeria from France	Technip will design and build \$40 mn. brewery in Ondo state to produce 400,000 liters/yr. beer and 100,000 liters/yr. soft drinks for Pan African Breweries. Turnkey basis.	Technip's third Nigerian brewery contract in 1981.
	Iraq/Greece	Bilateral trade deal means more oil to Greece and more contracts to Greek engineering and construction companies in Iraq. Iraq will also invest in Greek industry.	
\$800 mn.	Iraq from South Korea	Hyundai Construction signed contracts for building two 2,800-unit housing projects in Samarra and Falluva.	The big change is an underground garage.
\$125 mn.	Saudi Arabia from South Korea	Nam Kwang Construction will rebuild Riyadh Justice Palace district by tearing down existing government buildings and building new ones of same size.	
UPDATE			
\$500 mn.	Brazil from Japan	Japanese MITI belatedly approved \$500 mn. financing towards \$5.4 bn. cost of developing world's largest and richest iron ore pit, Carajas. The Brazilians asked for all \$500 mn. to come under Eximbank's soft, long terms. Instead half the money will be raised by a consortium of the Japanese steel and trading companies which will soon sign for 10 mn. tpy of Carajas' initial 15 mn. tpy output from Eximbank and Japanese private banks. Most of the remainder will have to be raised by Brazil at commercial terms on the yen bond market. Furthermore, MITI reportedly conditioned Japanese participation on the project to approval by the World Bank in January and to \$600 mn. loan from EC. Brazil is financing much of the project internally, and has already advanced railroad toward Amazon site of mine which will yield 35 mn. tpy starting 1987.	Hard to explain why Japanese conditioning project on World Bank and EC approval, since latter are trying to triage world steel output and will indubitably put own limited growth conditions on Brazilian metals development.
	India/U.S.S.R.	Soviets have offered India capital goods and textile machinery to expand Indian textile industry in return for contracts of up to 20 yrs. guaranteeing textile supply to Soviet Union. Indian govt. is seriously studying offer.	Soviets have labor shortage.

Caterpillar gets an export license

Did the United States get an East-West trade policy in the bargain?

In a surprise move viewed by some as an effort to get out of the box of East-West confrontation advocated by important forces in and out of the government, President Reagan has made a final decision to grant an export license to the Caterpillar tractor company to sell pipelayers to the Soviet Union.

The sudden action pulled the rug out from under three administration witnesses scheduled to testify the next morning, Dec. 10, on "Soviet Energy and Western Technology" at hearings called by the House Science and Technology Committee's subcommittee on Oversight and Investigations. Commerce, State, and Defense Department witnesses were expected to argue the administration's case against U.S. support for Soviet energy development. But, as one observer put it, after the President's action, "they had no testimony left."

At this time there is every indication, however, that rather than fall into line with the drift of the President's decision, the advocates of a "new, tough stance" on East-West trade are digging in for a fight. They include Deputy Commerce Secretary for International Trade Lawrence Brady, DOD's Richard Perle, and Perle's assistant Stephen Bryen, earlier removed from a key staff position with the Senate Foreign Relations committee when his activities as an Israeli agent were exposed.

The Commerce Department re-

portedly spurned White House orders to issue a press release on the Caterpillar license. Commerce's Brady, it will be recalled, distinguished himself under the Carter administration by charging that the Soviet invasion of Afghanistan was "made in the U.S.A."—a reference to the Kama River factory built by the United States and Italy in the early 1970s that allegedly produced the tanks that rolled south two years ago.

The Public Affairs office at Commerce informs callers that the pipelayers will not be used for the Yamal pipeline, and otherwise directs inquiries to Caterpillar. Other sources point out that the Caterpillar application did not go through the export control bureaucracy, and that the license does not yet have the required signatures and seals.

In short, the Commerce Department, at least, declines to acknowledge the President's decision. These same forces are also banking on a devolution of the Polish crisis to queer the \$15 billion Siberian pipeline project, which they see as a watershed in East-West relations and the real issue in the Caterpillar affair.

The gigantic pipeline project between the Soviet Union and Western Europe, the largest single project in history, had been the subject of last-ditch efforts to woo the European allies away from the deal at the Ottawa summit in July. A sober analysis of the failure of that

attempt provides the starting point for consideration of a proper approach to East-West trade. Take the nuclear portion of that package, for example. As technology consultant Arnold Kramish pointed out in testimony before Senator Jake Garn's Banking Committee on Nov. 12, proposed cooperation in nuclear reprocessing could hardly be tempting to Western European nations, notably Britain and France, who are far ahead of the United States in the field of reprocessing technology! Moreover, as Kramish also points out, the United States has managed to establish a convincing record of technical, political, and economic unreliability in matters of joint energy development and supply: witness the follies of the "nonproliferation" campaign, or the fiasco of the solvent refined coal project undertaken with West Germany and Japan and then sabotaged by Washington to the point of finally being dumped altogether six months or so ago.

Technological control is no substitute for technological leadership, Kramish tried to tell the obsessive Senator Garn and his committee to little avail. "The only certain way to keep ahead in political, military, and economic terms," stated Kramish, "is to preserve and encourage this nation's technological momentum."

There is admittedly no evidence that President Reagan's decision to buck the hardliners on the Caterpillar license was informed by any such realization. In fact, rumor is that the decision was a simple quid pro quo for needed backing on the budget from Senator Percy (R-Ill.) and House Minority leader Robert Michel (R-Ill.).

Who's destroying American banking?

Part II: a profile of Louis Thompson, Senior Vice-President, National Association of Home Builders.

Most of our members, if they got their hands on Fed Chairman Paul Volcker, are ready to hang, draw, and quarter him. But after extensive meetings with Volcker, I believe that he is doing the best he can. He has no choice but to maintain a tight rein on the creation of money supply. It's the President and the Congress who are at fault, running up the budget deficit. Volcker can't help it."

To read the literature and press ads of the National Association of Home Builders (NAHB), it looks like the 46,000 corporate members of the nation's largest home construction lobby are up in arms against Federal Reserve high interest rates. Fed Chairman Paul Volcker has halved the rate of new home construction in the United States, which has fallen from over 2.1 million units per year in 1979 to close to 1.2 million this year, by doubling the average mortgage interest rate homebuyers must pay.

But to listen to NAHB Senior Vice-President Louis Thompson, quoted at length above, is to hear the real story. The fact is that the NAHB leadership, like so many supposedly anti-Volcker trade organizations, has made a dirty deal with the Fed to support Volcker.

This column continues my series on business leaders who have made a deal with, or been brainwashed by, the zero-growth ideas of the Club of Rome and its U.S. spinoffs.

As Mr. Thompson explained to a journalist this week, he is operating not as a lobbyist for home construction but as a member of the U.S. defense intelligence community, to use the NAHB as a battering ram to force cuts in the U.S. defense budget.

Thompson is a former assistant public relations chief to 1970s Defense Secretaries Melvin Laird, James Schlesinger, and Elliot Richardson—all of whom support the Club of Rome policy of spending less on U.S. defense in the name of zero economic growth.

"I've been talking with like-minded current DOD people," he said, "and we believe that the United States is spending far too much on nuclear technology. We should cut spending, and concentrate funds on conventional forces."

Mr. Thompson explained the process through which he and Fed Chairman Volcker actually brainwashed current NAHB President Herman Smith, a well-intentioned small-town banker and home builder from Fort Worth, Texas.

"Most of our members think that Volcker is the real villain, and at one time Herman Smith was no exception," said Thompson. "The NAHB believed that Volcker's tight money was the cause of high interest rates.

"But then Smith and I held a series of meetings with Volcker himself, and Paul made a very

strong pitch. 'I think it's terrible rates are high for housing,' Volcker said, 'but the Fed can't do a thing when the government comes in and borrows all the money to pay the deficit. All I can do is keep a tight rein on money and try to jawbone Congress to cut spending.'"

"Volcker especially said there is no reason for the government to spend so much on defense, and I agreed. Finally, that convinced Smith that Fed policy was not the problem," Thompson continued confidently.

"After that, the NAHB Board of Directors led by Smith passed a resolution in May supporting budget cuts, and demanding a balanced budget by 1984. We resolved that homebuilders should take their fair share of deep cuts in our programs, cuts which will really hurt American homebuilding."

In fact, a careful reading of NAHB literature shows that budget cuts, not any easing of monetary policy, is the actual policy demanded.

Thompson is leading a move among "like-minded" zero growth advocates in other industry groups to set up a "Coalition for Defense Cuts," he stated, into which the NAHB, in their frustration with high interest rates, will be driven. "We hope to work with everyone, Democrats, Republicans, Wall Street bankers concerned about the deficit like Henry Kaufman [of Salomon Brothers], and construction unionists like [Building Trades Chairman] Robert Georgine and Henry Schechter of the AFL-CIO," said Thompson.

Participation in such a coalition would mean complete takeover of the National Association of Home Builders by the Club of Rome.

Business Briefs

Trade Policy

Administration to restrict imports?

U.S. Trade Office Assistant Representative Steven Saunders told *EIR* Dec. 17 that the administration is considering legislation that would enable the executive branch to restrict certain imports from countries that are deemed to be denying U.S. firms full equal access to their markets.

"For example, Japan does not give equal access to our tobacco, paper products, telecommunication products, etc.," Saunders stated, "and under current law we would need a new act of Congress to deal with each situation." Saunders stressed that the situation is under review, and no decision has yet been made on the shape of legislation or even if it will in fact be introduced.

One of the motivations is that the recent U.S. delegation that visited Japan Dec. 8-10 concluded that Japan did not comprehend "the seriousness" of the situation, in Saunders's words, and some officials want to take stronger action.

Domestic Credit

Interest rate decline at an end?

The steady rise in credit demand shown by the Federal Reserve's figures for November, a rise which occurred despite a 2.1 percent drop in industrial production, indicates that credit demand stemming from corporate illiquidity and involuntary inventory buildup has been sufficient to keep interest rates much higher than during any comparable recession period—signaling that something fundamentally different is at work.

Despite a rapidly-falling economy, credit demand generated by dropping profits and still-high debt service requirements, as well as the all-time record government deficit, may produce a further rise in interest rates starting at the begin-

ning of the year, turning the economic downturn into a general crisis.

Savings bank and homebuilding officials are already talking of renewed political agitation against high interest rates, motivated by an apparent renewed strengthening of interest rates.

U.S. treasury two-year notes sold at an average return of 13.06 percent at a Dec. 16 auction, the highest since an average 15.56 percent on Oct. 21, and up 84 basis points from the previous week's auction. The interest-rate increase coincided with a steady slide in the market price of long-term bonds, which have lost an aggregate 7 percent since Nov. 25.

Some short-term interest rates turned slightly upward during the week of Dec. 13, largely in response to the Federal Reserve's report of a \$4 billion rise in the narrowly-defined money supply the previous Friday.

Central Banking

New moves for credit controls

The ongoing collapse of the U.S. economy, which could have incalculable effects on the weak U.S. banking system, is leading to calls for the imposition of credit controls in the United States.

Anthony Harris, financial editor of the London *Financial Times*, made the call publicly Dec. 17 in an op-ed entitled "The Crisis Behind the Figures." He writes that the U.S. Federal Reserve has no control over credit creation in America, and that corporations are borrowing too much. This could lead to "a large wave of (industrial) bankruptcies and so cause bank failures," Harris warns.

The only way to stave off such a crisis, he writes, is "credit controls—especially a restriction of bank lending." That would mean a re-imposition of Fed Chairman Volcker's 1980 controls, which drastically cut consumer and corporate credit, and plunged the U.S. economy into a 10 percent production drop.

Federal Reserve officials reached for comment denied any plans at the Fed for

re-imposition of controls, but Washington sources say the Fed is in fact seriously considering a new round.

"Volcker believes that the 1980 credit controls had a good effect in bringing down interest rates and cooling off the economy, and we've talked to him about re-imposing them recently," one Washington lobbyist told *EIR*. "Volcker was, and could be, in favor of it. But he got jumped on in 1980 by Congress for what controls did to consumers, so he's biding his time now."

Deregulation

New Comptroller calls for free-for-all

C. Todd Conover, the Reagan administration's nominee for Comptroller of the Currency, endorsed a full British-style program of banking deregulation in his Senate confirmation hearings Dec. 16.

Mr. Conover is currently a partner in the San Francisco management consulting firm of Edgar, Dunn and Conover, Inc., whose clients reportedly include several major banks and insurance companies. Before joining his current firm, he worked with the cost-benefit specialists McKinsey & Company, the former firm of current Deputy Treasury Secretary R. T. McNamar. At McKinsey, both Conover and McNamar specialized in reorganizing financial institutions.

The Comptroller of the Currency, a position within the U.S. Treasury under Mr. McNamar's direction, has responsibility for all regulation of U.S. banking.

Mr. Conover endorsed the following deregulation measures:

- Full interstate banking—he said "the time has come" to remove all restrictions which currently prevent major banks from moving across state lines and taking over smaller local banks.

- Removal of all usury ceilings.
- Full deregulation of savings and loan institutions, to enable S&Ls to get out of home-mortgage finance altogether, and into commercial banking, real-

estate speculation, and so forth. The distinction between S&Ls and commercial banks should "become blurry over the next few years," he stated in testimony.

- Relaxation of the 1934 Glass-Steagall Act, to allow commercial banks to move into stocks and bonds, and brokers to do commercial banking.

Demographics

Japan government warns: too few people

In a refreshing change from the Malthusian propaganda from the U.S. State Department, the Japanese government's Population Problems Advisory Council warned that Japan faces a population crisis because there are *too few* births. The Council warned that, with the post-1973 oil crisis drop in Japan's birth rate, Japanese couples are averaging only 1.74 children, compared with the population replacement level of 2.1 children.

The Council warns that if this trend is not reversed, the population of Japan will begin to decline after reaching a peak of 130 million in the year 2005. The drop in birth rate plus increased life expectancy poses two problems, the Council warned: 1) a shortage of skilled workers for an expanding economy; and 2) the ratio of active workers to retirees could rise from about 7 now to only 3.5 in the future. It would become impossible for Japan to support its retirees with such a ratio, and pension systems would collapse. (This makes it clear that those people who advocate a drop in the birth rate will necessarily have to demand the killing of old people, as seen already in the United States in natural death acts and reductions in Social Security benefits.)

The Council pointed out that the governments of former President Giscard d'Estaing of France and Chancellor Helmut Schmidt of West Germany, faced with similar problems, had taken steps to provide incentives to increase the birthrate. Giscard, warning that a society that could not replace itself was a "dying

society," provided special allowances for families. Schmidt introduced full-paid maternity leave and guaranteed job reinstatement for working mothers. Japan may consider similar steps.

International Credit

New efforts to split Europe from U.S.

In a meeting of German and Italian bankers in Kronberg-Taunus, West Germany, on Dec 15, Luigi Coccioli of the Turin-Sao Paolo Bank in Italy called for the creation of a joint European capital market as part of an attempt to move Europe toward financial unity. Coccioli stated that, "Europe needs a European monetary union and that can be facilitated by setting up a joint capital market."

Coccioli's comments come amid a new round of calls to turn the European Monetary System (EMS), which was originally created in 1978 as an instrument to support economic development and the U.S. dollar, into a vehicle for joint European currency warfare against the U.S. This was also the subject of the European Community (EC) Finance Ministers' meeting in Brussels on the same day.

There, Jean-Yves Haberer called for moving the EMS into "an institutional phase by March of 1982," which would mean setting up a European Monetary Fund, that would function as a central bank for Europe. Haberer linked this call to efforts that the EC will make to get the OPEC oil exporting nations to price their currency in ecu's, instead of dollars.

Were this done, the dollar would begin to lose its prominence in the Arab world, and Arab nations would end up probably buying \$20 to \$30 billion less per year of U.S. Treasury securities and other instruments with the dollars they would normally receive in exchange for oil sales. This will make the U.S. budget deficit that much more difficult, and be a blow against the value of the dollar in the international exchange markets.

Briefly

- **THE FEDERAL RESERVE** Board has joined with Aetna Warburg Investment Management Ltd. and the AFL-CIO to warn the administration not to interfere with their plans to move "5 to 10 percent" of U.S. pension assets offshore. Testifying at a House Subcommittee hearing, Fed international adviser Edna Ehrlich and T. Jerald Moore, director of Aetna Warburg, argued that shifting from \$50 to \$100 billion of domestic pension assets into foreign securities might eventually benefit domestic investment.

- **RAZONES**, a Mexico City-based magazine which calls itself "the *Economist* of Mexico," has blasted *EIR* founder LaRouche and his Mexican co-thinkers for their charge that high interest rates are at the root of the Alfa group's problems. *Razones* was the first publication to go after Alfa for "mismanagement" this summer. At the same time, it editorially endorsed the Global 2000 population policy.

- **NOMURA RESEARCH** Institute, an affiliate of Japan's largest securities dealer, predicts a 3.9 percent real growth in the Japanese economy despite an assumed upvaluation of the yen and a 3 percent drop in exports to the U.S. Japanese exports to European markets including the Soviet Union are expected to increase 8.4 percent, largely based on Soviet trade.

- **THE CURRENT** U.S. budget crisis may force an official U.S. pullout from the Vienna-based International Institute for Applied Systems Analysis (IIASA). Efforts are under way in the United States to put together a combination of private and public-sector funding sources to make up its \$2.5 million share of the \$10 million IIASA budget. The National Science Foundation will not continue to supply these funds in 1982.

Part Two

Systems analysis is white-collar genocide

by Lyndon H. LaRouche, Jr.

The (macro) systems analyst could be rescued from the intrinsic incompetence afflicting his work only on condition that we define an ordered succession of phase changes in the economy—for example, $a_1, a_2, a_3, \dots, a_n$ —as ordered by what is best named a “transformation-function.” We now explain what this sort of function implies, and then proceed to follow it to more profound considerations.

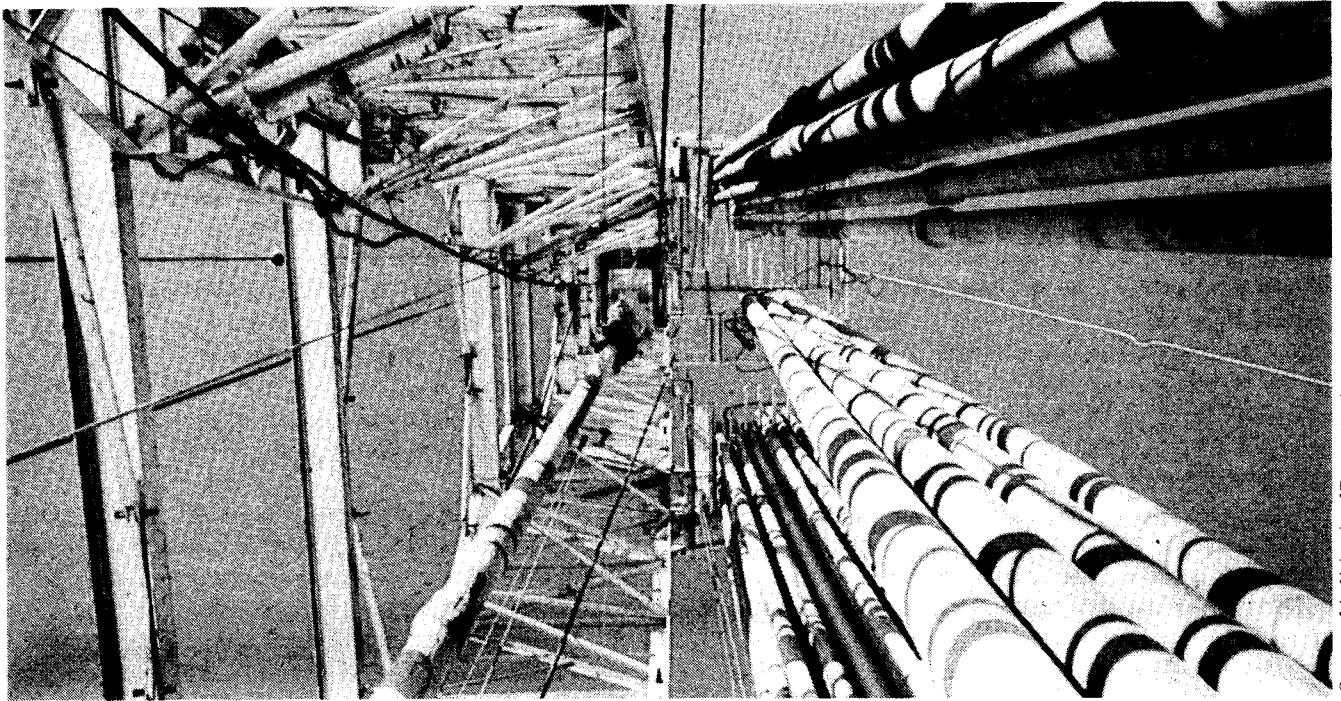
The rigorous definition of “work”

Imagine some form of mathematically-describable physical action upon an economy, such that the following conditions are satisfied. This action, performed on a_1 , transforms the economy from the state approximated by “linear model” a_1 , into a state approximated by “linear model” a_2 . This exact-same action, applied to a_2 , effects state a_3 . The exact-same action, applied to indefinitely defined member of the series a_1 , to a_n , a_i , transforms the economy from state a_i into $a_{(i+1)}$.

If this transformation-function holds for all of the phase changes, a_1 through a_n , we have the non-linear function which determines each phase-change of the ordered series, a_1 through a_n .

This brings us against a new problem. If there is any break in the series, such that some different transformation-function is required to account for the change from state $a_{(n+i)}$ into state $a_{(n+i+1)}$, the series of changes defined by the transformation-function for a_1 through a_n , comes to a halt at that point, and a new series, defined by a different transformation-function, begins.

In the reality of societies’ practices, such changes in transformation-function occur whenever there is a radical shift in that society’s policies of practice. Therefore, what we require is some general theory of all possible transformation-functions. Without such a general theory of transformation-functions, any notion of a “general mathematical economics” is an absurdity.



Courtesy of the University of Texas at Austin

Drilling for oil: The broad introduction of more and more efficient energy resources can mark phase changes in an economy.

By transformation-function, we clearly mean, from the reference-point of linear modeling, a change in the lines and coefficients of line of a matrix. As we have already indicated, a positive such transformation must increase the implied number of lines, and must alter the coefficients in the direction correlated with increased per-capita productivity for the society's production of goods.

What is the common feature of transformations which provides the proper basis for a general theory for evaluating transformations? We are forced back to potential relative population-density. Whether any transformation is positive or not is measured as the increase in the potential relative population-density of the entire society (all of that society's population) effected by that transformation. A transformation-function, therefore, is positive if the series of phase-changes subsumed by it is also a series of successive increases in the potential relative population-density for that society as a whole.

In turn, transformation-functions are to be compared with one another, to the extent that they are really alternative options for society's existing state of development, by the comparison of their values as generators of successive increases in the potential relative population-density of the society as a whole.

From this vantage-point of reference, the only portion of the total activity of a society which represents *net work* accomplished is determined by the work of increasing the potential relative population-density of

In Part One

Part One of this series, published in the Dec. 22 issue of *EIR*, began: "It is an ugly, painful, but completely true fact: Each and every recipient of the Nobel Prize for economics has achieved economic fame for advocating policies which mean global genocide in today's practice." This, writes the author, reflects the ascendancy of systems analysis, as applied to the economies of whole nations or groups of nations for a time-period of a decade or more. Those who consider systems analysis value-neutral deny the fact that its premise of zero technological growth inherently relegates a fixed economy to decline. Linear modeling of macro-economic processes, he stated, axiomatically ignores the essentials of the economic process: **potential relative population density**, namely, the number of persons which can be sustained on an average square-mile of habitable territory by means solely of the productive efforts of that population's own labor-force, and the corresponding **average level of per capita energy throughput**.

These magnitudes, and their rate of growth or decline, are the measure of healthy self-sustained economic development, writes Larouche, which depends upon technologically advancing modes of production. Successive advances in this crucial respect are equivalent to physical **phase changes** of precisely the sort denied in theory by the Malthusian creators of systems analysis, and opposed by them ferociously in practice throughout history.

the society as a whole. The transformation-functions which yield the highest ratios of increase of net work, successively, are the functions of relatively greater *power*.

What of all that other activity in society? Excluding the exertions of pimps, belly-dancers, drug-pushers, and Hugh Hefner of *Playboy* magazine, there is much activity in society which does qualify as useful activity. Why does this useful activity not deserve the honor of being treated as *net work* accomplished? There is a vast amount of molecular activity within that three-legged stool, standing quietly in the corner. We call such work, relative to elementary physics' mechanics, *virtual work*: it has the form of the kind of activity which accomplishes work, but this activity is not expressed in a manner which actually accomplishes work.

A large amount of useful activity is required by society simply to "stand still," relative to changes in the potential relative population-density. The crucial thing is the ratio of the net margin of total activity, which increases the potential relative population-density, to the remainder of that activity, required merely to "stand still." So, *the ratio of net work to total work*, or the *ratio of net work to virtual work*, is the ratio series of leading concern for us.

This ratio-series, of *net work to virtual work*, is plainly congruent in some fashion with a series of ratios of the form $n+m/n$.¹

Since such functions affect the ecological function only as they effect beneficial physical alterations of nature, and of man's per-capita power to effect such alterations, only the production of goods and the physical distribution of such goods have any primary correlation with the notions of *work* and *power*; only production of goods and the physical distribution of such goods are competently treated as *productive*.

Useful administration, and useful forms of services (which pretty much excludes all forms of "social work") affect the organization of the production and physical-distribution processes; and services, beginning with education, medicine, science, affect the productivity of goods-producing labor, the making of policies bearing on advancement of technology, and so forth. These functions affect productivity, but are not in themselves productive. Moreover, the contributions of administration and services to society are fully taken into account if we limit measurement to increases in the goods-producing productivity of the entire society's per-capita average.

To illustrate the point in "practical" terms of reference, we interpolate the following discussion.

In capitalist society (or, in the Soviet Union as well), net work is accomplished through allocation of a produced social surplus of goods to expansion of the scale of production of goods and the physical distribution of

such produced goods: the *net operating profit* of the society's combined industrial and agricultural production.

This "reinvestment" of net operating profits into improved production (and physical distribution) of goods occurs in two interconnected flows.

The first aspect of this flow is the extension of the relatively most-advanced modes of productive technology to replace relatively less-advanced modes of productive technology—including employment of unemployed portions of the total labor force and shifts of employment from wasteful or marginally useful forms of employment in services into high-technology production of goods. The average goods-producing productivity of the entire population of the society is increased in this manner.

The first aspect of the process of improvements would dry out unless new, more-advanced additions were being made to the total spectrum of technologies in use by the society.

To this purpose, it makes no difference whether the economy is capitalist (for example, the American System of political-economy of Hamilton, et al.) or the Soviet industrial model. The "dirigist" application of governmental regulation of flows of credit and taxation, combined with governmental encouragement through undertakings beyond the capacity of any agency but government, channels the creative potentials and other initiatives of the population into preferring technological progress in the mode of production of goods to all other economic objectives, and into effecting the maximum conversion of society's net operating profit into "reinvestment" in capital-intensive advancement of the modes of industrial and agricultural production.

It is idiocy, or even worse, to propose as policy of practice, that the net operating profits of society can be enhanced by lowering real wages of the population, either by directly suppressing wage-rates and social benefits in the form of essential state services such as education, or by reducing the average wage of the entire population through fostering increased unemployment. Brown and Root's essential problem is not merely ideological fanaticism, but downright incompetence in the ABCs of industrial management.

The relative productivity of a nation's labor-force is determined principally by the level of education and popular culture of the population as a whole. The material culture of the household and community determines the productivity and cultural potential of the population, as deterioration of medical services delivered decreases the productivity of the average member of the labor-force through increased illness, disability, and mortality-rates.

Only incompetent managements propose to drive down real wage-rates of the average member of the

population as a means for subsidizing the incompetence of industrial or other employers' management. It is only through concentrating "reinvestment" of net operating profits, credit-resources and tax-benefits of the entire society to promote preferential rates of investment in technologically advanced goods-producing industry that the preconditions for sustaining society's wealth, and hence for permitting future profits, is made possible. Brown and Root's managerial incompetence thus borders on downright subversion of the strength of the entire United States.

"Cheap labor" is less-proficient labor; the costliest kind of production is bungled production. Those who undermine the quality of the nation's labor-force undermine the strength of the nation, and usually produce inferior merchandise besides.

Society as a whole "produces labor." It produces a labor-force of a certain quality (technological aptitude, productivity) by better education, and better material culture of households and communities, all of which is made possible by cheapening the direct social cost of consumer goods and services through society's technological advances in productivity. These costs cannot be reduced without lowering the quality of labor-force produced. If the quality of the labor force is reduced, productivity declines. If productivity declines, the entire economy declines.

The object of sane managements in respect to labor force policy is to reduce the social cost of improved real wages-income: get more and better for one's employees at a reduced percentage of the employee's total income.

Returning from these illustrative remarks to our working-point here: The continued existence of any economy depends upon a *net directedness* of the sum of activities within the societies composing the economy. This net directedness is the technological progress which maintains or increases the potential relative population-density of the population of that economy as a whole. (Although the case of constant value for potential relative population-density is merely a hypothetical case, a useful pedagogical notion, a value not achievable except for brief intervals in actual society.)

Even the case of parasitical forms of society, such as British society, is no exception to this. If one society, such as the degenerate society of ancient Rome or the society of the British monarchy, derives the crucial margin of its growth and prosperity by sucking the juices from people of other societies, by destroying so the parasite's hosts, the parasite also destroys the future basis for its own successful existence as a parasite.

Therefore, each and every activity within a society must be judged, valued, in terms of its "marginal contribution" to those forms of technological progress which increase the potential relative population-density. That is the only unit of measurement (metric) which can

be employed in economic science.

With aid of this metric, all activities within an economy are classified as *productive* or *non-productive*. This distinction between productive and non-productive overlaps a second kind of distinction, between *useful* and *useless* (or worse) activities.

Science, medicine, public-school teaching of science or classics, good administration of governmental agencies and private firms are all *useful* to the point of being indispensable. However, they do not *directly* alter the ecological potential of society: only the direct production of useful goods, and useful physical distribution of such goods, change the physical setting of society *in the manner required to improve the ecological potential*. Useful administration and services *improve the organization of* productive work, as administration exemplifies this, or as education and science exemplify this. The contribution of administration and services is not measured in terms of the output of an economy, but rather in terms of the *rate of improvement in the ratio of* net work to total work performed over successive phase-changes by the population as a whole.

To perform a useful service (or a useful function of administration) is *to cause others*, directly or indirectly, to advance the technology of production of goods. To perform useful work directly is *to cause oneself* to advance the technology of production of goods or of the physical distribution of such goods. *To cause others* to advance the technology of production of goods is *useful*, but not *productive*. *To cause oneself* to improve the technology of production of goods is both *useful and productive*.

What aspect of the activity in these cases constitutes *work*? Is it the sweating, the pushing and shoving? By no means; there is no contribution to advancement of the technology of the production of goods in repeating the same technology of practice year after year. *Exertion, sweat, time expended*, are not measurements of work. *Work is measured by what it produces*. Work must be measured as the advancement of the technology of the society as a whole, for which purpose potential relative population-density is the criterion of an advancement in technology. Work is not of the quality of sameness, but of the quality of difference, of *change*.

This does not mean that repetitive labor in production of useful goods may not contribute to positive change.

The repetitive factory operation may produce a supply of semi-finished or finished goods which is indispensable for a time to those others in the economy who are more visibly, more immediately introducing useful advances in technology. In the aero-space industry, for example, such a relationship exists between the special category of industrial operatives assigned to developmental work and the operatives doing relatively repetitive work on the components-production or main-frame

assembly line.

If one man climbs on the shoulders of two others, to effect escape from a pit into which all have fallen, the two onto whose shoulders the third person climbs are effecting useful change even while they stand still, precisely because they are integral to the process by which change is being effected. However, we evaluate the activity (or, still-standing) of the two in terms of the amount of change being effected by the combination of all three.

These points are clear, and are properly interpreted only if we take the society as a whole (economy as a whole) as our only primary datum.

Most of the technical blunders committed by honest accountants today, in attempting to assess the U.S. economy (for example) as a whole, is their credulous acceptance of the Gross National Product methods and procedures of national income accounting. They accept the monstrous, axiomatic fallacy of the GNP system (or GDP system, in other nations), of assuming that the output of the whole economy is the simple sum of the "value-added" margin contributed independently by each of the component farms and firms of the economy as a whole. They accept the delusion that the whole economy is the sum of its parts, whereas the value of each part of the economy is properly determined by taking the economy in total as the indivisible whole used as the starting point for analysis.

It is the positive change in the potential relative population-density of the whole economy which is primary. *The parts are to be assessed and measured in respect to their marginal contribution to the changes maintaining and increasing the potential relative population-density of the whole.*

It is the quality of difference, of positive change in the technologically determined value of the potential relative population-density of the whole economy, the latter taken as a self-subsisting unity, which provides us the only standard of measurement for defining *work*. *Work* is the work accomplished *to the effect of perpetuating and extending the existence of self-subsisting systems.*

The work is measured by a general function, of the form of $P = F [(n+m)/n]$, which subsumes all cases of transformation-functions, as we have outlined the notion of transformation-function here.

Therefore, if we define work and power in terms of such scalar measures as calories and watts, we have imposed upon economic analysis, by imposing the notions of self-evident quantities of activity as scalars, an axiomatic assumption which from that point onward excludes any competent assessment of the economic process being considered. Work, as measured from the standpoint of the potential relative population-density of the whole economy, taken as a self-subsisting whole, is a magnitude which must appear to be *axiomatically non-linear* from the vantage-point of the ordinary industrial

accountant or systems analyst.

The imposition of such linear assumptions upon economic policy-making is worse than merely total incompetence. By limiting decisions made by government and private firms to decisions which are consistent with advice of economists, a policy of stagnation and decay is superimposed upon the economy itself.

Decisions respecting reinvestment of net operating profit, respecting introductions of improved technologies, respecting the built-in carrot-and-stick of taxation-policy, respecting the standards and borrowing-costs for creation of credit and issuance of that credit among various alternative borrowers, together with the purveying of a consensus respecting what modes of action will probably be "economically successful," determine the production, investment, and purchasing decisions of the individuals in society. This is determined directly, through policies imposed by government, by banks, by insurance firms, by corporate industrial managements, and by trade union organizations. This is determined indirectly as the shaping of the popular consensus guides the development of the policies of practice of most institutions and households in society.

If the policy-making so directly and indirectly governing the society's aggregate policy of practice is governed by linear thinking, the effect of decisions within affected institutions and households of the society will be to impose a linear model in the internal actions of the economic process itself.

Since a linear model is a model causing stagnation and the onset of devolutionary spirals in actual economies, so the prevailing delusions and practices of the university economics departments and professional economists are the principal cause for depressions and other most-unpleasant developments in modern history—especially over the course of the period since 1871-1879, at the point the British system achieved decisive world-domination at the expense of influence of the American System.

This is already half the proof that global systems analysis is intrinsically genocidal, but only half. To the errors we have so far identified, the British system adds a vicious element, to which we turn attention next. After that, we shall resume the examination of *work* and the reasons only a negentropic, or Riemannian, form of the fundamental function meets modern requirements.

The outright fraud of "free trade"

The British monarchy's economy (which includes the economy of the British Commonwealth taken as a whole) is primarily a neo-feudal economy, as Friedrich List and Henry C. Carey, among others, rightly demonstrated during the first half of the 19th century. At bottom, the British doctrine of political-economy is based on the principle of ground-rent income to a

feudalist oligarchy, including such disguised forms of ground-rent income as ground-rent embedded in the capitalization of debt service charges.

Throughout modern history, there has been a raging conflict between the interest of ground-rent and the interest committed to reinvestment of profits of society's industry and agriculture in the form of expanded, more technologically-advanced new industrial and agricultural production. Essentially, this has been, and continues to be, a conflict between feudalist and industrial capitalist interests.

As the feudalist faction has adapted to the changed world brought into being by the 15th-century Golden Renaissance and the consequent emergence of industrial capitalism, the feudalist faction (for example, the British) has attempted to assimilate industrial modes within the framework of feudalist principles and feudalist forms of oligarchical financier interest. The feudalist, when disguised as a capitalist entrepreneur (but still a feudalist under the disguise), insists that the principle of capitalism is a fixed rate of return on *financial investment*, a return based on nominal valuations of financial investment. The New York City housing swindle and associated deadly real estate bubble, are efficiently representative of this feudalist policy.

The price of housing ought to be the competitive cost of producing an equivalent, without respect to the nominal valuation of the land on which it stands, and without respect to inflated financial changes for construction. Yet, over the postwar period (in particular) the rate of return on paid-in owner's investment, in New York real estate, has been substantially higher than for investment in new construction; because, chiefly, the New York government connived with landlord interests to swindle renters.

The value of New York City real estate is not based on the principle of profits on production and maintenance. Although the rental income to nominal capitalization ratio is used as the customary multiplier for valuing real estate properties on the market, even the rental income itself is not the key to the New York City financial bubble in real estate speculations: a true imitation of the John Law "Mississippi" bubble of the 18th century. The key to the New York City real estate bubble is capital gains income, a capital gains earning much increased by massive flows of funds derived from the international drug traffic into competition for real estate refuges from inflation, and by the major role the growth of the New York City pornography-and-sodomy industry has had in augmenting flows into real estate revenues and investments.

What is capitalized, in point of fact, in such real estate capital gains spirals? What is capitalized is not the improvements emplaced upon land, but rather the ground-rental income value assigned to the unimproved

land itself. The economy of New York City has been sucked dry, through the pockets of households and treasuries of industries (fleeing increasingly from such a robbers' roost), to feed this ground-rent bubble.

Under Prime Minister Margaret Thatcher's Friedmanite (fascist) monetary policies, the economy of the British Isles has become a vast, decaying, industrial slum, yet, like slum properties in New York City, the market value of the British economy, as expressed by competitive valuations of the pound sterling, has increased relative to the values of more viable national economies.

A similar, if more ugly situation, prevails in the external indebtedness of the so-called developing sector as a whole. As the International Monetary Fund and the World Bank lead in shutting down productive investment in those nations, those financier agencies act to increase the per capita debt service of each nation through refinancing arrangements. In this case, especially in the so-called Least Developed Countries of Africa and Latin America, International Monetary Fund and World Bank policies are already, explicitly and intentionally acts of massive genocide against whole peoples.

Generally, worldwide, the portion of total world income to rentier-financier types of financial institutions, especially those based in Switzerland and the British Commonwealth, has increased vastly, and at an accelerating rate. This increase in rentier-financier income has already exceeded the net operating profit margins of the combined capitalist economies of Western Europe and North America. Since President Jimmy Carter and Paul A. Volcker introduced fascist varieties of monetary policies to the Federal Reserve System in October 1979, it has been the muscle and bone of the economies which have been looted as the principal source of growing revenues to rentier-financier interests allied with the British monarchy. Hence, Western Europe and the United States are now sliding ever more deeply into a new world depression which was started by Margaret Thatcher in Britain and then spread into the policies of the government of the United States.

These illustrations are adequate for our purposes here. The deadly conflict between "ground rent" and profits of productive enterprise is clear enough to any intelligent person. So far, ground-rent rentier-financier interests are controlling the British, U.S., and many other governments, and are implementing global genocide through such instruments as the International Monetary Fund and World Bank.

If the policies which contribute to this relative increase of power of rentier-financier interests, against industrial and agricultural entrepreneurial interests, are built into a linear form of global systems analysis model, as is the case in fact, the acceptance of that

model as a guide to policy-making is in and of itself an act of global genocide. The proposal to increase and to enforce the payments to rentier-financier account, while savagely contracting the productive basis for producing means to pay such financial charges, is an act of genocide.

Feudalists among Moscow communists?

The fact that the kind of global systems analysis incorporating both linearity and the British model is intrinsically a policy of genocide poses some interesting speculations concerning the Moscow Malthusians. Is it possible to believe that a powerful minority faction in Moscow is not only committed to global genocide, but also that this faction is acting directly in support of the policies of British rentier-finance?

The fact that we must consider such a question necessary to answer reflects a widespread, monstrous, popular ignorance of the roots of socialism and communism extended among even policy-making layers generally.

Modern socialism and anarchism, together with solidarism, are direct outgrowths of the "Young Europe" radical-insurrectionary movement led by Giuseppe Mazzini and coordinated with British SIS through such key figures as Lord Palmerston and Karl Marx's British Museum "controller," David Urquhart. Although Karl Marx and Lenin, chiefly, are "flukes," who proposed socialist models based on the capitalist model of technologically-progressive economic growth, the socialist and anarchist movements during and since international-terrorist Mazzini's period have been anti-capitalist, pro-Malthusian "social battering-rams" created chiefly by the neo-feudalist, rentier-financier interests centered in Venetian family funds and the British oligarchy.

In Russia itself, the evil Russian Orthodox Church (not to be confused with any actually Christian denominations) performed a decisive role in coordinating the anti-semitic "black hundred" gangs under Czarism, in controlling the Czarist Okhrana, in directing the 1905 and February 1917 revolutions, and in creating the Russian socialist and agrarian-populist movements. The Russian Orthodox hierarchy then, and presently, is integrated with the Jesuit order and with the hierarchy of the Established Church of England.

For example, the late Herbert Waddams, chief of British foreign-intelligence for the Queen's private household, was a principal coordinator of Anglican plotting with the Russian Orthodox hierarchy, as well as the "fifth man" in the Philby-Maclean-Burgess-Blunt affair, a nasty ring of homosexuals penetrating many parts of the European, U.S., and Middle Eastern intelligence communities. (Mount Athos monastery in Greece, the historical center for Aristotelean propaganda since the Coneni dynasty of Byzantium, is also a principal world-center of pederasty. British public schools and Eastern



The Bukharin group wanted to keep Russia primitive: peasants during the 1920-21 famine.

Orthodox priesthoods are particularly nasty centers of pederastic practices.)

The Trotsky and Bukharin circles were, historically, under the coordination of the same complex of British-Venetian forces which produced Mazzini's and Palmerston's Young Europe organization earlier. Most of this sort of Bolshevik radical was deployed by such exemplary assets of the Venetian family funds' intelligence service as Alexander Helphand-Parvus, and most were run by Venetian interests during key parts of their life through Venice's principal route into Russia then (as now), Hapsburg Vienna. It is most interesting, for understanding factional alignments in Moscow today, to piece together the list of Bolsheviks who were on the payroll of Parvus at one time or another into the early 1920s.

This British-Venetian network among Bolsheviks was the controlling force within the international political-intelligence apparatus under G. Zinoviev of the Communist International. Jay Lovestone, who was part of this Communist International apparatus of Venice's into the middle 1930s, is among the few surviving personalities who could tell much from his experience as a secondary leader on the inside of this operation.

There is, among those in Moscow who continue the Trotsky-Bukharin-Zinoviev tradition of Cominternism today, an inner circle which has, as a matter of tradition,

wittingly allied itself strategically to Venetian-pivoted solidarism and the financier interests deploying SIS's Bertrand Russell from London. These are the same British interests historically behind the China opium-traffic through Hong Kong and Shanghai. These inner circles of fanatics dream of "The World Revolution," a world free of sovereign nation-states, in which the pederastic socialist doctrine of Oxford's John Ruskin predominates.

From the standpoint of the inner hierarchical circles of the Russian Orthodox Church, the precedent for such global socialist influence under world-rule by the rentier-financier oligarchy is the arrangement concluded between Patriarch Gennadios of the late 15-century Eastern Orthodox Church and the Ottoman Sultan, Muhammed the Conqueror. Gennadios, as a reward for assisting the Ottoman Turks to subjugate the Greeks, was made Patriarch of the Eastern church and given dictatorial powers over the cultural and religious affairs of non-Islamic populations of the Ottoman Empire.

With the help of the anti-industrial-capitalist forces of the neo-feudalist Venetian and British rentier-financier interests, the Soviet plotters of "The World Revolution" aim to achieve global socialist power.

The Stalin government went to great excesses of desperate fear in the 1930s purges, but in respect to most among the leading Bolshevik figures charged at the Moscow Trials, excepting the case of the Red Army leadership, the accused were quite guilty, not of being Hitler agents, but of being British-Venetian agents of the variety we have indicated here.

Under the adventurous Nikita Khrushchev, the survivors of Stalin's purges of the Comintern inner circle, together with numerous revengeful survivors and surviving family-members of 1930s-purges persecution, were encouraged to come out into the open as a political force. Khrushchev, at one point, publicly mooted even the "rehabilitation" of N. Bukharin, the arch-agent of the Anglo-Venetian interests. The establishment of IMEMO in 1956 is of crucial significance. It has been the haven for political rallying of the Cominternist ("world revolution") faction within the Soviet Union, closely allied with British SIS—and the Jesuits, and gradually increasing considerably its penetration of many powerful institutions of the Soviet state.

Apart from the shameless advocacy of Malthusian policies of genocide, there are two leading elements of propaganda radiated from the inner Cominternist circles which expose the extent of the Cominternists' combined direct and indirect influence over the shaping of Soviet policy as a whole. This force is chiefly responsible for the policy of Soviet alliance with Britain against the United States, sometimes under the cover of the doctrine that "Britain, the played-out capitalism, is therefore, the lesser evil to be played against the military-industrial com-

plex." This latter is alleged, according to Soviet propaganda, to be based in the U.S. industrial interests of the South and Southwest (not in New York City's Eastern Establishment, where President Eisenhower located its existence). This force is also responsible for Soviet insistence that "arms reduction" is the primary measure to be taken on behalf of avoiding war. It rejects the reality, that shifting the world from a Malthusian, rentier-financier neo-colonialist policy, to one of rapid technological development of the developing nations, is the only possible avenue for war-avoidance. The policy, forcefully laid down by Boris Ponomarev at the East Berlin world Communist Parties Conference in 1980, that developing nations must limit development to their own native resources, is not only a policy promoting global genocide against peoples of many developing nations, but is directly connected, in Soviet policy-making logic, to the perverted confidence in the mechanisms of "disarmament."

In understanding Soviet policy, we must look more closely at ourselves for comparable cases. As with our governments, virtually no policy is ever developed for practice on the basis of rational, principled perceptions of national self-interest. Policies are formulated pragmatically, on the basis of making concessions to and avoiding rupture with those political adversaries with whom one believes it is politically expedient to effect a compromise.

There is no single principled, rational perception of Soviet national interest behind the formulation and implementation of Soviet foreign policies; those policies and their implementation are defined by pragmatic expediency, in terms of shifting balances of power among combinations participating in the Soviet leadership. The most common expression of the influence of the genocidalist Cominternist forces in Moscow is not the overt promotion of a genocidal policy, such as Ivan Frolov's evil observations in a recent issue of *Literaturnaya Gazeta*;² more frequently, the genocidalist faction's influence is reflected as an accommodation worked into the pragmatic stew of this or that Soviet policy, especially—from our point of emphasis—Soviet foreign policy postures and maneuvers.

Once all these and related considerations are taken into account, the fact remains that the Malthusians of the West and the Malthusians of the East, are instruments of policy of the same, Peking-allied, rentier-financier interest of London and Venice.

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1. For a beginner's introduction to the economic science behind this, cf. LaRouche, Lyndon H., Jr., *Basic Economics for Conservative Democrats*, New Benjamin Franklin House, New York, 1980.
 2. Interview with Ivan Frolov, Deputy Director of the U.S.S.R.'s All-Union Systems Research Institute, in the *Literaturnaya Gazeta*, Oct. 14, 1981.

Will the crisis in Poland trigger World War III?

by Criton Zoakos, Editor-in-Chief

British and French intelligence, in collusion with the Soviet KGB, have worked through the summer and fall of this year to produce the present world strategic crisis triggered by the declaration of martial law in Poland by General Jaruzelski.

The crisis in U.S.A.-U.S.S.R. relations triggered by the Polish events, even though it has Poland as its center of attention, in fact extends throughout every hot spot on the globe. According to reports, the "crisis maps" at the Pentagon and the White House are lit up like Christmas trees, with monitors watching the deterioration of local situations in the Middle East, Africa, Central America, South West Asia, and South East Asia. A similar tense situation is presumed to exist in Moscow.

The destabilization potential across the band of countries in North Africa has been heightened dramatically. Quiet but dramatic transformations are occurring in the Balkans since the accession to power of Socialist Andreas Papandreou in Greece. The Greek-Turkish crisis around the perennial Cyprus issue has escalated to the point of troop movements. Israel has moved into a wild "breakaway" mode with the annexation of the Golan Heights.

Escalation of disturbances in Yugoslavia's Kosovo province has further intensified the Yugoslav-Albanian crisis. Israeli-South African coordination in overall African deployments is coordinated with rapid intensification of the Central American crisis.

The striking aspect of all these developments around the globe is the fact that the leading individuals and agencies lighting the fuses all trace back to the same controlling entity. On first approximation, this control-

ling entity can be identified as British-French-Israeli intelligence coordination with the Soviet KGB cut into the deal. On further close scrutiny, the beast's features become clearer: The British-KGB interface goes back to the famous Kim Philby track, the famous Arts Council of Great Britain which controls the Solidarnosc leadership through its control of Kolakowski-Kuron and the KOR grouping in Poland. The Arts Council takes us back to Lord Rothschild, Anthony Blunt, Kim Philby, and from there to those strategists of the KGB who, through Polish Politburo members Olzowski and Kania, coached the Polish internal security forces to the purpose of allowing the Solidarnosc organization to come into existence and then flourish.

The British-French intelligence interface turns out to be the same relation between the British Royal Household and French Socialist-Solidarist networks which created Permindex, the notorious assassination bureau which was behind numerous assassination attempts against General de Gaulle, and is suspected of having masterminded the assassination of President John F. Kennedy. This British-French intelligence connection is typified by the history of a little-known "Swiss" bank, *de Neuflige, Schlumberger & Malet*, Malet being its British component and Schlumberger (the interests which placed Mitterrand in power) its French. The bank represents a Franco-British intelligence relation of unbroken continuity which goes back to Lord Shelburne's orchestration of the French Revolution. This network, especially the Malet family, played a critical role in triggering the Crimean War, which opened the way to World War I.

The British-Israeli intelligence interface right now operates through channels developed around the Max Fisher-Meyer Lansky-Edgar Bronfman influences inside the Israeli political establishment, most notably the Sharon-Shamir faction inside the current cabinet.

For what purposes?

The joint efforts of this French-British-Israeli-KGB symbiosis are aimed at orchestrating a huge U.S.A.-U.S.S.R. confrontation in order to produce a so-called "Third Force," a phony European superpower, standing equidistant between the United States and the Soviet Union, and dominated by Lord Carrington's policies, a "superpower" used to catalyze the promulgation of worldwide Malthusian, population reduction policies.

Such a "Third Force" is supposed to emerge out of a series of U.S.A.-U.S.S.R. confrontations, the result of destabilization policies in every hot-spot of the Third World, erosion of U.S.A. influence in Western Europe, and erosion of U.S.S.R. influence in Eastern Europe. In this context, the management of the Polish crisis comes into proper perspective.

Over the summer and autumn, a tentative coordination among President Reagan, Chancellor Helmut Schmidt, Pope John Paul II, and President Brezhnev seemed to develop the potential for stabilization of the world situation. President Reagan's inability to come forward with a program of rapid technological and industrial expansion for the U.S. economy tended to undermine the potential for stabilization. Suddenly, the Fahd Plan for a Middle East settlement was launched with support from the Federal Republic of Germany and Japan, accompanied by distinct nods of approval from the Brezhnev leadership in Moscow.

President Sadat's assassination threw this stabilization effort off balance. During that time, the potential to calm down Poland was very high. That became evident during a Nov. 4 meeting of General Jaruzelski, Primate Glemp, and Lech Walesa, during which pledges were made for joint efforts toward national reconciliation. The Jaruzelski government subsequently proposed to Solidarnosc a scheme for National Accord according to which the government, the Church, and Solidarnosc would join in an effort to stabilize the shattered national economy and thus create the conditions for further progress in social and economic reforms. It may not have been the best of all possible policies, but under the emergency circumstances facing the country it was a serious stabilization proposal upon which the Church, the patriotic elements in the Polish Army, and the Solidarnosc moderates were all agreed.

From that point of time onward, the radical hot-heads within the National Commission and the National Commission Presidium of Solidarnosc mobilized fully against the idea of National Accord. They established a

reign of terror against the Solidarnosc moderates, including overt threats of assassination against Lech Walesa, and launched the clamor for armed insurrection and confrontation with the U.S.S.R.

Leaders of the extreme radicals were predominantly personalities belonging to KOR, the Social Self-Defense Committee which is run by the Arts Council of Great Britain, and its secondary deployments which include Freedom House in New York, the League for Industrial Democracy, Force Ouvriere in France, and the Arch Puddington, Jay Lovestone, Irving Brown networks among the European trade unions. This is a well-known British intelligence network, or better, a British-Venetian intelligence network run by NATO psychological warfare specialists out of Verona and Tavistock.

These confrontations prepared the ground for the Dec. 4, 1981 meeting of the Solidarnosc National Commission at Radom.

In the course of the meeting, numerous motions for withdrawal of confidence in Lech Walesa were presented. Finally, one of the leading provocateurs, Seweryn Jaworski, told Lech Walesa: "If you take just one step backward I will personally knock your head off."

In this hysterical climate, the leaders of KOR and the ultra-radicals of the Warsaw Solidarnosc organization developed plans to "launch attacks at any cost on the provincial authorities and discredit them completely"; to "create the workers militia, which would be groups of people armed with helmets and batons. The first action of the worker militia will be aimed at liberating the radio-television headquarters. The social council for national economy must be established immediately. It will be something like a provisional government. The government must at last be overthrown, laid bare and stripped of all credibility."

These quotes are taken from tape recordings of the Radom meeting which were broadcast on Polish radio by the Jaruzelski government. The tapes further indicate that detailed plans for a provisional government were made during the Radom meeting, gameplans and scenarios for an array of regional and local confrontations and so forth. Seven days after the Radom meeting, the entire National Commission of Solidarnosc, not just its Presidium, had a further meeting in which they called for government by referendum, including a referendum on whether Poland's military alliance with the Soviet Union should be continued or not.

Two days after that, on Dec. 13, General Jaruzelski went on national television to announce the imposition of martial law and the temporary detention of Solidarnosc leaders, along with imprisonment of many Communist Party leaders associated with the earlier Gierk government.

When Jaruzelski declared martial law, Secretary of State Alexander Haig was in Brussels. Without Haig in

Washington, the White House maintained a clear-cut attitude toward the Polish developments: it took care to make a sharp distinction between Jaruzelski's martial law, which it termed a strictly internal matter, and the potential for any Soviet action, which would be viewed as a foreign intervention. During Dec. 12 and 13, the United States government gave no indication that it would move to penalize the Polish government for what it was trying to do.

Then Alexander Haig flew into town. Hardly disembarked from his aircraft, he announced to reporters that the United States should hold in "abeyance" any contracted food shipment to Poland. Shortly afterward, he sent a State Department official to give a private briefing to Senator Percy of the Foreign Relations Committee, after which Percy issued a press statement announcing that the United States is withholding food shipments "pending clarification of the internal situation in Poland." Suddenly, with Haig's arrival, the distinction between "outside intervention from the Soviet Union" and "internal Polish affairs" was abandoned. In statement after statement, the picture emerges that Alexander Haig, contrary to President Reagan's best judgment in this matter, is succeeding in committing United States policy, not to containing the crisis, not to stabilizing the domestic Polish situation, but to defending and preserving the provocateur elements in the Solidarnosc leadership which precipitated the show-down on orders from British intelligence. Alexander Haig is getting his orders from Lord Carrington.

How matters will proceed from this point onward will depend to a large extent on whether Haig's influence over policy is curbed or not. Our own monitoring of the British-French intelligence inputs into Poland indicate the following:

The extensive channels of communication managed by the Arts Council, Freedom House, the League for Industrial Democracy, Force Ouvriere, Socialist International command, collaborating with the Solidarist/Jesuit faction of the Church, are now attempting to build up a "passive resistance" against Jaruzelski, with increasing industrial slowdowns, economic sabotage up to and including arson, and other physical destruction, to culminate in a general strike by Christmas Eve; from there, a several month perspective of further economic disruption and passive resistance intended to lead up to a general discrediting of General Jaruzelski and his eventual replacement by Politburo member Stefan Olszowski, a systems-analysis oriented "Marxist-Leninist" who is reportedly acceptable to Solidarnosc extremists as a negotiating partner. Such an eventual outcome would presumably strengthen the anti-Brezhnev forces in the Soviet leadership in favor of the Suslov-Ponomarev-IMEMO-Club of Rome grouping.

The alternate path would be for the Soviet military

to move in before the Suslov tendency gains in strength. Either way, unless Poland is stabilized and calmed down immediately, the alternatives down the road are too horrifying and too unpredictable to contemplate.

United States policy now should therefore be anything required to stabilize Poland. Haig is doing exactly the opposite. He is attempting to commit the United States to preserving the assets of a filthy British-KGB game inside Poland, and he is attempting to organize an international food boycott against Poland.

The food supply question is critical. The Solidarnosc extremists, and all their British, French, and Jesuit associates, are counting on a rapid food crisis to develop their "passive resistance" confrontation gameplan.

Haig, well briefed on this gameplan, upon his return to Washington is trying to lock the administration into a perspective of "cruel winter" and "famine" in Poland. Unless this perspective is abandoned, we are playing with Armageddon.

The string-pullers behind the crisis

by Rachel Douglas, Soviet Sector Editor

The fact that representatives of the Solidarity trade union abroad are telling Westerners *not* to send food to Poland right now should recall a basic truth about the last year and a half of crisis in Poland: the Polish population has been victimized by outside elites. Solidarity is not a movement for the workers' interests, not the motor of positive reform, although the majority of its 10 million members and some of its leaders joined it in hopes of finding such an independent voice.

Solidarity is a synthetic creation, conceived in the social control laboratories of British intelligence: the *Tavistock Institute*, and *Oxford* and *Cambridge* universities. It was incubated in two Polish institutions linked to these British centers: the dissident *KOR* (Committee for Workers Defense) and the *DiP* (Experience and the Future) study group. DiP comprised anglophile liberals from the communist party, *Jesuit*-tied specialists in "Christian Social Doctrine," and Tavistock's chief field agent in Poland.

Once established, Solidarity, like *KOR* before it, enjoyed an influx of funds from international trade union networks centered on right wing Social Democrats and from a closely related web of human rights advocacy

groups under the umbrella of the British oligarchy's *Arts Council*.

The goal of creating such a movement in Poland as Solidarity was twofold. First, it permitted the destabilization of a centrally situated European nation at a moment's notice. Throughout the crisis, the Solidarity elements most closely tied to British controllers, the men of KOR, worked to keep the readiness for confrontation foremost in Solidarity's policy, while union chief Lech Walesa and others who are close to the Catholic Church became more moderate. When KOR dissolved itself this fall, it was only after setting into motion a new layer of young radicals.

The second purpose of Solidarity's synthesis was to establish a strong-hold of Malthusian, anti-growth economics in Eastern Europe. The party Anglophiles were to carry out a policy of decentralizing the economy and deemphasizing heavy industry, but it would first take a social crisis to bring down the architect of Polish industrialization, Edward Gierek. This occurred with the mass strikes of summer 1980, in which Solidarity was formed.

In touching off the Polish earthquake, many sources reveal, the British intelligence forces had the invaluable assistance of a faction of the Soviet *KGB* (Committee for State Security) that is an arm of the same supranational alignment as are those British assets.

Chains of control

We now identify the chief outside controllers:

Tavistock Institute. The British intelligence center for international operations conducted through the sociology and anthropology professions, Tavistock has originated most of the schemes currently loose in the Western world for management of labor in a "post-industrial," i.e. destroyed, society. On the board of Tavistock's magazine *Human Relations* sits Jan Szczepanski, Vice-President of the Polish Academy of Sciences in charge of sociology and education.

Szczepanski heads the *Anglo-Polish Round Table* from the Polish side, while the British co-chairman is Mark Bonham-Carter of the London School of Economics and the *Index on Censorship*, which receives funds from the elite *Arts Council* for its reprinting of Polish and other East European underground documents. Szczepanski was an intellectual eminence of *DiP*.

Arts Council. Such elite English names as Astor, Balfour and Rothschild appear on the board of this committee for patronizing the arts. The Queen of England's picture curator until 1979 was Anthony Blunt, exposed as a spy for British and Russian intelligence services at the same time.

Index on Censorship, whose London and New York offices overlap the production of literature for distribution in Poland, by such emigrée publishers as *ANEKS*

(Aid to Polish Workers), *Zapis*, and *Puls*. In the United States, these are supported by *Freedom House*.

Trade union support. Freedom House will refer many inquiries about supporting the Polish labor movement to the *League for Industrial Democracy*, where British-born Arch Puddington, Executive Director, is the man on Poland's case.

But a second channel of funds to first KOR, and then Solidarity, has been the international affairs department of the *AFL-CIO*, until recently headed by former Communist Party U.S.A. "Right Opposition" leader Jay Lovestone. The Paris AFL-CIO office run by Irving Brown, in coordination with French trade unions linked to the Socialist International, became a key channel of monies into Poland during the 1980 strikes.

KOR. One of the Poles frequently published by *Index on Censorship* is Leszek Kolakowski, an emigrée who works at *All Souls College, Oxford University*. In 1976, Kolakowski together with several men still in Poland founded the KOR (Workers Defense Committee). Other founders were Edward Lipinski, an old man of the Polish Socialist Party, and Kolakowski protégés of the 1960s like Jacek Kuron.

Kuron, once the author of tirades against industrialization and a self-styled Trotskyist in his student days, led the KOR in efforts to gain mileage among workers from the unrest that occurred after food price hikes in 1976. A 1979 "Charter of Workers' Rights," prepared in part by KOR members, bore 14 signatures from Gdansk, the port city where rioting in 1970 brought down the Polish government. One of them was a new recruit's—that of Lech Walesa.

DiP. Preparatory to challenging Gierek's leadership in the party, liberal party members participated in a survey of reform projects, which resulted in the document of the Experience and the Future (*DiP*) group called "How to Get Out of It." It attacked "stultifying centralization" and advocated reorganization of the economy into small autonomous units. Szczepanski was a participant, as was KOR-supporter Stefan Bratkowski, a radical party reformer. Mieczyslaw Rakowski, a Central Committee member of the party, kept his *DiP* participation a secret; he is also a frequent participant in the *Anglo-Polish Round Table* and he became a government minister after Gierek fell.

According to Polish sources, the go-ahead for the *DiP* project on reform came from Politburo member Stefan Olszowski, an advocate of economic reform—"from above"—just as radical as Szczepanski and his flock of Tavistock-bred Malthusians desired. Olszowski is however distinguished by his Soviet connection and reputation as a "hardliner" on party matters. An intimate of Soviet and East German intelligence services, Olszowski is viewed as a successor to General Jaruzelski if the latter fails to stabilize Poland by martial law.

Begin blowtorches the Mideast map

by Nancy Coker

Israeli Prime Minister Menachem Begin's sudden annexation of the occupied Golan Heights Dec. 14 could ignite the flames of conflict all over the Middle East. Intelligence analysts see a new explosion in Lebanon as the most immediate danger; and a U.S.-Soviet confrontation cannot be ruled out.

Israel seized the Golan Heights from Syria in the Six-Day War of 1967, and has occupied it ever since. Begin's decision to formally incorporate the occupied territory into Israel, a decision that flouts the Camp David accords and all Middle East peace negotiations and agreements under United Nations Resolution 242, was no security measure, but a deliberate provocation to the Reagan administration and the Arab nations, Syria in particular. Cooler heads among Israel's supporters fear that the country's national interest—and possibly its survival—have been jettisoned. It is not yet clear how Reagan will follow up his Dec. 18 suspension of the recent strategic accord with Israel.

Well-placed Arab sources report that there is growing fear in Washington that Israel's Golan grab is "only the first step" in a calculated series of provocations culminating in an Israeli refusal to return the remainder of the Sinai to Egypt. Such a move would badly destabilize the Mubarak regime, which is already under considerable internal pressure for adhering to the late Anwar Sadat's Camp David accords.

According to a U.N. source, Arabs who normally do not talk to one another are now closing ranks as a result of the Israeli move. But, he speculated, the Arabs will attempt to maintain their cool until April 1982, when the Sinai is scheduled to be returned, after which point Egypt, with the largest military in the Arab world, will move to rejoin the Arab fold. "This is precisely what Israel will attempt to sabotage," the source stated, "most likely by staging provocations in Lebanon aimed at splitting the Arab ranks."

A renewed bloodbath in Lebanon could trigger the final implementation of the Bernard Lewis Plan, the design for partition of Lebanon initiated by Henry Kis-

singer during the 1975 Lebanon civil war. Under the plan, Lebanon would be fragmented into several sectarian mini-states, and a "trade-off" arranged whereby Israel and Syria would each annex a portion of that nation.

But the consequences of Begin's land grab extend beyond the Lebanon flashpoint to the whole Middle East region. Egypt, Jordan, Saudi Arabia, and every moderate Arab nation that has signaled readiness for recognition of and peace with Israel have been badly undercut by the Golan annexation, opening the door for Islamic fundamentalist radicals like Libya's Qaddafi to go on a rampage of terror. Thus, the entire region could be reduced to a condition of "permanent destabilization," ending all hopes for a peace agreement based on economic development.

Moreover, if the friendship treaty between Syria and the Soviet Union is activated to bring Russian military muscle behind Syria in a new Arab-Israeli conflict precipitated by the Golan grab, all the ingredients for an eyeball-to-eyeball superpower crisis would be present.

All this is exactly what the Dope, Inc./Permindex assassination-and-organized-crime apparatus behind the Begin government has in mind. Defense Minister Sharon in particular wants to provoke the Soviets into active participation so as to "test" whether or not the United States will agree to take on the Soviets.

The Begin regime has let it be known that its annexation of Golan is a form of revenge against the Reagan administration, in retaliation for President Reagan's continuing interest in the eight-point peace plan of Saudi Arabia's Crown Prince Fahd.

Begin is doing little to hide his contempt for his U.S. "strategic ally." "No one will dictate our lives to us, not even the United States," stated Begin in explaining why he did not consult with Washington before annexing the Golan Heights. "Not only did we not want to ask any government regarding this sovereign act, but on the contrary, we consciously decided not to ask, since we had no doubt that our American friends would tell us 'no.'"

Knesset member Ronni Milo, Begin's son-in-law, explained that Begin railroaded the annexation vote through the Knesset because he "wanted to get the vote over with fast to avoid internal escalation." It was "good timing" for Israel to act, said Milo, when the United States and the rest of the world were focused on the Polish crisis.

Israeli Foreign Minister Yitzhak Shamir told a parliamentary committee that Israel does not intend to stop with the Golan annexation. "I think we must annex other areas," said Shamir, including the West Bank, but only after Palestinian autonomy is established there. Shamir later told Israeli radio that "as much as we want to coordinate our activities with the United States, the interests are not identical. We have to, from time to time, worry about our own interests."

After the coup: power is still unresolved

by Cynthia Rush

The City of London, which views Argentina as one of its important colonies, and British allies Henry Kissinger and Alexander Haig finally staged their long-sought coup in Argentina. On the morning of Dec. 11, Army Commander Gen. Leopoldo Galtieri ousted president Roberto Viola, and arranged to have himself elected President. Galtieri is to serve as President until 1984, while maintaining his current post as head of the army.

The takeover means changes in two crucial areas. A frank adherent of Haig's policy of "confronting" the Soviets at hot-spots around the globe, Galtieri will help shape the environment Haig is seeking to justify his geopolitical adventures in Central America, including possibly deploying Argentine troops into El Salvador. Inside Argentina, Galtieri will attempt to return to the Friedmanite economic regime whose imposition in 1976-80 by former Finance Minister José Martínez de Hoz, a British asset, has produced the crisis wracking the country today. The cabinet ministers most opposed to these policies, Foreign Minister Oscar Camilión and Public Works Minister Gen. Diego Urricariet, have been forced out with Viola; and Galtieri has made it known he is considering de Hoz associates Roberto Aleman or José Dagnino Pastore to head up a new "economics super-ministry."

Galtieri's "white coup" signaled the victory of his eight-month battle to prevent Viola from running a peaceful transition to civilian rule, and to align Argentina behind Haig's geopolitics. When Viola, suffering from hypertension under the pressures against him, announced Nov. 7 that he was taking a 15-day medical leave, Galtieri brought his war for power into the open. His press conduits published the praise lavished on him personally by Defense Secretary Caspar Weinberger and other top Reagan administration officials during the early-November Latin American Army commanders' conference at Ft. McNair, Virginia, as proof he had Washington's backing for the \$1.5 billion debt relief which Argentina desperately requires.

Many sources confirmed to *EIR* that General Galtieri had obtained Washington's recent reconciliation with

the cocaine generals of Bolivia as a personal triumph. This suggests that Galtieri is aligned with the Argentine military faction which supervised the July 19, 1980 "Cocaine Coup" in Bolivia and is anxious to provide similar services in Central America or the Middle East.

During his Nov. 26-Dec. 1 stay in Buenos Aires, Henry Kissinger met in public and in private with top active-duty military officers and with Martínez de Hoz and his associates to urge them to complete the coup against President Viola. In a press conference, Kissinger called for Argentina to join in an Inter-American police force for Central America, since "the United States could not act alone there." At a well-publicized "private" meeting with troop commanders, Kissinger advised, "Be careful, it seems to me that you [Viola] are moving too quickly toward an electoral opening.

There are no guarantees that Kissinger and his subalterns will have an easy time imposing their policies.

Resistance is still strong in Argentina to putting the potential industrial giant through still another round of Milton Friedman's "miracle" economics. Despite backing from Kissinger and Haig, and consolidation of his power in the armed forces through recent promotions, Galtieri could not convince Viola to graciously step down and cite his heart ailment as an excuse. He told Galtieri he would only resign for "political reasons." In the end, Galtieri forcibly removed Viola, making it clear a coup had occurred over crucial policy questions.

Those policy questions revolve largely around the fact that de Hoz's economics have put 4 million people out of work and are driving hundreds of thousands more out of the country. In this situation, even the mention of a return to de Hoz's policies provokes enraged responses from the population. Last week, a manic de Hoz, who expects to see his team back in office, set off a lynch-mob response when he released his new book which blames the current economic crisis on the Viola government's "abandonment" of his policies.

"De Hoz's policies have destroyed our productive apparatus," a former industry minister angrily responded. "They have subjected Argentina to a relative backwardness never before seen in its history." While other government and political leaders blasted de Hoz for his "political myopia," the Armed Forces Club of the province of Córdoba publicly declared de Hoz to be a *persona non grata*. On the morning of Dec. 9, ten admirals met to discuss de Hoz's remarks, and warned that they would hand in their resignations if he or any of his associates were named to the finance ministry.

If, as expected, Galtieri tries to enforce his policies through greatly increased repression, he could find himself in real trouble. Like all Argentine presidents, he will not find it easy to smash the still-powerful Peronist movement whose influences extend not only to the organized-labor movement but to sectors of the military.

The 'third force is a fraud

by Daniel Sneider, Asia Editor

A byzantine whirl of Southeast Asian diplomacy has revived the flagging fortunes of the attempt to patch together a front of anti-Vietnamese Cambodian exile groups, which would include the infamous Khmer Rouge of the deposed barbaric Pol Pot regime as well as the non-communist forces of Prince Sihanouk and his one-time Premier, Son Sann.

Those who find the bloody hands of the Khmer Rouge a liability have promoted the so-called Third Force of Son Sann's Khmer People's National Liberation Front (KPNLF) and Sihanouk's band of followers known as the Moulinaka. The two groups command a following of 5,000 armed men at best along the Thai border area. Son Sann himself was in Washington recently to promote his own importance, and *EIR* caught him there for an interview.

For the Association of South-East Asian Nations (ASEAN) countries, the Third Force is promoted as a "legitimate" anti-Vietnamese entity that perhaps can be built up as a counter to Pol Pot as well. For the Chinese, who seek to drag out a military campaign to "bleed" Vietnam, the Third Force can provide diplomatic and political cover for their Khmer Rouge clients. For the pro-Peking State Department, the Third Force has much the same value as it does for China. ASEAN circles are still angry over the U.S. backing for China during the July U.N. conference on Cambodia.

The Vietnamese, for their part, have no worries about the Third Force. As I saw myself during a visit to Cambodia several months ago, Pol Pot, and anyone with ties to him, is eternally hated by the Cambodian people, and the fantasies of a "coalition" coming to power in Cambodia are increasingly meaningless to the reality of the new life emerging in that country. However, Vietnamese diplomatic sources concede that ASEAN needs the Third Force as a diplomatic bargaining card when they finally decide to negotiate seriously with the Indochinese countries.

Son Sann has the pathetic character of a man who knows his usefulness is only temporary but who nonetheless is trying to sell himself as the man who can make it work. As one sharp-tongued observer told me: "Son Sann is a \$2 whore trying to make it as a \$500 call girl."



Son Sann (l.) with titular Khmer Rouge leader Khieu Samphan in September.

The State Department treats him as such: while in Washington they show him around at cocktail parties but privately, according to sources in the KPNLF, they tell him that unless he gets favorable coverage in the U.S. press they can never get Congress to approve the arms aid he desperately wants.

While Son Sann claims to be a pristine nationalist who hates the Khmer Rouge, he is willing to take the aid, including arms, of the Chinese, controllers of every action of the Pol Pot regime which killed 2 to 3 million Cambodians. When *EIR* posed the issue of Chinese responsibility in our interview, he ducked the question. Sources close to Son Sann tried to claim that Pol Pot was a product of the "Gang of Four," not of the Deng Xiaoping regime, although the Deng group has in fact continued to back the Pol Pot regime in all its actions.

As the coalition has proved itself to be unviable, sentiment has increased within ASEAN to seek avenues for direct negotiations with the Indochinese countries.

Following the September Singapore meeting where the three anti-Vietnamese groups met and, under pressure from their various backers, signed a statement of intent to form a coalition "government," there were nine increasingly fruitless negotiating sessions of the "Ad Hoc Committee" held in Thailand. The Pol Pot gang wanted to ensure control over the mythical coalition; the others were not eager to be so blatantly used without more "benefit," as Son Sann put it to *EIR*. Son Sann withdrew from the talks at one point, provoking a mini-crisis. During this time the Indonesians and Malaysians were sending envoys to Hanoi, and movement toward talks between the Indochinese and ASEAN was increasing.

On Nov. 24, Singapore, which remains a British outpost with Chinese overtones, moved in. Singapore Deputy Prime Minister Rajaratnam unveiled a new proposal for a "loose coalition," actually a paper front, which was to "dissolve" upon achieving withdrawal of Vietnamese forces from Cambodia. Son Sann and Sihanouk readily agreed, but the Khmer Rouge asked for two months to respond, to allow Peking time to make a countermove designed to keep its butchers in control. Peking may already have answered in the form of a

Khmer Rouge announcement that they have “dissolved” the communist party, indicating that Peking will concede on matters of form, but will not abandon the substance of backing for the Pol Pot guerrilla war.

Singapore also announced its willingness to supply arms to the “coalition” and urged others, obviously the United States in particular, to do so as well. This directly contradicted earlier ASEAN opposition to military aid by its members to the Khmer groups.

The immediate reaction of Indonesia, expressed in an unusual public fashion by Foreign Minister Mochtar, was to denounce Singapore. The ASEAN Foreign Ministers’ meeting on Dec. 10 in Phatthaya, Thailand was called to come up with a unified ASEAN position. The Thai-Singapore grouping, which has been closer to China all along, gained the support of Malaysian Foreign Minister Ghazalie Shafie, who echoed the Singapore line.

The compromise final statement of the ASEAN ministers supported the “loose coalition” proposal while explicitly stating that they had cleared up the “misunderstanding” about supply of arms, and that “it was agreed at the meeting that ASEAN will not get involved with any military assistance.” The Indonesians threatened to leave ASEAN if such a move were made; according to diplomatic sources in Washington, they are ready to accept the Heng Samrin government but cannot yet do so publicly without splitting ASEAN.

INTERVIEW

Son Sann, former Cambodian Premier

The following interview with former Cambodian Premier Son Sann, now leader of the exile Khmer People’s National Liberation Front, was conducted in Washington, D.C. on Dec. 5 by EIR Bureau Chief Richard Cohen.

Cohen: Could you tell us the purpose of your visit to the U.S. at this time?

Son Sann: I have come here at this time in order to expose the situation in Cambodia. Since I last visited, there is something new—the Singapore meeting, the joint statement [of the three anti-Vietnamese Khmer groups] signed in Singapore in the beginning of September. After that there were many meetings of the Ad Hoc Committee. But now there is a new solution. Recently, Singapore and Thailand proposed a loose coalition agreement. I have come here to expose the new solution to our American friends and to our countrymen. I have to go to the West Coast to meet with my countrymen,

and as usual, I have the possibility and the privilege to see some official personalities in the State Department.

Cohen: I understand you met with Mr. Holdridge [Assistant Secretary of State for East Asia] and Mr. Stoessel [Undersecretary for Political Affairs]?

Son Sann: Yes; we need now very urgently humanitarian aid because the people come more and more in our zone from inside Cambodia because of the famine.

Cohen: So you have not come for military aid, just for food and medical aid?

Son Sann: Food and medicine and some equipment so the people can grow vegetables and other things. These people want to work for themselves but we do not have the money or the means and what we receive in U.S. military aid is now essential. I want to tell you that my requests met with a sympathetic answer.

Cohen: In the negotiations going on between your organization, Sihanouk’s group and the Khmer Rouge, have there been points of disagreement following the Singapore meeting on the question of the coalition?

Son Sann: I have to tell you very frankly, we were very reluctant to go to Singapore because the people inside [Cambodia] and our countrymen outside, they don’t like us to be in a coalition with the Khmer Rouge. But after consulting the people inside I was allowed to go to Singapore.

I went there knowing in advance we had nothing to gain in Singapore. But we wanted to show our good faith. The benefit was to the Khmer Rouge because they can sit in the U.N. with increasing recognition, and they could use my name inside Cambodia to make propaganda telling the people that I am now with them. But the people know the truth.

Cohen: So you fear that the Khmer Rouge is using your name for their own purposes?

Son Sann: Yes. They are using my name in order to get into the villages. You see, they are stronger than us now because they receive large amounts of aid from where you know [China—D.S.] but they have no new recruits.

We have plenty of men, but we do not have enough weapons. We have 9,000 soldiers with weapons but we have 3,000 others without arms.

Cohen: The Khmer Rouge is getting arms from the People’s Republic of China. Where are you getting arms?

Son Sann: I can tell you the truth. Last year I was in Peking with my friends here because Deng Xiaoping used to say we are willing to help every movement fighting the enemy [the Vietnamese—D.S.]. I went there after Christmas time last year and I said we want arms. They agreed to give us a small contribution. Now this

contribution has been used. I tell you everything. I want your friendship. I want you to help me.

Cohen: There has been a recent proposal from Malaysian Foreign Minister Shafie where he proposes a coalition including Heng Samrin.

Son Sann: Where did you get that information?

Cohen: We got it from published reports [the statement by Shafie was made at an ASEAN meeting in London—D.S.].

Son Sann: I can give you a scoop. I met Shafie in Bangkok last Saturday. He announced to us that his government is willing to give us an important financial contribution. He had made a statement the day before we met in private. He had said that Son Sann has told him that Son Sann is willing to negotiate with the enemy when they withdraw their troops. Then, in his thinking, Heng Samrin might join a coalition [government]. Do you think if one day, the enemy agree to go with the Khmer Rouge, Sihanouk, and myself to an international conference in New York and to negotiate—do you think they will not ask Heng Samrin into the coalition? They will do so. This is natural.

Cohen: Is the Khmer Rouge resisting a coalition as proposed in Singapore?

Son Sann: In Singapore they have all the benefits. With my signature, they sit in the United Nations and make propaganda. But since then I withdrew myself from the Ad Hoc Committee. They want me to drive a car with the three steering wheels and with so many brakes—foot brake, hand brake, and another on my neck. So I cannot do that.

I had accepted this solution with the reservation that Son Sann has no role to play in the coalition. That means with the reservation that I do not have to drive that car. That's the reason why after my withdrawal Singapore proposed a new formula, a loose coalition and in this loose coalition, we retain our identity.

There is no front and we have only a loose coalition to fight the enemy and oblige the enemy to implement the resolutions of the United Nations. After their withdrawal the loose coalition will be dissolved, to let the people inside exercise their right to self-determination, freely, with general elections under U.N. supervision.

Cohen: So you are saying that this is a fighting front but not a principled front?

Son Sann: Yes, and very loose. That is why we have accepted in principle with the only reservation that I must consult my countrymen. I have given my acceptance already in principle but the Khmer Rouge, they ask too much. They have not answered yet because now they have no benefit like Singapore.

If I now have to leave this car, I can sell it, because they [the Khmer Rouge] have not only one steering wheel, perhaps one brake, and they have no advantage in letting me drive the car. They know if the coalitions were mine, the ASEAN countries and other countries, perhaps one day America, would give aid to us, not to them. I was very reluctant to go to Singapore. Now they are very reluctant to join the new coalition.

Cohen: Do you agree that the Khmer Rouge committed large-scale genocide in Cambodia?

Son Sann: Yes, Yes! Millions! Millions! You can ask every one of us [pointing to his aides in the room]. Everyone, every Cambodian understands. You can ask everyone, they will answer you that many members of their families were killed, sometimes killed in front of their eyes.

Cohen: Do you agree that the Chinese were heavily involved in this genocide?

Son Sann: Can we go off the record?

Cohen: What are the possibilities for solution of the Cambodian situation?

Son Sann: In my understanding there are three possibilities as solutions. The first possibility: the Khmer Rouge win, and if the Khmer Rouge win, the communists in Thailand, Malaysia, Singapore, will get aid from the Khmer Rouge and from whom you know [China], and there will be many difficulties in the region.

The second possibility: the enemy wins. Perhaps only one year, maybe two years in my opinion, and they will attack Thailand, and there will be a big war. So many countries will be involved because of your [the U.S.] defense treaty with Thailand.

Three: a coalition. You know that now the Soviet people control Kampuchea. Thousands are being trained in the Soviet Union, and lately in a clash we have killed three Caucasians. We don't know if they were Soviet, East German, or Cuban. We tried to retain their corpses but we could not get close. The Soviets are involved everywhere—Afghanistan, Cambodia. If the U.S. can do nothing because the people in America are afraid to see Americans involved, I think it is not right because you will be obliged to involve yourselves.

My recommendations: we need small aid, because your administration is not ready, small military aid. And if we receive weapons, light weapons, we can increase guerrilla activity. Now, we are in a hurry because all the cadre in the hamlets, the villages, the provinces, are still nationalists, but if the people trained in the Soviet Union come in, they surely are communists. They are of the new communist party, pro-Soviet, and they will change all the nationalists. So there is a time limit and it is hard for us. This is our last chance.

Italian youth respond to Dante

Editor Nora Hamerman and correspondent Liliana Gorini report on a Rome conference that transformed the educational landscape.

Amid the typical bustle of the holiday shopping season, an uninformed observer who passed the entrance of the Sala Borromini in the historical center of Rome in early December might have wondered why hundreds of teenagers were spilling into the street from the famous 17th-century auditorium. The onlooker might have guessed that a rock concert or protest rally had taken place—and would have been astonished to learn, during that evening's television newscast, that the occasion was instead a three-day symposium on "Teaching Dante Today," organized by the Accademia Umanistica and co-sponsored by the Italian Ministry of Public Education and Ministry of Culture.

The participation of 1,200 students and hundreds of teachers from 45 high schools and universities in the Rome area at the symposium was an irrefutable vindication of the power of two men's ideas in shaping a movement to reverse the disastrous collapse of education that has afflicted Italy since the Maoist student movement erupted in 1968. One of these men, of course, is Dante Alighieri—Italy's greatest poet, the founder of the Italian language in the 14th century, and one of the towering geniuses of world literature and thought. The second is Lyndon LaRouche, who in 1978 founded the international Academy movement of which the Italian Accademia Umanistica is a part, and whose collaborators on four continents have made Dante a constant companion as they seek to bring back the highest level of culture as a weapon against the return of a Dark Age.

Dante has never entirely disappeared from Italian schools, of course. But as one participant in the Dec. 1-3 symposium observed from the audience, the centuries-old custom of the "Lectura Dantis," group reading and discussion of the full 100 cantos of Dante's masterpiece, the *Divina Commedia* (*Divine Comedy*), now typically attracts those beyond their sixties. Meanwhile, the high schools impart the *Commedia*, as it is properly called, only in limited doses through selections from the cantos believed to be most popular, accompanying these disembodied fragments with pedantic interpretations. The re-

sults of this standard Dante curriculum were aptly summed up in an article dedicated to the symposium in the leading Rome conservative daily, *Il Tempo*: Dante was becoming a "frozen monument . . . a bureaucratic routine destined soon to fade away."

But now there is a Dante renaissance—and not just in Italy—in which Lyndon LaRouche's role has been key. In his writings over the past several years, the American economist and political leader LaRouche has emphasized that Dante's three canticles, the *Inferno*, the *Purgatorio* (*Purgatory*), and the *Paradiso* (*Paradise*), represent the three levels of consciousness attained by a human being as he develops from infantile bestiality (*Inferno*), to the adolescent's struggle to achieve rational Understanding (*Purgatory*), to the adult level of higher Reason (*Paradise*—achieved in our society, LaRouche points out, only too rarely). LaRouche has shown that it is the *process of development* leading the individual, canto by canto, from *Inferno* to *Purgatory*, and then from *Purgatory* to *Paradise*, and, within *Paradise*, to the empyreal realm of pure creative Reason, that is the fundamental law of human morality. This moral law corresponds precisely to the progressive evolution of the physical universe. The greatest scientific discoveries in history have revealed that the physical universe is governed by the same principles that govern the human mind. Therefore, LaRouche has concluded, the *Commedia* is the greatest "physics treatise" ever written.

The LaRouche approach was the subject of the symposium. A Dec. 5 article, titled "Americans Propose Dante," in the daily newspaper *Il Tempo*, described as "disconcerting, but not at all negative" the fact that "three of the speakers were Americans or of U.S. origin, starting with the chairman of the Accademia that organized the meeting, Muriel Mirak. Has the 'Reagan shift' gone so far?" the paper inquired.

"It was due to them [the Americans] that the temperature of the debate was so fervid, with some naïvetés and simplifications: but happy naïvetés and simplifications, if they nourish a solid commitment to relaunching shin-

ing values in a world which has been devastated also by intellectual cynicism.”

Il Tempo summarized the unusual scope of the presentations: “Dante was ‘read’ as a political scientist, a philosopher of science, a source of artistic research, and not only for his time, but also, and above all, for ours, which is in just as extreme a crisis as his and more so. In a bold suggestion, it was even said that the study of Dante’s language facilitates comprehension of the nature of the high energy-dense plasmas observed in nuclear fusion research.”

‘Missionaries of Dante’

Il Tempo also commented that “Rather than Dante experts in the scholarly sense, the participants in the symposium were Dante missionaries, inspired by an enthusiasm and faith in Dante’s current relevance that went far beyond mere æsthetic admiration or erudite interest in the monumental work of a great man.”

The Rome symposium proved that, given a choice, Italian youth do not seek the rock-drug counterculture, and moreover, do not want to be limited to a vocabulary of 500 words plus grunts, despite the contrary message in the major media. The 1,200 students who flocked to the event despite “standing room only” in the two historic halls where it was held, enthusiastically voted by their attendance for the resumption of the study of a cultivated language based on Dante which would be capable of expressing advanced scientific conceptions.

In this effort to create a new kind of “youth movement,” in its essentials very much like the Italian Renaissance which took its impetus from Dante over 500 years ago, LaRouche’s close Italian and American collaborators were joined by leading officials of the Italian government, Vatican officials, representatives of cultural institutions, and educators.

The symposium began with an inaugural session and reception at the Protomoteca hall in the Capitoline Palace, which was the site of the first Roman government, was rebuilt by Michelangelo in the Renaissance, and now is the seat of the City of Rome’s government. It continued at the magnificent meeting room built for the Oratorian order in the 17th century by the architect Borromini, and concluded, after two days of working sessions, with a round-table discussion on how to carry out a new Dantesque curriculum, featuring some of Italy’s most distinguished educators.

Out of this round-table came a commitment, endorsed by the government spokesman Senator Mezzapesa, to pass a new education policy bill in Italy based on the necessity for a renewed classical curriculum. Such a bill is being prepared by the European Labor Party of Italy (POE—Partito Operaio Europeo). Since 1976, the POE has run numerous electoral campaigns committed to a national policy of economic development and cultural renaissance for Italy.

The first annual Dante Symposium in Rome—its organizers have already scheduled a follow-up for December 1982—culminates the opening phase of an intense period of activity spreading knowledge of the great Italian poet by the LaRouche-linked Academy movement. A “Dante Alighieri Society” dedicated to reversing the Dark Age through science has been set up at the University of Monterrey in Mexico. In the United States, the Lafayette Foundation organized two local one-day symposiums during 1981, around the theme “Dante and the Science of Republican Statecraft,” and the bold assertion that Dante must be counted as an American founding father because he established the principles of republican government and the means of educating a republican citizenry in his *Commedia* and other writings. Co-sponsored by such organizations as the New Jersey Alliance of Italian-Americans and the Philadelphia-based American Institute for Italian Culture, the symposia were held in New Jersey in May and Philadelphia in November; they drew a total of over 300 citizens for presentations on the implications of Dante’s work today, and “A Musical Tribute to Dante” linking Renaissance poetry to the musical tradition that also gave the world Beethoven.

‘Don’t let civilization die’

This “Dante movement” is being created in response to an urgent practical necessity. As a television commentator remarked in news coverage of the Rome symposium Dec. 2: “With this initiative, the reading of the Poet is being proposed anew as the first step toward a vigorous upswing of classical studies.

“In the various presentations,” he continued, “the analogies between Dante’s time and ours were stressed again and again. Then, the earth was swept by a devastating plague; today, we are threatened by different and even more serious plagues. As Dante’s work in the 14th century opened the door for the future of creativity, so today’s symposium proposed that the teaching of the Florentine poet can help us find new values.”

Muriel Mirak, chairman of the Accademia Umanistica, led the inaugural session at the Capitoline Palace on Dec. 1. “Civilization, our civilization, is dying,” she began. “If we do not succeed in intervening soon by kindling of the spark of a new renaissance capable of recovering lost sciences, and thus renewing our citizenry morally and intellectually, we shall inexorably follow in the sad footprints of past civilizations which ended in barbarism. If instead we can start the process of regeneration, it will be thanks to the man to whom we dedicate this symposium: Dante Alighieri.”

Mirak reminded the 700 participants at the first presentation that very advanced civilizations such as Atlantis and the Etruscans had disappeared from the face of the earth.



Standing: Marco Fanini of the POE; at right, Professors Tarugi and Mirak.

She spoke of how the degeneracy of language, the spread of irrationalism, and the formation of drug-based cults are danger signals. "How can we stop this degenerative spiral in time?" she queried. "A sentimental return to classical culture, by which I mean pathetically paying tribute to museum exhibits, will not be sufficient.

"A simple revival of past educational models and institutions would also not be enough. What is necessary is a complete regeneration of thought. We must move methodologically through the steps that brought into being the Renaissance, to reestablish the language which will give life to a new art, a new poetry, and the advancement of science."

Showing how deeply Dante was a "politician" rather than an ivory-tower intellectual, Mirak scored modern politicians as comparative pygmies: Because of them the political life of the nation is sliding toward barbarism, just as in the 1300s when Dante wrote his *Commedia* to "radically transform man" as—she noted—the avid Dante reader Pope Paul VI had termed it.

The inaugural session concluded by noting those who had sent greetings, including Italian President Sandro Pertini, Prime Minister Giovanni Spadolini, the Italian Ministries of Public Education and Culture, and Helga Zepp-LaRouche, chairman of the European Labor Party of West Germany.

Bring Dante's language to life

When the proceedings reconvened Dec. 2 at the Sala Borromini, there was a continuous influx of whole

classes of students from Rome and nearby cities. Hundreds were forced to stand due to what the press termed the "totally insufficient space" allotted by the city government. Prof. Giovannangiola Secchi Tarugi, who heads an Academy of Renaissance Studies named for the Florentine 15th-century poet and Dante commentator Angelo Poliziano, discussed "The New Humanism of Dante in the Development of European Civilization."

She was followed by Leonardo Servadio, the secretary of the Accademia Umanistica, on "The *De Monarchia* of Dante and the Concept of the Republican State." Servadio stressed that academic treatises on *De Monarchia*, Dante's essay on statecraft, bypass the issue. Dante does not write as a passive witness to events around him; he writes to change the world. *De Monarchia* is a document, Servadio asserted, to teach political character to statesmen and the population at large.

Servadio explained that Dante starts with the principles that must rule society, and then elaborates what is responsible for the degradation of society, putting the dominant economic policy at the top—the strangling of productive activity through the rule of usury. The oligarchical forces known to Dante operated through the notorious Donation of Constantine, a fraudulent document purporting to bestow temporal authority on the Church; today's oligarchical elite operates from such institutional bases as the International Monetary Fund and World Bank.

The concept of Dante as statesman was re-emphasized in the text of the presentation sent by Prof. Alberto Chiari, one of Italy's foremost Dante interpreters, who was unable to attend. Chiari's address on "Dante for Ugo Foscolo" spoke of Dante's influence in the 19th-century poet-patriot Foscolo, whom one might compare to his contemporary, America's Edgar Allan Poe. Chiari showed the coherence between the expressive capability of the Italian language per se, and concurrent political-diplomatic activity in the service of the nation.

"In Defense of the Italian Language" headlined the afternoon panel which demonstrated—in accord with Foscolo—how the Italian language created by Dante was most fit to express what Shelley called "profound and impassioned conceptions concerning man and nature." Webster Tarpley, formerly a commentator on political economy for the Accademia Umanistica on the Rome TV channel Teleradiosole, and European coordinator of Lyndon LaRouche's National Democratic Policy Committee, took up the subject of reforming the language from its degenerated current usage, linked, he pointed out, "to the political and social crisis surrounding us."

"In the United States, for example, there is no politician who is not deeply illiterate. Take the case of Secretary of State Haig, whose ignorance of the most elementary rules of the English language make him a

national scandal. General Haig often speaks about 'cautious cautiousness,' and of 'strategic strategy.'

"The humorous aspects are evident," Tarpley continued; "but when one hears General Haig speaking, one also hears the language of the releases issued during the Vietnam War—the language used by those who created, carried forward and justified that war to effect massive population reduction. There exists, in other words, a very direct link between a competent use of language, intelligence, and morality; and a decay in language involves directly a decay in intelligence and morality."

Tarpley, assisted by Fiorella Operto, chairman of the POE, then detailed the project formulated by LaRouche to bring back a cultivated language. Giving examples from Dante's Italian, Schiller and Goethe's German, Rabelais's French, Shakespeare and Milton's English, and Pushkin's Russian, Tarpley demonstrated how in any cultivated language the cornerstone of formulating hypotheses is the use of the conditional-subjunctive (hypothetical phrase). The vanishing of the subjunctive mood from today's language, he noted, reduces the capacity not only for expression, but for thought itself.

The general thesis was demonstrated with great effectiveness for the case of Italian by Operto. This December, the POE brought out a pamphlet titled *Toward a Dantesque grammar of real Italian—A Preliminary Study*, with a preface by LaRouche. She gave examples from contemporary Italian from modern novels, the language of the press, and politicians including Socialist leader Bettino Craxi. She showed that even the best known authors and journalists write entire pages without ever using the subjunctive, or make themselves incomprehensible by borrowing from already degenerated English.

The scientific Renaissance

The last day of the symposium opened with three presentations on "Renaissance Art and Natural Science in the Tradition of Dante." U.S. art historian Dr. D. Stephen Pepper spoke on "Dante, Raphael, and the Basis of the Italian Renaissance," and demonstrated that the painter Raphael's application of the principles of Dante's three levels of consciousness to pictorial representation completely exposed the pornographic fraudulence of such forerunners of modernism as Caravaggio, a much-admired Roman artist of the 17th century.

Alessandro Parronchi, the well-known Professor of Art History at the University of Florence who has written on Dante's contribution to the science of perspective, then presented his exciting thesis on "The Botticelli Drawings." The famous illustrations of the *Commedia* by the late 15th-century Florentine Neopla-

tonic artist, Parronchi showed, are not preparations for a book, as widely believed, but designs for frescos for the interior of the famous Brunelleschi dome of Florence Cathedral, which from the beginning of its construction has been associated with Dante's work. The dome, begun in 1418, is considered the greatest single scientific and engineering feat of the Florentine Renaissance.

Muriel Mirak, author of "How Dante Used Poetry to Start the Scientific Renaissance," next stirred up an intense debate with her presentation on "The Significance of Paradise for Geometry—from Pacioli to Bruno." Dr. Mirak's article elaborating the LaRouchian approach to the *Commedia* came out in English in *The Campaigner*, April 1980, and appeared in the inaugural edition of *Il Machiavellico*, a new periodical released at the Rome symposium.

Mirak easily destroyed the myth that the third canticle of the *Commedia*, *Paradise*, is the least interesting and most "abstract," by demonstrating how Dante anticipated by centuries the Keplerian theories of planetary motion. She emphasized that through the Platonic dialogue between Dante and Beatrice, *Paradise* instructs the reader on how to give up the Aristotelian, empiricist sense-certainty method in favor of the rigorous scientific method of elaborating hypotheses on the nature of the physical universe and its laws. Today, Mirak stated, reading Dante's *Paradise* is more useful for scientists than reading Newton!

How to teach the classics

The highlight of the conference for many was the round-table discussion where Academy leaders grappled alongside leading figures in the government and Church educational programs with the question of how Dante can be made the basis for a revival of Italian education. Although Dante's 700th birthday was celebrated nationally and internationally in 1965, a 16-year-old youth in Italy today, born in that year, is likely to have little interest in and less knowledge about Dante, for that was also the year when the nihilist "student movement" was launched, creating today's terrorist gangs and destroying the remnants of classical curriculum.

Panel participants included Monsignor Giovanni Fallani, Vice President of the Casa di Dante and President of the Vatican Commission of Sacred Art; Italo Borzi, the General Director of the Information, Literary, Artistic, and Scientific Service to the Italian Prime Ministry; Senator Pietro Mezzapesa, Undersecretary to the Ministry of Culture; Maria Luisa Bonelli of the National Teachers' Association; Muriel Mirak; and Fiorella Operto.

Borzi very effectively posed how the classics are now being killed in the schools, noting that the *Commedia* is read only in isolated cantos and those are buried in

obscure interpretation.

"I was very glad to hear the second canto of *Paradise*," Borzi remarked, referred to the reading by actor Roberto Bramucci before the round-table, "which is never read in school because it is considered 'inferior.' Let us please not say 'that canto should have been written differently,' let us shut up, because the worst line of Dante is better than anything in contemporary production!" The speaker was warmly applauded.

Senator Mezzapesa, officially representing the Italian government, then posed the question of how Dante must be taught in order not to appear too difficult or outdated.

He blasted some new interpretations and "alternative" ways of teaching Dante as "a conspiracy against Dante," and added that the first enemy of Dante is the intellectual laziness which prevents a student from concentrating on his poem.

Monsignor Fallani, who chaired the round-table, emphasized Dante's importance in the moral formation of young people: "Every young person faces a certain point in his life, what Dante faced when he found himself lost in the forest [at the beginning of the *Inferno*], which means difficulties and obstacles, and intervention is needed at this point to get him out."

To no one's surprise, the corruption of the mass media was hit hard by the speakers. Dr. Mirak posed Dante as a way out: "If one thinks of the joy children feel when resolving conceptual problems, and if one thinks of the fact that life is short and should be used to contribute to the continuous progress of humanity, one will no longer lose time with television and comic books. In this sense the love for science brought about by Dante is morality."

Many members of the audience—particularly teachers and teachers in training—joined the discussion when it was opened to the floor. One student from a teachers' college stressed what the symposium sponsors had also deemed most significant—the number of young people attending. She said she was most struck by the words of Muriel Mirak in her inaugural speech on the death of civilization: "Participating in this symposium has made me realize that I am not adequate to my task of becoming a teacher—in all these years of school, all I saw in Dante's *Commedia* was the beauty of the verse."

"It will not be easy to take this enthusiasm and these intuitions into the schools," commented the daily *Il Tempo* in its article praising the symposium. "Nonetheless, the teachers and students were numerous and interested, ready to participate. From the audience, the [stage and television] director Orazio Costa also took the microphone and announced the news that he is preparing a dramatic reading of the *Commedia*, to be transmitted next year over Italy's national radio channel.

THE VATICAN

John Paul II wars against Malthusians

by Vivian Zoakos, European Editor

In a 175-page "apostolic exhortation" released Dec. 15, Pope John Paul II attacked head-on the neo-Malthusian "population control" forces of the Club of Rome and the Global 2000 "futurology movement."

Although he cited no institutions by name, the Pope's target was perfectly clear when he sharply criticized "the studies of the ecologists and futurologists, which sometimes exaggerate the danger of demographic increase to the quality of life."

Asserting that "the Church stands for life," John Paul said it "condemns as gravely unjust" the neo-Malthusians' policy of making economic aid to nations and individuals conditional on willingness to introduce and accept "programs of contraception, sterilization and procured abortion," to cite the population control policies specifically named by the Pope.

And he declared the Church opposed to all government "population control" policies, saying it "condemns as a grave offense against human dignity" governmental efforts "to attempt to limit in any way the freedom of couples in deciding about children."

Landmark statement

John Paul's statements, in a document intended to provide guidance for the Catholic clergy around the world, mark the first time the Vatican has explicitly identified the ecologist movement and the international futurologists as the purveyors of the genocide policy euphemistically dubbed "population control."

Instead of passively accepting the threats of schism in the Church proliferating from the neo-Malthusian genocidalists inside and outside the Church, the Papacy is finally putting the full weight of its authority behind an active battle to target these forces. The futurists have in the past voiced their insistent fears about the role of the Church in spoiling their well-laid plans—to the point of threatening John Paul with assassination as the only way to silence him.

Reins in Jesuits

The Pope's attack on the neo-Malthusians, the very networks behind the Polish crisis and the ongoing Central American bloodbath, is the latest in a series of

rapid-fire Vatican initiatives to cool out world hotspots.

Vatican Secretary of State Agostino Cardinal Casaroli travelled to Mexico the week of Dec. 7 for a historic visit with Mexican President José López Portillo. Ostensibly timed to coincide with the 450th anniversary of the appearance of the Virgin of Guadalupe—Mexico's patron—the visit in fact represented an important step in the reconciliation between the Catholic Church and the Mexican republican government.

The tenor of Cardinal Casaroli's trip was prepared by a series of important public statements from various quarters, including the Pope. In early December, Pope John Paul released a statement on the Church in Central America whose content was reiterated a week later. While condemning "injustice" and all forms of "oppression" in the region, the statement reaffirmed in no uncertain terms the Pope's insistence that *the Church* in Central America must "avoid all modes of activity that respond to the class struggle."

John Paul was thus telling the Central American bishops, a sizeable percentage of whom support the political guerrilla activities of the Jesuits, that he was not about to accede quietly to their activities.

The Pope's statement made pointed reference to last June's extraordinary conference of Central American bishops and heads of religious orders held in Rome.

The conference had been convened by Cardinal Baggio, one of the powers within the Curia, to attempt to put a stop to the local political destabilizations in which portions of the local Church had become enmeshed under the guise of "Liberation Theology." Far from being able to impose Vatican authority in forcing the curtailment of such activities at that time, Cardinal Baggio had been forced—under likely threat of outright schism—to accept a document adopting the guidelines of the Jesuit Order for Church collaboration with Marxist guerrillas in dealing with local situations.

John Paul calls a bluff

That document, which was sent to the Pope for approval, was strongly rejected by John Paul in his statement. He had called the bishops' bluff. The week of Dec. 7 the head of the Latin American bishops conference made public a letter written to Cardinal Baggio containing much the same message.

Cardinal López Trujillo, who was himself an attendee at the cited June conference, violently attacked in his letter the head of the Jesuit Order, superior General Arrupe, as well as other Liberation Theology prelates, for the "Leninization of society," and for being "friends of the enemies of Christian society."

The unmistakable reference to Jesuit and other participation in Central American destabilization operations was clear to all concerned, creating an uproar in the Jesuit Order.

Since Mexico, as the only stable republican government of the region, has been the prime target of these destabilization operations, these various Church condemnations of such activities were crucial in laying the groundwork for the Secretary of State's historic visit to that country.

No statement whatsoever was released to the public about the nature of the private discussions between Cardinal Casaroli and President López Portillo. It was significant, however, that upon emerging from the meeting Casaroli was asked whether Rome and Mexico might ever re-establish full diplomatic relations. His response was, "Anything can happen." In any case, the Mexican press was correct in its general assessment that the very fact of the meeting itself "constituted a new level of rapprochement" between the Vatican and the Mexican government.

The Secretary of State also re-stated the Pope's position on the proper role of the Catholic Church in the field of political activity. Speaking in Guadalajara, Casaroli said that the Church "has no direct political power." However, he continued, since politics must be based on moral principles," in this sense the activities of the Church in its own field, which is morality, can and must have consequences on the political plane."

Pope John Paul had defined the Church's proper political role in nearly identical words in a homily delivered earlier this month in Rome. It is on the basis of this transcendent "moral duty" that he has based his political interventions worldwide both in Central America and around the globe.

Casaroli's trip to Mexico coincided with a second dramatic initiative of the Vatican.

It was announced on Dec. 13 that John Paul was sending delegations to the U.S., U.S.S.R., France, Britain, and the United Nations, consisting of scientists from the Pontifical Academy of Sciences to argue against the rising danger of thermonuclear war.

The U.S. delegation met with President Ronald Reagan on Monday, Dec. 14, a day before Casaroli himself stopped off in Washington for meetings with the President following his Mexican tour. The delegation to Moscow met with Soviet President Leonid Brezhnev on Tuesday.

That this occurred at the beginning of the Geneva U.S.-Soviet disarmament negotiations was significant, but the pontifical delegations to Moscow and Washington were rendered strikingly dramatic by the ongoing events in Poland. Here, where the Vatican and the Pope personally have acted as a crucial moderating force before and after the institution of martial law Dec. 12-13, the Polish Pope is being perceived internationally as the crucial element in preventing the situation from degenerating into the trigger for an eventual nuclear war.

Sykes-Picot revisited

The consistency behind Foreign Minister Cheysson's apparent flipflops is a new alliance with Great Britain.

Many here were astounded when they were informed over the radio waves or by the newspapers Dec. 11 that Foreign Affairs Minister Claude Cheysson had declared France's intention to normalize relations with Libya, only one day after President Reagan had asked his allies to support him in his campaign against Libya and Colonel Qaddafi's involvement in terrorism and the assassination attempt against the American President.

All the more surprising, the average citizen must have said to himself, since on Dec. 9 Claude Cheysson had affirmed his full support for the Israeli cause and disavowed the European Community's Venice declaration supporting Palestinian self-determination.

Could it be that France's best allies are at the same time Israel and Libya?

In fact, an in-depth analysis of these events demonstrates that French foreign policy is not as incoherent as it first appears, and that it stems from England's Middle East policy.

Claude Cheysson already made it onto the front pages of the international press with his revolting statement in the wake of the assassination of President Sadat when he dared say that the death of the Egyptian President eliminated an obstacle to peace in the region.

But the statements made after his trip to Israel were even more revolting: as long as the current

government stays in power, he explained, there will be no new peace initiative for the Middle East coming from France or the European Community. The EC's Venice declaration wasn't worth anything, he explained, because it goes against the Camp David agreements which, on the other hand, made real progress.

He also aroused great enthusiasm in Israel when he declared that the embargo decreed by de Gaulle in 1967 on weapons shipments to belligerent countries in the Middle East would be lifted, and that France was ready to sell weapons to the Israeli state. The West German press even reported that the French secret service may have "facilitated" Israeli Foreign Minister Itzhak Shamir's tour of Africa.

Following this visit, Shamir expressed his pleasure at seeing "a new era in relations between France and Israel" open up, while American sources estimated that the position of Prime Minister Menachem Begin was "considerably reinforced" by Cheysson's statements, which, according to one of these sources, "could be interpreted by Defense Minister Ariel Sharon as a green light for an Israeli intervention into Lebanon." Indeed, a new intervention has been expected for weeks now, intended to once and for all destroy the Fahd plan and force the United States to come to Israel's aid, at the risk of a super-power confrontation.

While the British press displays its indignation over Cheysson's rejection of official joint European policy towards the Middle East, high-level British sources confide that Franco-British relations will not suffer unduly from these statements.

On the contrary, it seems clear that the subject of the twice-weekly telephone conversations between Cheysson and Foreign Minister Lord Carrington revolves around a resurrection of the old Sykes-Picot accords for sharing power in the Middle East.

Those secret Franco-British accords of 1916 stipulated that each country would keep out of the other's sphere of influence, and Syria and Lebanon would remain under French influence, while Iraq, Jordan, and Palestine would be considered part of British territory. France's aggressively pro-Israeli behavior is intended to push Arab countries like Iraq into the arms of her gracious majesty.

This Franco-British alliance is also intended to weaken U.S. Middle East policy.

The British fear that President Reagan, after his congressional victory on the AWACS, which has assured him the sympathy and support of the Saudis, would now open talks with the Soviets to finally resolve the Middle East crisis.

Wasn't it a British official who, upon his return from the United States, declared that Washington "had had enough of Begin"?

London wants to force the White House to stick—come what may—to the Camp David accords and reject any possibility of Soviet-American dialogue, the only chance for a negotiated peace in the Middle East.

Sharon's cold war in Africa

Why the potential has increased for the continent to become a vast and bloody replica of Central America.

Israeli Defense Minister Ariel Sharon, in a secretive visit to a number of African countries, has set the stage for a sharp escalation of U.S.-Soviet tensions throughout Africa.

The November tour of Africa by the flamboyant Israeli general immediately preceded his arrival in Washington on Nov. 30 to sign the so-called Memorandum of Understanding on U.S.-Israeli strategic cooperation. In the Knesset debate that followed that accord, Sharon proclaimed that the memorandum "will strengthen Israeli ties with African and Asian nations who fear the Soviets" and that it will lead to "a range of possibilities for geopolitical cooperation."

Among the nations visited by Sharon—who reportedly sojourned at seven African states—South Africa was the most prominent. According to Drew Middleton of the *New York Times*, Sharon spent 10 days in South Africa and South African-occupied Namibia, where talks concentrated on military cooperation and arms sales.

But, contrary to the widely held impression that Sharon's trip through Africa was organized by the Reagan administration out of some desire to use Israel in the defense of Africa, Sharon's actual partners on the continent are the former African colonial powers of Britain and France. In particular, French Socialist François Mitterrand's regime has made great ef-

forts to reconstitute the Tripartite Alliance of 1956 that organized the Anglo-French-Israeli invasion of Egypt in the Suez War (see Report from Paris).

Then, as now, the Tripartite Alliance was aimed directly against American policy and interests.

Although this policy in Africa is supported by certain elements of the Reagan administration, notably Alexander Haig, it by no means has won the backing of the White House. Should Sharon's Africa policy succeed in dragging Washington behind it, the same left-right polarization that has wracked Central America in grinding civil wars and East-West tensions will become entrenched in Africa.

In Central America, it is well known that the forces linked to the Socialist International and to the Society of Jesus have been able to stage-manage a growing set of bloody insurgencies while still maintaining controlling influence over both the "left" and "right."

Now—using Israel as their spearhead—the old European colonial powers, including Belgian mineral interests, British and French raw material-extraction concerns, and British Petroleum and Royal Dutch Shell oil companies, are trying to do the same in Africa.

Sharon, who arrived in Washington at the same time as Zaire's President Mobutu and Jonas Savimbi of the UNITA gang from An-

gola, has joined the chorus of British intelligence specialists demanding that Reagan support a civil war in Angola backed by the South African-sponsored UNITA.

Mobutu, whose poor nation is desperately short of funds, is being blackmailed by French and Belgian interests to support the suicidal scheme. During his stay in Washington, Mobutu hinted that he would soon reopen relations with Israel, and, according to Israel's daily *Davar*, was recently to have held a secret rendezvous with Sharon in London.

But the real nature of the Franco-Israeli game is revealed by the simple fact that Sharon and Mitterrand are simultaneously courting both South Africa-UNITA and Algeria and Libya!

Sharon's intent to transform South Africa into a military bastion whose influence radiates as far north as Zaire is no secret. Nor is the fact that together the French and Israelis are the chief arms suppliers to Pretoria.

But Mitterrand's recent trip to Algeria, during which he proclaimed himself Africa's greatest liberator, was also coupled with a series of French statements pledging closer ties to Qaddafi's Libya! And Israel, in its effort to upset the Saudi peace plan, is actively engaged in a secret game to strengthen Libyan and radical Arab influence in Arab councils.

Thus, in Africa, Sharon and Mitterrand will have the best wishes of the Soviet KGB. By enlisting Washington's support for futile crusades in Africa, Cuba's unhappy presence there will be reinforced, and the United States will find itself without friends or influence south of the Mediterranean.

Alemán moves to legalize casinos

The drug lobby is trying to get a toehold in Mexico through a restoration of legalized gambling.

Mexico's Tourism Minister, Dr. Rosa Luz Alegría, announced in a Dec. 10 interview that her ministry was "studying the possibility of installing legal gambling games on our borders [with the United States] . . . as a means of attracting more tourists."

Mexican politician circles responded with shock and outrage. "She can't be thinking seriously about the possibility of establishing casinos in Mexico," the Mexico City daily *El Periódico* wrote. "She must recall that . . . none other than General Lázaro Cárdenas himself, the pinnacle of our Revolution, once and for all dismissed that risky option for attracting tourism."

El Periódico was referring to the fact, known to every Mexican schoolchild, that gambling and casinos have been banned in Mexico since the country's most popular president of the century, Gen. Lázaro Cárdenas, threw the drug-linked international financial interests behind casinos out of the country in the late 1930s. President Miguel Alemán tried to institute these mob activities during his 1946-52 term, as a favor to his drug-linked backers, but he had to back down in the face of a nationalist outcry.

Rosa Luz is making the strongest pitch for gambling since the days of Alemán. Mexico's political commentators are amazed at the fact that a woman so closely identified with President José López Portillo should be articulating pro-

grams associated with Alemán and against López Portillo's policies. López Portillo has repeatedly proclaimed his total opposition to legalized gambling as an anathema to his administration's commitment to capital-intensive industrial growth. But Dope, Inc. has hopes of bullying and blackmailing his assured successor, PRI party presidential candidate Miguel de la Madrid, into granting them a foothold in the Mexican economy. They are making particular use of a group of Alemán-linked advisers to de la Madrid who are grouped in the PRI party think tank IEPES, and who openly favor Malthusian policies styled after Jimmy Carter's *Global 2000 Report*.

Besides pushing economic policies divergent from López Portillo's, the Alemán crowd is doing everything possible to weaken the PRI party structure so that there will be no institutional opposition to their pro-drug line. This has impelled the PRI's octogenarian labor fox, Fidel Velásquez, to remind PRI congressmen of the primacy of the labor sector within the party apparatus, and warn them to push labor's legislative initiatives. Velásquez issued untempered threats to politically destroy any anti-worker congressmen. "There are enemies within the PRI, and we will not slacken in the face of traitors," Velásquez pronounced. "We will destroy the political career of PRI members who oppose our initiatives. . . . We will point them out

as enemies of the revolution."

Likewise, the top leader of the oil workers of Mexico, Joaquín Hernández Galicia, surprised Mexico's politicians by reading the riot act to Miguel de la Madrid when he brought his campaign to Mexico's oil fields in Tampico last week. While looking directly at de la Madrid, Galicia denounced those former Mexican presidents who had been mortal enemies of organized labor—and Miguel Alemán, of course, was at the head of the list. "Alemán instituted corruption in the industry, through which a handful got rich overnight," Galicia intoned. "He put in phony union leaders; he denied us opportunities for training."

Galicia ended with a warning: "I am loyal to my friends, and I will bare my chest for them. And my friends will bare their chest for you."

On the scene observers report that de la Madrid put aside his prepared speech in the face of this strong labor pressure, and expressed his "thanks to my friend Galicia, who spoke the way a friend should speak—frankly, honestly."

Galicia's explicit accusation against an ex-president who is still alive stirred up a hornets' nest of speculation in Mexico. Most have interpreted it as a signal that the Mexican labor movement will not stand by while the Alemán crowd continues to take up positions of power in the de la Madrid camp.

López Portillo himself signaled a similar outlook in a speech a few weeks ago. "There are those who want internecine warfare to destroy Mexico," the President charged, "since they object to the peace which reigns in our national life in the midst of a world in crisis."

International Intelligence

Mitterrand policy brings peasant riots

Violent demonstrations took place throughout France on Dec. 11 as peasants protested Socialist President Mitterrand's policy of lowering farm subsidies.

Farm revenues have dropped by 10 billion francs (about \$2 billion) this year, twice as much as last year. Three days ago the government decided to grant 5.5 billion francs in agricultural aid, a figure French farmers consider totally inadequate.

In Strasbourg, 3,000 peasants took over the city's center with 1,500 tractors and wrecked everything in sight. The rampage continued for five hours until 800 special police used tear gas to disperse the mob. In Tulle, 200 peasants took over police stations; and in Metz 1,800 rioted.

The FNSEA peasant organization, including 70 percent of French peasants, is reported behind the upsurges and has threatened the government: "When we order our troops to move, then you will see what we can do."

Socialist International diplomatic maneuvers

A meeting of the Defense Committee formed and run by the Socialist International took place the weekend of Dec. 11-13 in Panama City, Panama. Present at the meeting were Felipe González, head of the Spanish Socialist Party; Carlos Andrés Pérez, former Venezuelan President; Francisco Peña Gómez, head of the Dominican Republic's Social Democrats; and Daniel Ortega, member of the Nicaraguan Junta, among others.

According to informed sources, Felipe González left the meeting for 24 hours to meet with Cuban leader Fidel Castro in Havana. His deployment to Cuba, as well as his current visit to Mexico, represents an effort to get the Social-

ist International in control of Cuban-Mexico-U.S. relations.

Mexico and the Soviets are reportedly making an effort to try to cool the Haig-Castro confrontation show by getting the Castro government to talk with the United States. Should this actually take place, the Socialist International wants to make sure they will be in total control of the situation instead of Mexico or the Brezhnev faction in the U.S.S.R.

EIR holds foreign-policy seminar in Washington

An afternoon seminar Dec. 15 in Washington on "The Middle East Strategic Situation and the Soviet Succession Struggle" drew representatives of 25 embassies, U.S. government and military officials, corporate representatives, and Middle East specialists.

The speakers were Contributing Editor Christopher White and Middle East intelligence director Robert Dreyfuss; questions from the 50 in the audience focused on Libya and the security threat to President Reagan.

Mr. Dreyfuss began the seminar by discussing EIR's role in hampering the capabilities of Islamic fundamentalism and its London-based controllers. The attack on *EIR* in London's *New Scientist* magazine, said Dreyfuss, was provoked after *EIR* exposed the activities of the Rothko Chapel in Houston in promoting Muslim Brotherhood operatives, including those involved in the Sadat assassination and the threat to Reagan.

Dreyfuss reviewed the real story of Col. Qaddafi's Libya, including the Anglo-Venetian banking and oil interests behind it, and the role of Occidental Petroleum's Armand Hammer in supporting Qaddafi. He concluded with a review of new *EIR* material concerning the activities of the Russian Orthodox Church and the Soviet KGB in the Middle East, particularly in conjunction with Israeli intelligence.

Mr. White reviewed the situation in

Poland as it bears on the Soviet internal struggle, outlining how the British and Jesuit intelligence circles initially began the Polish destabilization to disrupt the economic and political negotiations between Soviet President Brezhnev and West German Chancellor Schmidt since 1978, and describing the role of Soviet radical-ideologue factions opposing Brezhnev in using the Polish crisis.

White then described the role of the "systems analysis" current of thinking in the U.S.S.R. as the chief impediment to a common U.S.-Soviet understanding on mutual fostering of industrial growth policies.

In the audience were diplomats from Great Britain, the Soviet Union, Romania, Saudi Arabia, India, many African countries, and other countries. In addition, Standard Oil of Indiana, IBM, Caltex, and Raytheon were among the business representatives.

Although the conference presentations caused considerable controversy and agitation, the only rude behavior came from the British diplomat, who stalked out only 10 minutes after the start of the first address. "Dreyfuss is a lunatic," he fulminated, visibly upset that everyone else seemed so absorbed in the discussion. "I didn't come to listen to a lunatic."

Futurist reorganization planned for Canada

The Governor General of Canada, Edward R. Schreyer, official spokesman for Queen Elizabeth II and the highest-ranking figure in Canada, has mandated creation of a new nationwide organization to plan the federation's post-industrial future.

Schreyer, the honorary patron of the First Global Conference on the Future held in Toronto in 1980, gave a press conference in Ottawa Dec. 15, the first ever to be given by a Governor General in the history of Canada. There he announced the creation of the new organi-

zation, which will rally about 200 top leaders in labor, industry, and government between the ages of 25 and 40 for a period of three consecutive weeks every year.

The first conference, to be held in the spring of 1983, is entitled "Canadians in a Changing Industrial Society." It is to be headed and organized by Paul Demarais, President of Power Corporation, a close collaborator of Charles Bronfman; Socialist International assets Louis Loberge, president of the Quebec Federation of Labor (QFL) and Shirley Carr, vice-president of the Canadian Labor Congress (CLC); William Mulholland, of the Bank of Montreal; and Bill Daniel, Chairman of Royal Dutch Shell of Canada.

Khomeini renews threat to Iraq, Persian Gulf

Iran has relaunched its effort to destabilize the Persian Gulf and accelerated its military operations against Iraq. Stepped-up Iranian activity in mid-December, according to Arab sources, was a complement to Israel's action in annexing the Golan Heights and threatening Lebanon.

In Bahrain and Saudi Arabia, authorities announced the arrest of 65 terrorists, heavily armed and well-financed, who admitted to having been trained in Iran and sent into the Gulf. Many of the arrested Shi'ites were from Iraq's Al-Dawa organization, a pro-Khomeini terrorist group whose activities in Iraq sparked the outbreak of the Iran-Iraq war last year.

Some of those arrested claimed to have been responsible for the huge explosion in Beirut this week that killed 30 people and destroyed the Iraqi embassy in Lebanon.

Throughout the Gulf, virtually every Arab state has sent messages to Iraq in solidarity with Baghdad, condemning Iran's shocking executions of captured Iraqi prisoners of war. According to re-

ports from Iran, many Iraqi prisoners have been subject to summary executions, contrary to standards of international law.

Iraqi sources report that during the first half of December Iran launched two "human wave"-style attacks against fixed Iraqi positions, losing thousands of soldiers. Up to one million Iranian troops have allegedly been assembled in the region of the fighting.

Soviets renew Mideast peace offensive

Soviet official Vadim Zagladin announced Dec. 10 that the U.S.S.R. is planning a new Middle East initiative, on whose behalf Moscow has already begun consulting officials in the Mideast and Europe. The recent tour of the Arab world by special Soviet Ambassador Mikhail Sytenko, which closely followed the route of U.S. emissary Philip Habib, is part of the Soviet maneuver.

Israel's *Ha'aretz* newspaper ran a curious Dec. 13 interview with a Soviet diplomat in Washington, in which the Soviet affirmed a new initiative on the Mideast in which through meetings with European officials, Moscow was "comparing its approach" to the European Community's Venice Declaration and also to the Fahd plan.

The Soviet official stresses that should the Soviet initiative in the Mideast succeed, then there could be a new "thaw" in U.S.-Soviet ties.

Since Saudi Prince Fahd issued his peace plan in August, the Soviet response has been consistently divided. On the one hand, the Soviet press has tentatively agreed with the basics of the plan, pending a few modifications. This sentiment has been expressed following the Schmidt-Brezhnev talks.

On the other hand, the Soviet media has expressed the same hard-line rejection of the plan as the so-called rejectionist Arab governments in the Middle East which have opposed the plan.

Briefly

● **U.S. EXPORTS** of some technical items destined for use in the Indian space program, aviation industry, thermal power plants, and nuclear power stations have been blocked, according to the *Financial Times*, by the State and Defense departments on the grounds of possible application to use in the defense industry.

● **LA PRENSA**, one of the key opposition newspapers in Nicaragua, has toned down its attacks on the government, while the Sandinistas are reportedly considering softening the sentences on three businessmen arrested in October.

● **HOLGER BÖRNER**, Governor of the West German state of Hesse, announced Dec. 14 that he will halt felling of trees at the site of the contested Frankfurt Airport runway expansion until courts have ruled on the validity of the "people's referendum" opposing the project. Börner, a Schmidt ally, has previously denounced this referendum move as comparable to the Nazis' anti-constitutional efforts. He made his tactical retreat after his state interior minister, a member of the liberal Free Democratic Party, told him not enough police could be provided to prevent an occupation of the site.

● **VALENTIN SEMYONOV**, the Soviet Ambassador to Bonn, met Dec. 16 with two executive committee members of Die Grünen (The Green Party), the neo-fascist environmentalists. The Soviet embassy issued a statement afterward stressing that the Soviet proposal for a ban on Euromissile deployments during the Geneva arms talks "met with approval by the Green Party and the German peace movement." The meeting had been scheduled to take place just before Leonid Brezhnev's visit to Bonn, but Brezhnev personally called it off. Now the Polish crisis has given Semyonov and other Brezhnev opponents a greater edge.

Haig seeks showdown in Caribbean and Africa

by Richard Cohen, Washington Bureau Chief

Secretary of State Haig has "gotten his way" on what is reported to be his pet project. In the wake of the Polish upheavals, he is moving quickly to threaten Soviet and Cuban flanks in Angola and, most intensively, in the Caribbean.

Fred C. Iklé, Undersecretary of Defense for Policy, warned for the first time on Dec. 15 that the Pentagon is drafting contingency plans to "respond as required to further military threats and acts of aggression," citing a military buildup in Nicaragua and Cuban subversion in the Caribbean Basin. Iklé was testifying before the senate Foreign Relations Subcommittee on the Western Hemisphere.

While he bowed to the prevailing military opinion, shared by the Joint Chiefs of Staff, that limited actions against Cuba or putative "Cuban proxies" in the Caribbean would be ineffective and counterproductive, he signaled that the Pentagon is under redoubled pressure from Haig and others to back the State Department's military-confrontation approach.

Intelligence officials suggest that the Pentagon's partial acquiescence to Haig's approach to Central America and the Caribbean has been prompted by the Polish developments. Tough talk and material penalties against the U.S.S.R. have been urged by Haig, by former National Security Adviser Zbigniew Brzezinski, and by the group around Henry Kissinger's Center for Strategic and International Studies (CSIS) at Georgetown University.

The day before Iklé's warning, Haig's lieutenant Thomas O. Enders, Assistant Secretary of State for Inter-American Affairs, announced before the same Senate subcommittee that U.S. plans have been assembled for possible military action against Cuba and Nicaragua. Enders presented the Senators with a 37-page State Department research paper on what he termed Cuba's coordination of violent revolution in Nicaragua and attempts at the same in El Salvador and Guatemala, charges echoed by Iklé.

It is important to note that sources close to Mr. Reagan had confirmed during the White House transition period that the President-Elect and his closest strategic advisers considered Cuba "an ace in the hole" under conditions of global crisis. The original Reagan strategy for the Persian Gulf, they reported, discounted the efficacy of the Rapid Deployment Force on any other theatre deployment as effective deterrents to a large-scale Soviet move in the area. Instead, according to these sources, under conditions of full strategic showdown, full-scale invasion of Cuba would be the probable response. In modified form, that approach was adopted as Pentagon strategy under Caspar Weinberger.

Haig's policy is different. His noisy hard-line rhetoric has chronically been used by Fidel Castro and hard-line Sandinista factions in Nicaragua to enforce their control. This is deliberate: Haig has played a tit-for-tat game with Castro and his Brandt-Mitterrand patrons in Europe's Socialist International, each increasing their own credi-

bility through the other's attacks, with the intended result of throwing Central America and the Caribbean into a bloody vortex. The ultimate aim is to superimpose Malthusian slaughter upon Malthusian impoverishment, and ignite an uncontrollable new Spanish Civil War throughout the region.

While under the auspices of Jesuit-controlled Castro and the Socialist International, Nicaragua has become a training base for radical insurgents throughout Latin America. Haig has attempted to lure Latin American nations into putting together a military force against Cuba, a development which would among other things guarantee Mexico's destabilization.

A fly in the ointment for this Haig policy has been the relative success, over recent weeks, of combined efforts of the Mexican and Soviet governments to restrain Fidel Castro's most radical excesses. Reliable sources have told *EIR* that Castro has grudgingly agreed to cool the rhetoric—but not so the Nicaraguan Sandinistas, who remain committed to play out Haig's game of regional proxy warfare. Nicaraguan Foreign Minister Miguel D'Escotto was in Moscow earlier this week, where Prime Minister Nicolai Tikhonov, a Brezhnev ally, lectured D'Escotto: "Efforts to preserve peace and restore the climate of detente and confidence have assumed particular importance under conditions of an exacerbated world situation, including that in Central America and the Caribbean," reported the Soviet news agency TASS. But there is no indication at this time that the Sandinistas are listening.

Helping to make sure that they don't, and to try to push Castro back over the edge, top representatives of the Socialist International have deployed across Mexico and Central America over the past week. Most relevant are the activities of Spanish Socialist Felipe González, who is engaging in Kissinger-style "shuttle diplomacy" between Panama, Havana, and Mexico City, where he has met with Castro, López Portillo, and others.

On the Angolan front

Sources report that even prior to the mid-December Polish developments, a consensus had been reached in the administration to move forcefully on what is believed to be Cuba's weakest flank, Angola.

For two weeks before the expected Dec. 9 vote in the House of Representatives on repeal of the Clark Amendment's restriction on covert aid to Angolan rebels, Jonas Savimbi, leader of the UNITA rebel band still operating against the Angolan government, visited Washington. Savimbi met extensively with African Affairs Assistant Secretary Chester Crocker, who as National Security Council specialist on Africa during the reign of Henry Kissinger, knows Savimbi well. Savimbi also reportedly met with Pentagon officials and with Haig himself. Although administration officials finally

pulled back on their plan to repeal the Clark Amendment, Haig pronounced Savimbi a legitimate Angolan political figure.

Upon completing his Washington tour, sponsored by the New York-based right-wing Social-Democratic Freedom House, Savimbi called his mission to the United States a "breakthrough." This is translated in Washington as acknowledgement of the fact that pressure will be brought to bear on an Angolan government now housing 20,000 to 30,000 Cuban troops, reportedly low in morale and in military trouble. While Haig's recently cancelled trip to Israel was to be followed by a trip to South Africa to discuss Namibia, sources close to the State Department consider the Namibia issue a smokescreen.

Intelligence withheld?

Even more striking than apparent Pentagon submission to Haig's Malthusian Latin American and African crusades is evidence suggesting that the President has been shielded from critical intelligence on, at least, the Polish crisis. On Dec. 10, the President was reported to have reversed himself on the long-standing question of substantial increases in U.S. food and medical aid to Poland. Having been lobbied for several months by sections of the State Department and Defense for dramatic increases in Polish aid, Reagan decided to go along with a new \$10,000,000 package. Intelligence specialists were astonished to learn of the decision, along with a new \$100,000,000 package. Intelligence including approval of the sale of Caterpillar equipment to the Soviet Union. These analysts note that sections of U.S. intelligence most closely associated with the CIA and the DOS must have known that the Polish military was preparing martial law. That information clearly never reached the White House.

Thus, while President Reagan's security screen and most trusted intelligence capabilities were focused on the Qaddafi threat, and while a series of timed scandals targeting key personnel in the administration was being pursued by the Henry Kissinger-Max Fisher faction—scandals which one of the President's closest friends recently told me are believed to be directed against the President himself—the President was being shielded from essential intelligence concerning the Polish crisis by Haig et al.

One day following the declaration of martial law Haig in concert with Brzezinski and with the support of others began urging stiffer administration rhetoric against the military regime and the Soviets. This was quickly escalated into promotion of food embargoes against Poland plus immediate total embargo of the Soviets if their troops enter Poland. Haig's embargo line has the same genocidal goal as his Latin American and African policies.

Congressmen challenge Keyworth on his commitment to science budget cuts

by Marsha Freeman, Science & Technology Editor

"We cannot expect to be preeminent in all scientific fields, nor is it necessarily desirable," stated Dr. George A. Keyworth, the President's Science Adviser, before the House Committee on U.S. Science and Technology Dec. 10. Keyworth called upon the scientific community itself to help make "difficult choices" in this new policy of "discrimination" among scientific programs, since not all can continue to receive support. He threatened that if his scientific "colleagues" do not make such choices, "others will."

Keyworth was making the administration's public response to unusual pre-Christmas-recess congressional hearings motivated by recent statements by the White House Office of Science and Technology Policy (OSTP) on science, space, and education policies, and by disturbing rumors from the Office of Management and Budget on drastic cut-backs under consideration for the fiscal year 1983 budget.

Although the deliberations on this year's fiscal 1982 budget were not even concluded yet because of the Congress's refusal to institute draconian cuts in the nation's science and technology programs, the legislators held this series of pre-emptive public hearings to get on the record their opposition to the even more drastic cuts being considered for next year while the administration finalizes its FY83 budget requests. The administration's federal 1983 budget is scheduled to be released to Congress in mid-January.

Reversing forty years

Keyworth told the committee that "science policy, made without considering economic policy, is irrelevant," a perverse response to the long-term American commitment to scientific advances as *the basis for* economic advances. The President's economic and fiscal policy, Keyworth stated, will mean "there are priorities and limits, and R&D—for all its recognized worth—must contend and compete" for the federal dollar. In a

response, Rep. Ronnie Flippo (D-Ala.), Chairman of the Sub-committee on Space Science and Applications, quipped, "economic policy without regard to *science* policy, is also irrelevant." In addition, past investment in science and technology has "produced economic payoffs beyond our wildest dreams," stated committee chairman Don Fuqua (D-Fla.).

But Keyworth maintained his anti-science stance in the face of opposition. "We cannot realistically expect to accelerate spending for R&D in a period of fiscal austerity," he continued. "I believe that today's federal role in science and technology must be different from that which has prevailed since World War II. . . . Certainly, a science policy for the 1980s cannot be and should not be one based simply on growth for growth's sake. Even in a period of affluence and sustained economic growth, throwing money at problems has not proven to be an effective strategy. In fact, it has often been responsible for furthering mediocrity rather than stimulating excellence."

This weak attempt to justify the fallacy that slashing science and technology programs will help restore the nation's economic health contradicted statements in Keyworth's own testimony. Earlier, the Science Adviser had pointed to the number of American Nobel laureates as evidence of the health of American science. These were due, in part, to federal support for research over the past 40 years.

The majority of the Science and Technology committee was not in sympathy with this attempt to throw away the U.S. lead and excellence in science, which includes the programs they have funded through their stewardship of the majority of the nation's R&D projects in the legislative process.

In his opening statement, Rep. Fuqua stated that it was "crucial to make long-term considerations, going beyond shifting budgets." He characterized the administration's budgetary science policy as one of "short-

term expediency which could interrupt science and technology training and careers.”

The question, according to Fuqua, is, “is our long-term investment holding against the budget cuts. . . . We need to inject long-range thinking on short-term budget juggling,” he stated, “and this will be a bipartisan effort.”

The President’s goal of increasing productivity “clashes with his economic goals of a balanced budget” Fuqua summarized.

Space, education and nuclear R&D

In his prepared testimony, Keyworth tried to steer clear of policy stands on a specific science policy issues. During the questioning by committee members, however, congressional leaders who have just spent the past year trying to save their programs from the first bout with the Reagan administration on budget cuts tried to pin down the Science Adviser.

One of the first issues raised was that of the federal responsibility in science education. In his testimony, Keyworth himself described a “situation with serious national implications” in the shortage of qualified science and engineering personnel. He admitted that “underlying current problems with the quantity and quality of trained scientific and engineering manpower is the weakness in our country’s elementary and secondary school preparation in mathematics and science. Since 1970 there has been a nationwide trend toward reduction of high school graduation requirements” in these fields.

His solution? “Despite the administration’s real concerns in this area, improvement in this unfortunate situation is the responsibility of the schools themselves and of the communities that run them.”

Representative Doug Walgren (D-Pa.) the subcommittee Chairman with responsibility for the National Science Foundation, responded sharply to this attack on the entire post-war legislative history of the federal government’s role in fostering excellence in science education. There is “strong evidence that there must be a federal role in this area. Our secondary schools are woefully lacking in training in the sciences: college administrators keep saying this before my subcommittee,” he stated.

Federal support for fellowships on the college and graduate level is required, the congressman agreed, “but we need strong goals and programs to upgrade secondary science education. The administration is saying that the NSF’s work in science curriculum development has been ineffective, so we’re eliminating it. What are we going to replace it with?”

Walgren continued, “These programs *have* made some contribution. We will lose these students because they have had no exposure to science on the secondary

level.” The administration attempted to eliminate all NSF science education programs in the FY82 budget. Walgren’s subcommittee and the full Science and Technology Committee restored some of the funding for this year, and they are not likely to agree to an abandonment of federal support for science education in the upcoming budget battle.

Backtracking on fission and fusion

Nuclear energy is the only field in energy R&D where the President himself has made a public commitment to push the nation forward. Now, under threats from the OMB of budget deficits and economic calamity, the administration is promoting policies which will undermine the President’s intent. Energy Secretary Edwards, who has until now put up no significant fight against slashing the Department of Energy budget, stated in the *Washington Post* Dec. 8 that the proposed \$1.5 billion OMB cut in the DOE’s FY83 budget will prevent him from carrying out the nuclear mandate.

Keyworth, who made no mention of energy R&D in his testimony, was questioned on this closely by Rep. Marilyn Bouquard (D-Tenn.), Chairman of the subcommittee on Energy Research and Production of the Science and Technology Committee. In the rumored FY83 administration budget request, she stated, “fission R&D is dropping despite the administration rhetoric about saving the nuclear option.” Nuclear energy is necessary for the nation, and is a “vital element in our international balance of trade,” she said.

Keyworth repeated what has become the pat answer to this observation: that the nuclear R&D budget proposal contradicts the President’s own stated policies. “We have one principal objective in our nuclear policies—to restore health to the nuclear option and allow nuclear energy to compete with other energy sources” in the marketplace. He had stated the evening before the hearings in a talk before the Washington, D.C. section of the American Nuclear Society, that the administration’s commitment to nuclear energy “is profound, but highly pragmatic.” “We are going to remove the [federal regulatory] impediments for nuclear energy rather than give out subsidies, which are a crutch,” he stated.

What he meant by “subsidies” became clearer. “We are going to focus on the initiatives on which a healthy industry depends—other facilities might be interesting down the road. The focus will be on the near term, like nuclear waste.” In other words, advanced nuclear R&D and development of more advanced second-generation high-temperature reactors, fission-fusion hybrids, etc. have gone by the boards. This was reflected in the administration’s FY82 budget earlier in the year where advanced nuclear technology, including fuel reprocessing, was cut out of the budget.

Government has been a "dead hand" on the nuclear industry, Keyworth told the committee, and its role now is simply to get itself off the industry's back. This, of course, overturns the policy established by the Atomic Energy Act of 1954. It is unlikely that Congress, which for four years voted funds for programs including the Clinch River Breeder Reactor over the objection of President Carter, will toss these R&D programs into the garbage bin.

Over the past year a fight has raged between the administration and the Congress over national policy in thermonuclear fusion. Less than six months after President Carter put his signature on the 1980 Magnetic Fusion Energy Engineering Act, mandating an aggressive fusion effort, Carter holdovers and anti-technology factions in the Reagan camp were trying to overturn the intent and goals of the law.

Bouquard asked Keyworth, "Are you going to appeal the OMB cuts in the DOE fusion program [more than \$50 million in real dollars]?" Keyworth would only say that he cannot comment on specific programs still under budgetary review. Bouquard was visibly angered by this posture.

On the space program, Flippo received an equally negative response. When he asked if Keyworth will support the Galileo Jupiter mission before the OMB, Keyworth replied: "It is a good mission. The question is whether we can afford to support it."

"In an article in the *Washington Post*," Flippo said, "you recommended against continuation of NASA's planetary programs." "Planetary exploration has dominated space science programs for the last decade," Keyworth replied, trying to deflect the question. "I strongly support all areas of space science. . . ." Flippo cut Keyworth off in obvious disgust.

Research & Development

Cold welcome for a Heritage proposal

by Marsha Freeman

The Heritage Foundation's attempt to eliminate NASA aeronautics research and development in the name of "free enterprise" has touched off a major battle in Congress. Because it would gut American advanced military programs (and hamstringing the country's second largest export industry), the David Stockman-backed plan has

also prompted a second look at the special report issued by *EIR* earlier this year entitled "The KGB Moles and the Heritage Foundation."

The battle pits the socialist-founded but nominally conservative Heritage Foundation, along with the Office of Management and Budget, against Congress, the military, and the aerospace industry. Since the British Fabian Society operatives who set up Heritage as a control point over the administration, using the "right-wing" version of British liberalism, are interlinked with KGB personnel, the questions arises as to whether certain elements of Soviet intelligence are using Heritage to undermine vital U.S. capabilities.

Research in advanced aircraft has been federally supported since the birth of the industry in the second decade of this century. It is supposed to be turned over to private industry, according to Heritage's 1980 report to the Reagan administration. The author of this proposal, Richard Speier, asserted in October that the government should not pay for aeronautical research and development since it ends up as a "commercial" product for industry. Congress, industry, and the military took a distinctly opposite viewpoint during hearings held Dec. 8 by the subcommittee on Transportation, Aviation, and Materials of the House Committee on Science and Technology.

Dan Glickman (D-Kans.), the subcommittee chairman, said in his opening statement that "suggestions have ranged from turning aeronautics over to the military, to ending all propulsion work and closing the NASA Lewis Research Center in Cleveland, to zeroing to entire program." Glickman then presented for the hearing record three letters from high-level Defense Department administrators, to dispel the notion that the military would pick up aeronautics research if it were dropped by NASA.

The Pentagon's position

In a recent letter to OMB director David Stockman, Defense Secretary Casper Weinberger stated that the "major reductions proposed in the NASA aeronautics technology programs and the closing of the Lewis Research Center are not consistent with DOD needs. . . . Therefore, I request that, before any budget reductions and subsequent management actions are taken which impact the NASA aeronautics program, this department be given the opportunity to review these actions to ensure that they will not adversely affect important defense needs."

A letter to NASA Administrator James Beggs from the Undersecretary of Defense for Research and Engineering, Dr. Richard DeLauer, states: "The continued superiority of U.S. aeronautical technology, and the historic dependence of the Military Services on NASA facilities and technical specialists have been, and will

continue to be, crucial to the development of military aircraft. Successful development of the B-1B, Advanced Technology Bomber, Next Generation Air Force Fighter, and the Marine Corps transport assault aircraft are critically dependent on a vital and productive NASA aeronautics program."

Third, the Assistant Secretary of the Army for Research, Development, and Acquisition, J. R. Sculley stated on Dec. 1 in a letter to Dr. Beggs that "The Army's reliance on these programs means that substantial reductions . . . would necessitate the Army incurring major increases in our existing and proposed budget . . . in fact, some of these capabilities and facilities could not be replaced by the U.S. Army, at any cost."

Industry can't do it, either

In his opening statement to the subcommittee, full committee chairman Don Fuqua (D-Fla.) stated that if these cuts were made "we would become a second-rate power where aeronautics is concerned." Rep. Ronnie Flippo (D-Ala.) stated that "Parson Malthus would have been right [about limited growth] except for R&D. We're mortgaging our future if we cut these programs."

The first industry witness was former Apollo astronaut and aeronautics expert Neil Armstrong. Chairman Glickman asked his opinion "of the Heritage Foundation recommendation that NASA back out of aeronau-

tics research because private industry has sufficient incentives now to do it."

Armstrong said that such a proposal was "like asking the Congress to back out of passing legislation. NASA is in the business of doing research," he stated. "I couldn't accept that kind of recommendation." Fuqua asked directly if industry would pick up this research. Armstrong replied that there "is no evidence that would be the case." He explained that there has been a steady erosion of NASA resources for aeronautical research over the last dozen years; industry had plenty of opportunity to "pick up the slack, but industry R&D has declined in parallel with the decline in NASA funding."

"NASA has \$5 billion worth of facilities for the whole aeronautics industry," Armstrong explained, which no one could replace. In general, Armstrong could see no reason for changing a system which has worked magnificently. "If it ain't broke, don't fix it," he concluded.

Other industry representatives concurred. Congressional witnesses from the Ohio area whose constituents would be affected by the closure of the NASA Lewis Research Center pledged their cooperation with any coalition in Congress that will fight the overall NASA cuts. This will be a bipartisan effort against the Heritage approach.

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How Permindex's Walter Sheridan tried to suppress the Kennedy investigation

by Richard McGraw

As reports of Libyan hit teams aimed at President Reagan were making headlines, *EIR* decided to focus public scrutiny on one subject of its ongoing investigation into the international assassination bureau known as Permindex. The name of that subject is Walter Sheridan. The organization for which Sheridan is a key American operative, Permindex, is believed to be responsible for much of the high-level mayhem of the post-war era, including over 30 attempts on the life of Charles De Gaulle, and the assassination of President John F. Kennedy.

Opening Sheridan's dossier exposes some of the faces and mechanisms by which Presidents are Watergated, or killed.

As revealed in Part One of the excerpts from our Sheridan dossier, which *EIR* published last week, examination of the Kennedy assassination allows us to understand how, in a 30-year career of blackmail, frameup, and coverup, the elusive but powerful Sheridan became known to some as "the 101st Senator."

After summarizing his activities with the National Security Agency, the Kennedy Justice Department's "Get Hoffa" squad, and his own private intelligence companies, Part One began an account of Sheridan's key role in destroying New Orleans District Attorney Jim Garrison, his witnesses, and his investigation into the Kennedy killing. Garrison was on the trail of Permindex.

In February of 1967 Sheridan was hired by NBC-TV to "investigate" Garrison's investigation, which had been probing the connection of Permindex board member Clay Shaw to the Dallas events. Five months later Sheridan was charged by Garrison's office with four counts of bribery, involving flagrant attempts to tamper with Garrison's witnesses.

Part Two picks up with more of Sheridan's tactics for coercing witnesses and discrediting Garrison.

Investigator: William H. Gurvich

Sheridan attempted to plant investigators within Garrison's team through the offer of free assistance from a New Orleans private investigation firm run by

William H. Gurvich and his two brothers.

Garrison accepted Gurvich's assistance, although he assigned him to peripheral tasks such as photographic work because he did not trust him. It turned out that Garrison's suspicions were well-founded. Garrison later explained. "One of the reasons we did not give him [Gurvich] all of our information was that we soon learned that he was having meetings with Walter Sheridan, a former federal investigator now working for the National Broadcasting Company."

Gurvich worked with Garrison for two months, and then in June 1967 denounced the investigation as having "no basis in fact" while at the same time claiming that he had been the chief investigator for Garrison.

Witness: Jules Rocco Kimble

One of the leads that D.A. Jim Garrison was working on was the story told by Perry Raymond Russo that he was at a meeting at which plans were made for Kennedy's assassination in the fall of 1963, which included himself, Clary Shaw, David Ferrie, and someone called "Leon Oswald" or "Lee Harvey Oswald."

David Ferrie had "committed suicide" on the eve of his scheduled appearance before the grand jury. Jules Rocco Kimble, a member of the KKK (like Ferrie) reported to Garrison that he had driven a KKK official, Jack Helm, to David W. Ferrie's apartment the day after the "suicide." Kimble saw Helm remove a valise full of papers and take them to a bank safety deposit box. Kimble also told Garrison that he then went to Montreal on what he described as a Minuteman errand. Kimble then disappeared after talking to Garrison.

Garrison's staff later discovered that Kimble, at the suggestion of Walter Sheridan, reestablished his relationship to the CIA and then, again at Sheridan's urging, ran to Canada. After Kimble disappeared, he telephoned Garrison from Atlanta (saying that he would not return to New Orleans), Montreal and Tampa, Florida, where he was arrested and the role of Walter Sheridan then came out.

Witness: Perry Raymond Russo

One of the key witnesses for Garrison's investigation was the man who said he knew of the Fall 1963 conspiratorial meeting with Clay Shaw, David Ferrie, and "Lee Harvey Oswald." Russo threatened to expose not only Shaw, but the entire Permindex apparatus as well.

On June 19, 1967 Assistant D.A. Andrew J. Sciambra delivered a memorandum to Garrison concerning Russo's description of Sheridan's bribery attempts:

Russo said that Walter Sheridan of NBC News told him that the President of NBC contacted Mr. Gherlock [Russo's boss] at Equitable's home office in New York and Gherlock assured the President of NBC that if Russo did cooperate with NBC in trying to end the Garrison probe, that no retaliation would be taken by Equitable against Russo by the local office, on instruction from the home office.

Russo said that he told Sheridan that he needed a rest as the news people have been bothering him day and night and that he would take a seven to ten day vacation in California. . . Russo said that Sheridan then told him that if he did side up with NBC and the defense and bust up the Garrison probe that he would have to run from Garrison and move from Louisiana. Sheridan said that they could set him up in California, protect his job, get him a lawyer and that he could guarantee that Garrison could never get him extradited back to Louisiana. Sheridan asked him if he would like to leave now and Russo told him no.

Sheridan then told him that NBC flew Novel to McLean, Virginia and gave him a lie detector test and that Garrison will never get Novel back in Louisiana. Russo said that Sheridan told him that what he wants Russo to do is to get on a NBC national television show and say, 'I am sorry for what I said because I lied, some of what I said was true, but I was doctored by the District Attorney's staff into testifying like I did.'

Perry then said that Sheridan said the prosecution's case was built on three keystones and that Russo was one of them and that if he would come over to the side of the defense, the other two keystones could not handle the weight and the State's case would fall and the case would never come to court.

Perry said James Phelan of the *Saturday Evening Post* told him that he was working hand in hand with Townley and Sheridan and they were in constant contact with each other and that they were going to destroy Garrison and the probe.

Three weeks later, Walter Sheridan was indicted for

bribery in relation to the Russo tampering. Two weeks later, Sheridan posted a \$5,000 bond, but began a series of legal maneuvers to protect himself from appearing before the Orleans Parish grand jury.

On Aug. 19, 1967, a hearing was held in Chicago Federal District Court by order of the U.S. Supreme Court to determine whether illegally obtained wiretap evidence had been used to convict Jimmy Hoffa and six associates. One of the defendants, Zachary "Red" Strate, testified that "Walter Sheridan offered me evidence of government bugging so I could get a new trial at my hearing in Chicago, in exchange for helping discredit Jim Garrison. . . I gather Sheridan was working for Robert Kennedy. He said he was interested in stopping the probe of Kennedy's death in New Orleans."

The Mitchell-Martin case

On Aug. 13, 1962, the House Un-American Activities Committee (HUAC) released a report entitled, "Security Practices in the National Security Agency (Defection of Bernon F. Mitchell and William H. Martin)." The case concerned two NSA employees who had defected to the Soviet Union in 1960. HUAC had investigated the case for two years, held numerous closed-door sessions, and reported publicly on its investigation.

Sheridan and David I. Belisle, his friend and superior at NSA were both directly implicated in the scandal—they were the ones responsible for providing security clearances. But as is always the case with intelligence agency defections to the other side, the matter is quickly hushed up and the names of those responsible are not made public.

The HUAC report read, in part:

It was hard to believe. These two men, Bernon F. Mitchell and William H. Martin, had supposedly gone through the most rigorous of loyalty and security checks prior to and during their employment with the most sensitive and secretive of all agencies established by the U.S. Government to protect the Nation's security. . . Yet, they had gone over to the enemy.

The HUAC report describes what was known about the defectors, information which was originally denied by Defense Department and NSA officials:

On July 17, 1957, the Office of Security Services requested the Civil Service Commission to conduct a national agency check on Mitchell. On July 23, 1957, Mitchell was given a polygraph interview. At that time he refused to answer any questions about sexual perversions or blackmail.

To be continued.

Government should fund hospices, say congressmen

Congressman Leon Panetta (D-Calif.) has introduced H.R. 5180, a bill to make people in hospices eligible for Medicare and Medicaid. At a time when hospitals are being closed all across the country, and medical care is becoming too costly for many people, a number of Congressmen have decided to support funding death centers rather than increased medical care and research.

In presenting his bill on Dec. 11, Panetta made no bones about the fact that his was a strictly "cost-cutting" move, at the expense of human lives. "By allowing hospices to be substituted for curative care, it is my judgment that we will be formulating a good public policy, and also establishing a good fiscal policy. . . . This legislation will not bring one single new person onto the Medicare roles. This is not a new add-on benefit. . . . An average day of hospice care has been found to cost one-fifth of the average day of care for the terminally ill in the typical American hospital."

It is of course no surprise that substituting drugging patients with a heroin-based Brompton mix for effective medicine and doctors, as many hospices do, will result in a far cheaper form of "care." Unfortunately, Panetta said, the extra "bereavement costs" associated with hospice treatment will raise the net cost of the hospices to 50 percent of hospital care.

An aide to one of the bill's co-sponsors, Henry Waxman (D-Calif.), justified the bill on the grounds that "a lot of people prefer to die

at home. At some point hospital benefits are not limited under Medicare. If you've been in for a while you may not have a choice."

The choice of going into a hospice instead of a hospital becomes irreversible. "If an individual makes such an election for a period to a particular hospice program, the individual shall be deemed to have waived all rights" to any further hospital care.

Co-sponsors of the bill include Reps. Richard Gephardt (D-Mo.), Henry Waxman (D-Calif.), Claude Pepper (D-Fla.), William Gradison (R-Ohio), Charles Rangel (D-N.Y.), Edward Madigan (R-Ill.), and Barber Conable (R-N.Y.) and Sens. Robert Dole (R-Kans.), Bob Packwood (R-Ore.), Daniel Moynihan (D-N.Y.), John Heinz (R-Pa.), Ted Kennedy (D-Mass.), Bill Bradley (D-N.J.), David Pryor (D-Ark.), Max Baucus (D-Mont.), and David Durenberger (R-Minn.).

Moratorium on banking dereg

Pressure from a wide spectrum of Congressmen and Senators prodded the Depository Institutions Deregulation Committee (DIDC), composed of the Secretary of the Treasury and other federal banking agency administrators, to postpone action on further savings institution deregulation, scheduled for consideration at Dec. 16 hearings. The DIDC, established under the Depository Institutions Deregulation and Monetary Control Act of 1980, was to gradually phase out regulations on the thrift institutions, making them more com-

petitive with commercial banks. In reality, DIDC decisions have precipitously increased costs to the savings and loans at a time when high interest rates are strangling them. At the Dec. 16 meeting, the DIDC was to consider four more proposals which would further increase costs: 1) establishing a \$25,000 "wild-card" account with one day notice of withdrawal; 2) creating a \$5,000 minimum ceiling-free transaction; 3) setting up a 91-day \$10,000 minimum Treasury bill discount rate tied to the 13-week T-bill rate; and 4) establishing a new three-and-a-half year wild-card account.

Administration sources reported that pressure to postpone consideration of these further sweeping changes in the savings and loan sector came from, among others, Senate Majority Leader Howard Baker (R-Tenn.), House Minority Leader Bob Michel (D-Ill.) and Senate Banking Committee Chairman Jake Garn (R-Utah). Senate Republicans have not distinguished themselves as foes of deregulation, but even they recognize that, by moving too fast, the DIDC threatens the existence of the nation's thrift institutions.

In the days preceding the DIDC meeting, a number of House Democrats also took the floor to publicly demand that the DIDC postpone action, including Rep. Don Bonker (D-Wash.), Don Bailey (D-Pa.), and Tom Luken (D-Ohio). In addition, on Dec. 9 Rep. Jerry Patterson (D-Calif.) introduced H.R. 5135, a bill to impose a six month moratorium on DIDC action. In a Dec. 15 floor statement praising Treasury Secretary Regan's decision to ask the

DIDC to postpone its Dec. 16 actions, Patterson stated: "H.R. 5135 is specifically aimed at preventing the Depository Institutions Deregulation Committee from causing further financial aggravation for the thrift industry." Patterson and his 43 co-sponsors want to give Congress a chance to "examine the deregulation of the financial industry thus far, to insure that the deregulation is proceeding as called for in the Depository Institutions Deregulation Act and Monetary Control Act of 1980." Senator John Danforth (R-Mo.) is reportedly considering similar legislation in the Senate.

Congress okays foreign aid bill

For the first time in three years, legislators succeeded, in the waning hours of the 97th Congress, in passing a Foreign Aid Appropriations bill. Failure by previous Congresses to pass such a bill has resulted in foreign aid being appropriated through continuing resolutions, as a simple extension of previous years' aid. The Senate agreed to a conference report on the bill on Dec. 15, and the House followed suit the next day.

Perhaps the most significant aspect of the bill was a provision repealing the so-called Percy amendment, which prevents U.S. aid to countries for use in paraquat spraying of marijuana. The Percy amendment has made a mockery of the U.S. international campaign against narcotics, since paraquat can virtually eliminate a nation's marijuana crop, as in Mexico.

Leading anti-drug fighters in

Congress had succeeded in passing repeal of the Percy amendment for the past two years in the House, but have been roadblocked by the fact that there was no foreign aid bill passed.

Also included in the bill is another significant amendment, possibly presaging a larger fight next year against State Department support for population-control programs. The amendment prohibits any AID funds from being used to finance any research on abortions or involuntary sterilization. The effort on this was led by a former head of the New Jersey Right to Life Movement, freshman Rep. Christopher Smith (R-N.J.).

Davis Bacon foes plan new drive in '82

Congressional foes of the Davis-Bacon Act plan a new drive in 1982 to gut the key provisions of the 50-year-old statute that guarantees the payment of prevailing union scale wages on federally funded construction projects.

According to aides to Sen. Don Nickles (R-Okla.), one of the ring-leaders working to overturn Davis-Bacon in the Senate, plans are underway to introduce amendments weakening the prevailing wage criteria and eliminating hundreds of millions of dollars from coverage at the earliest possible opportunity.

The aides report that Nickles and his backers in the anti-union contractors group, Associated Builders and Contractors (ABC), and the Fabian Society's right-wing Trojan Horse, the Heritage Foundation, have all but given up hope of forcing repeal legislation

through Congress. Only last month, these forces were defeated in their efforts to eliminate military construction from Davis-Bacon coverage. Nickles's aides blamed individuals in Congress and the Department of Labor for convincing the White House to block efforts to weaken Davis-Bacon.

Nickles's people say that they must "bide their time and wait for a chance to pounce"; they think that time may come in an expected lame duck legislative session after next November's elections.

The Reagan administration has been unwilling thus far to absorb the political risk of a fight over Davis-Bacon. Pressure was exerted on the White House, according to Nickles's aides, by pro-Davis-Bacon Congressmen who threatened a filibuster that would have tied up budget legislation desired by the White House if it supported the military exemption rider submitted by Sen. Strom Thurmond (R-S.C.). The aide reported that Nickles—who claims he is loyal to President Reagan—was prepared to submit an amendment package far broader than the military exemption, for which aides claimed the support of 65 Senators, above the number needed to pass it. Nickles, however was taken aside by Thurmond and Sen. John Tower (R-Tex.), the Chairman of the Senate Armed Services Committee, and told in no uncertain terms "to keep your amendments off the floor. That is what the White House wants. Period." Nickles therefore sat back and let Scoop Jackson of (D-Wash.) submit an amendment that reinstated Davis-Bacon coverage to the military construction legislation.

National News

Navy Secretary wants to restructure NATO

The *Washington Post* gave major play Dec. 14 to the Defense Department internal Guidance Document which calls for a restructured NATO focused on intervention in regional conflict situations.

Navy Secretary John Lehman, a Kissinger protégé quoted as a major advocate of this policy, said he believed there can be a shift of NATO forces away from Europe to such areas as the Persian Gulf despite the Polish crisis. "We have a whole new geopolitical situation," he explained. "What's new is a consensus in the administration that the Soviet threat is global, and not just to central Europe."

Former General Maxwell Taylor has been publicly calling for NATO to intervene into Third World conflicts to impose population reduction.

Jurors question Abscam procedures

More federal dirty laundry has been aired in the Abscam prosecutions, this time over the abrupt transfer earlier this year of grand jury venue from Newark, New Jersey, to Brooklyn, New York in the Kenneth MacDonald and Angelo Errichetti cases.

MacDonald was formerly New Jersey Casino Control Commissioner, and Errichetti is a former state senator and mayor of Camden. They were indicted this June by the Brooklyn grand jury on charges of accepting \$100,000 to help an FBI agent posing as an Arab sheikh obtain a casino license in Atlantic City as part of the Justice Department's Abscam sting operation.

The Dec. 16 Newark *Star-Ledger* reported that an angry letter from the Newark grand jurors to the U.S. District Court judge, released in court papers, charges the switch of location was "a

strange decision," and that the government's reasoning "didn't seem to hold water" in view of the jurors' three-month effort. The letter questions whether the prosecutors thought they could not "get the preferred decision . . . in Newark."

The Feb. 27 letter was appended to a new brief filed by MacDonald to bolster his contention that the government "abused and manipulated the grand jury system." MacDonald contends the transfer occurred because the Justice Department was "judge shopping" and "forum shopping," and the prosecution has given different reasons to different parties for the move. His brief also claims that exculpatory evidence was withheld even from the Brooklyn grand jury.

Mossad termed source of hit-team disinformation

According to a nationally syndicated *Los Angeles Times* wire service story dated Dec. 12, the Israeli intelligence service, the Mossad, was the source of a series of fraudulent "leaks" regarding the deployment of Libyan hit teams to the United States to attempt to assassinate President Reagan and possibly other leading Cabinet officials.

While the Reagan administration has stated unequivocally that the initially released White House reports of the presence of Libyan teams were true, specific information that led to a series of extravagant media hypes was manufactured in Tel Aviv, possibly for the purpose of drawing the United States into a flight-forward military move against Libyan dictator Qaddafi.

The possibility cannot be discounted that the Mossad disinformation campaign is itself a component of the continuing assassination plot against the President. Permindex, the international assassination bureau responsible for the murder of President John F. Kennedy, incorporated within it a strand of the Mossad. That capability still persists.

It is precisely because of President

Reagan's initiatives in the Middle East and in comprehensive disarmament negotiations with the Soviet Union that he is on the top of a high-level hit list, security specialists confirm.

Chief among the possible reasons for the leaks, according to the *Times* wire, "is that the Israelis wish to intensify the U.S. public concern about Qaddafi so that Americans would support a strike at Libya, perhaps at Qaddafi's Russian-supplied nuclear research center."

'Stop LaRouche' group holds press conference

Dennis King, Chip Berlet, and Russ Ballant called a press conference in Washington, D.C. on Dec. 16 to demand action to "stop the threat of [EIR founder] LaRouche." King is now working for the League for Industrial Democracy, which founded SDS; Berlet has written slanders of LaRouche for *High Times* and the *Chicago Sun-Times*; and Ballant works for the National Lawyers' Guild publication *Public Eye*. The press conference had been planned for three weeks; only "insiders" showed up, along with Metro-media and the cable affiliate of AP.

Among those present were Walter Sheridan protégé Dan Moldea; Chuck Fager, a former aide to Rep. Paul McCloskey who was fired after an *EIR* dossier identified him as "a KGB mole"; representatives of the Anti-Defamation League, the American Civil Liberties Union, and the Citizens Energy Project; and Cliff Kincaid, a junior reporter for Accuracy in Media, a nominally right-wing group funded by the Heritage Foundation. The presence of *EIR* correspondent Laura Chasen caused a certain amount of anxiety after the three speakers figured out her identity.

King et al. complained that "no one" was taking their investigations seriously. "After eight years of exposing LaRouche's activities, we have finally gotten a break," said Berlet. "The Attorney General of Illinois has opened an inves-

tigation into the National Anti-Drug Coalition [co-founded by LaRouche], but it took one and a half years of a campaign by the Chicago *Sun-Times* to get them to do it!" King suggested that LaRouche-associated organizations might be forced to register under the Foreign Agents Registration Act, because *EIR* contracts reports for foreign governments.

One light moment occurred when Berlet (to the distress of Heritage's Mr. Kincaid) stated that they could establish no LaRouche links to the East bloc or KGB. When Laura Chasen suggested that they check into Chuck Fager if they are interested in KGB agents, Fager jumped up and exclaimed, "I'm the only person in this room with an official letter from the FBI saying I'm not a KGB agent!"

Moldea and Fager both delivered testimonials on how NSIPS dossiers and investigative techniques had caused them "mental anguish."

Keyworth: 'Stick to a few Space Shuttles'

In an interview in the December issue of *Astronautics & Aeronautics* titled "Dr. Keyworth Counsels Amputation," White House Science Adviser George Keyworth states that "Planetary programs may well witness a decline." During recent congressional hearings, the Science Adviser stated that though the Galileo mission to Jupiter is a desirable project, there may not be enough funding to complete it.

The Space Shuttle will be the "dominant" aspect of the Reagan administration's space program, Keyworth said, adding that "There may be a cutback in the projections for how fast new shuttles come on line." NASA is currently studying the economic benefits of buying shuttles in batches, rather than individually, to make up a full fleet in the 1980s; Sen. Harrison Schmitt (R-N.M.) has been pushing for this kind of planning.

NASA Administrator James Beggs and space-agency program managers are trying to continue to plan NASA's programs on a 10-to 20-year basis. If they are forced to succumb to the vagaries of month-to-month budget changes and overall fiscal austerity, no new projects will be started, and many now under development will not be brought to fruition.

Beggs has included nearly a half billion dollars for new projects in his \$7 billion FY83 budget request, according to press reports. Included are development of enhanced launch capabilities for the Shuttle, space-station design studies, space platform projects, and other initiatives in the manned space program, to begin to exploit the capabilities of the Shuttle.

In the crucial planetary-science field, NASA is supporting the recommendations of the Solar System Exploration Committee, which has recommended a minimum of 11 planetary flights by the year 2000. This program, which would be based on already-developed spacecraft technology, would include unmanned exploration of the Moon, Mars, Venus, Saturn, Titan, Uranus, Neptune, and the comets and asteroids. The program is estimated to cost less than \$1 billion per year, half the level spent on planetary exploration a decade ago.

Teamster leader sentenced to 18-year term

A federal judge in Wilmington, Delaware handed an 18-year prison sentence to Frank Sheeran, former President of Teamsters Local 326 in Wilmington and a nationally known Teamster leader, for his conviction on labor racketeering and mail fraud charges.

Sheeran, a long-time associate of Jimmy Hoffa, had been the target of repeated unsuccessful government prosecution. He had earlier faced similar charges stemming from the same events in Pennsylvania; after failing to obtain a conviction there, prosecutors filed new charges in Delaware.

Briefly

● **PRESIDENT REAGAN** has held a series of intensive meetings with Federal Reserve chairman Paul Volcker over the last several weeks and is reportedly pressing Volcker to ease up on the Fed's tight money policy according to Capitol Hill sources. The latest meeting was Dec. 14, which was also attended by Treasury Secretary Donald Regan and White House domestic policy advisor Martin Anderson. According to a Federal Reserve spokesman, Volcker pushed for higher taxes to lower the budget deficit.

● **THE SPACELAB**, a habitable space station laboratory built by the European Space Agency for NASA, is scheduled to be delivered this month to the United States from West Germany.

● **JAMES WATT** has invited Lester Brown, an advocate of population reduction and negative economic growth, to give a guest lecture to top officials at the Department of the Interior. Watt's move was seen as a retreat from the furor he caused when he ordered his aides to curb their contacts with environmentalists.

● **THE AFL-CIO** of New Jersey has voted to cut off funding and other forms of support for the state Democratic Committee and Democratic Party. A resolution, passed unanimously on Dec. 15, charged Democratic Chairman Maloney and Rep. James Florio with having worked "against labor's choice for Speaker [of the State Assembly] despite labor's unprecedented efforts behind Florio's losing bid for Governor." Christopher Jackman, a Paperworker's Union official and state AFL-CIO Vice-President, lost his bid for a third term as Speaker. "This is strictly a lawyer's assembly," said Jackman, commenting upon his replacement. The AFL will still make contributions to individual candidates responsive to their constituencies.

Congress legalizes energy disaster

Some little-known facts about Robert O. Anderson's "free-enterprise" Alaska gas scam.

Robert O. Anderson, that well-known operator who heads the Atlantic Richfield Oil Company, has just succeeded in pulling off a massive legal swindle for financing the largest private construction project in history. Unfortunately, he managed to pull the President and an unthinking Congress into going along with a special "waiver" package, the likes of which have never been seen. The package was sold to Republicans with the argument that it involved no government subsidies—but it will end up costing the nation a bundle. I am referring to construction of the estimated \$43 billion Alaska Natural Gas Transportation System.

This summer, I warned of the stench of corruption which surrounded the pet project of Anderson, Robert Strauss, and John McMillian, a major Democratic Party money conduit and former DNC Finance Chairman (*EIR*, June 30).

Jimmy Carter's administration, with Canadian government approval, secured passage in 1977 of legislation to authorize construction of a 4,800-mile gas pipeline to bring the equivalent of some 400,000 barrels of oil equivalent per day down alongside the Alaska Highway through Canada, forking at Calgary into a "wishbone," with one fork going to California and the other into Illinois. The gas would come from the huge Prudhoe Bay reserves of Aspen Institute's R.

O. Anderson (Arco), Exxon and British Petroleum.

Far from a plan to bring more energy into the industrial areas of the country, this scheme is part of the energy component of Cyrus Vance's and Al Haig's Global 2000 depopulation blueprints.

This is what Congress approved:

Gas consumers, industrial, agricultural, and residential, comprising an estimated 60 percent of the nation's gas customers, will be "pre-billed" for costs of construction effective as of an agreed date, regardless of whether the entire project is ever completed. Theoretically, this means that Chase Manhattan, Bank of America, and the private banking consortium which is considering financing this colossal operation could be guaranteed the full estimated \$43 billion without a molecule of fuel being delivered.

In addition, passing on the cost of an estimated \$4-6 billion gas conditioning plant and provisions for the gas producers to become equity owners of the transport pipeline are already in place. The latter was cited as a clear anti-trust problem in an earlier government memo. It now gives this nest around McMillian, Strauss, Anderson, and Exxon, the power to restrict supply and drive up the price for potentially 10 percent of the nation's gas supply.

This is a clever economic war-

fare operation. One congressional critic, who asked to not be named, told me that conceivably, major users such as industry and cities could be lured into long-term contracts to secure supplies and end up paying what one congressional study projects in 1987 could be \$18-20 per thousand cubic feet (today's average price is about \$2 per mcf)!

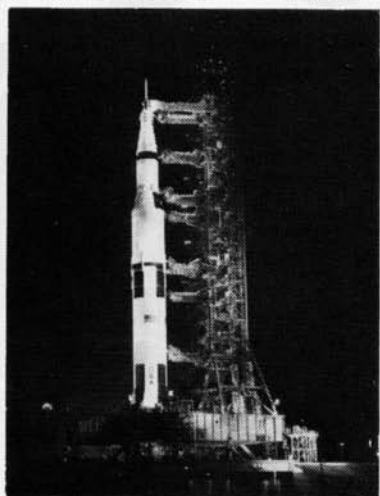
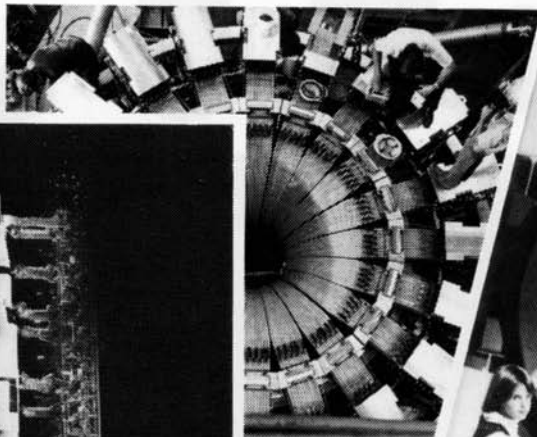
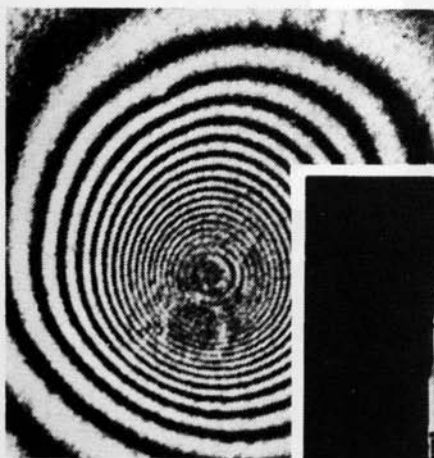
In the current economic collapse, this will force competing pipeline systems in the lower 48 states to fold and users to be locked into Anderson's high prices, although far cheaper gas is supposed to be available when the 1985 features of the Natural Gas Policy Act of 1978 take effect.

Because the Alaska consortium is permitted to make "take-or-pay" contracts (in which the customer pays for the product whether or not it is used) in return for long-term supply, often 20 years, this will ensure that gas decontrol will mean a legalized 1,000 percent increase in vital energy costs to energy-intensive industrial and agricultural regions.

The congressional waivers almost eliminate risk for the private banks who had so far refused to finance the project, because of the likelihood that far cheaper domestic gas would be available. Speaking of finance, one top Bank of America official predicted that "the debt requirements of this project are likely to test the limits of the world capital markets."

The Reagan administration would do well to re-examine this whole can of worms and reflect on what a \$43 billion investment in nuclear complexes and major irrigation projects for the Rocky Mountain spine could do to feed the world.

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