

# EIR

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# EIR

## From the Managing Editor

Those who abhor Henry Kissinger's policies sometimes have difficulty identifying what they are, since the former Secretary of State depends so much on "crisis management" (having already covertly arranged the crises) and "step-by-step diplomacy" toward ill-defined aims. Those who support him term him a crafty "defender of the free world." In order to clarify the matter, one might consider his remarks to the shrouded Bohemian Grove gathering this July in California. There he told the self-styled American elite that "in the period following World War II, the United States controlled 55 percent of the world's gross national product. The figure today is more like 25 percent. Now, as a result, the United States needs to conduct a different kind of foreign policy—a foreign policy that would be more like that of Great Britain.

"You are now a once-developed nation like Britain," declared Kissinger. "You must now reduce your economic and military commitments globally, and instead resort to British tactics of psychological and cultural warfare." *Menendez*

This, then, is Kissinger's so-called "Metternich" world-outlook. It revels in the decline of the West and, instead of defining the material national interests of the United States, subordinates those interests and the interests of all sovereign nations to a global "balance-of-power" Malthusian policy.

Thus we come to the interesting issue of the homicidal form of homosexual deviation from which Kissinger, *EIR* founder Lyndon H. LaRouche, Jr. has repeatedly alleged, suffers. This is a question of political significance. In this week's Special Report, we describe the network of homosexuals which has served the Malthusian policy through its channels in British, American, and Soviet intelligence. The "brotherhood" of cultist hermaphrodites maintains a natural, infantile hatred and fear of potent scientific and industrial growth, and their sadism and blackmail-proneness make them useful tools. Their affinity with certain elements in the Soviet Union is more than psychological: it centers on actively accelerating "the decline of the West."

Next week, we plan a Special Report on the latest achievements in nuclear fusion energy research. We also intend to continue our exposés of the "free-market" economic kookishness devised by the controllers of the above-mentioned cultists.

*Susan Johnson*

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Henry Kissinger in 1974 at a Washington, D.C. conference with Britain's Lord Carrington, who has been one of his controllers since 1968. (At right is Michel Jobert, now a cabinet minister in France's Mitterrand government.)

UPI

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**Note:** The credit for last week's cover picture of a West German port scene was inadvertently omitted. The photograph was provided by the courtesy of the German Information Center.

## Mexico's battle dominates the IMF conference

by David Goldman, Economics Editor, and Renée Sigerson

For the first time in its 37-year history, the Bretton Woods institutions, meeting in Toronto, heard the truth told about the effect of the International Monetary Fund on the world economy: that unless the murderous policies of the International Monetary Fund "are reversed, the whole international system of trade and finance could collapse," as the Third World countries' ministers warned in their communiqué.

Two issues dominated the proceedings: 1) the challenge to the IMF's authority enacted by the government of Mexico. On Sept. 1 Mexico's government nationalized its banks and imposed full exchange controls in a direct counterattack against the IMF's power; and 2) the visible, growing influence, particularly among the underdeveloped nations, of American economist and Democratic Party leader Lyndon H. LaRouche, *EIR's* founder, who put forward a program for a new world economic order and has been the most prominent advocate of Mexican banking nationalization, exchange controls, and debt reorganization.

Mexico's decision, and the Mexicans' evident refusal to accept the brutal austerity terms demanded by the Fund in return for the means to pay off their creditors, visited like the Masque of the Red Death through the days of extravagant bankers' receptions. Mexico's action raised the prospect, for the first time since the short-lived effort in 1976 around the Non-Aligned Movement's Colombo declaration, of a unified front of developing nations against the institutions which propose to devastate their economies and populations.

An unusually brief meeting of the IMF's coordinating group, the Interim Committee, on Sept. 5 produced no progress whatever regarding its agenda proposals to raise cash for bankrupt developing nations' creditors—pitiful as those efforts were to begin with. American opposition to a major

increase in members' contributions to the Fund, the organization's lending base, left to the indefinite future a means of putting more cash on line that, in any event, would not be available until 1985. A much-touted American proposal for an "emergency fund" to tide countries over went down the same tube as Henry Kissinger's 1975 "Safety Net" plan.

Neither does the IMF have the money to lend, nor will the developing countries accept the brutal conditions attached to such IMF loans. The latter were defined with striking bluntness by IMF Managing Director Jacques Delarosière, in his Sept. 6 opening address to the conference: "Total debt service payments for [non-oil developing countries] will probably account for some 23 percent of export earnings in 1982, compared to 17 percent in 1978, with more than half of the increase due to higher interest payments. . . . This means that countries must shape their economic policies in such a way as to keep their external deficits within manageable bounds in terms of their debt service capacity." That is all there is: economic policy must be dictated by central bankers' needs, despite the lowest Third World export prices in 10 years and the highest interest rates in world history.

Senior International Monetary Fund officials assured reporters that, despite the apparent lack of money, the Fund would draw on all sorts of resources, including borrowings from the oil states (whose surplus has been wiped out by the world depression anyway), or borrowings from the private market. However, according to IMF Deputy Managing Director William B. Dale, no governmental representatives have yet begun to study any such proposals at the level of the Fund's Executive Board.

The reality is that the stances of the developing-sector spokesmen and the IMF are fundamentally irreconcilable.



The IMF's sponsors are enraged in the wake of Toronto. They will not give an inch, except to briefly hypnotize a victim.

West German central bank chief Karl-Otto Poehl told a German banking conference on Sept. 9 in Kiel, West Germany that central banks have now "agreed to cooperate every step of the way" to shut down credit for "incautious and overly ambitious development projects in the Third World." The German central banker, whose principal loyalty is to the Basel-based Bank for International Settlements, added that "the central banks are not going to follow a love-thy-neighbor policy." Mexico is the principal target of this central bank agreement, Swiss central bank sources added. "A new internationale is emerging," said a top Swiss central bank official. "On its banner is written: 'Debtors of the World, Unite!' It must be stopped." The agreement between the central banks consists of four points, a Swiss banker said: 1) to stop all new loans to the Third World while re-organizing the old debt; 2) to give loans through the International Monetary Fund only for debt rescheduling; 3) to enforce a program of internal re-organization of Third World economies; and 4) to reduce interest rates only after lending has been crushed.

This program implies a "world economic contraction" and a long-term zero-growth perspective for the industrialized countries, the Swiss source concluded. Indeed, German central banker Poehl told his Kiel audience that Germany would suffer zero growth for the period through the end of 1983. But the Swiss banker warned that the Mexican situation still represented an immense danger for the bankers' group. "We must be flexible in order to control Mexico, and lure them into negotiations," he said, "or they might tell the IMF to take a walk."

The British and Swiss are mocking the U.S. administration for its "inflexibility" while overseeing the attempt to clamp down on any development effort. A senior British merchant banker with close ties to the Bank of England stated bluntly, "You will see depopulation in Mexico. Caught in this situation, they will be forced to relocate people from the cities to the countryside and then, when urban workers are pushed into rural areas, you will see the real social explosion."

The British banker continued, "Private banks will no longer lend to the Third World. It will all have to go through the IMF. That is the result of the Mexican action. If they want money, they will have to go to the IMF and accept its conditions."

However, the banker warned that "this extreme hard line won't work. You have to go in with more negotiable demeanor. The International Monetary Fund meeting last week was hysterical; people were not being realistic. It might take a few good crashes to clear their minds. And Citibank will be first in line for a blowout."

### **The developing sector's choices**

Although Brazil's byword for the meeting was, "We are

different" from the other, near-bankrupt Latin American countries, some hard-nosed Brazilian planners are already looking at means to protect themselves from a world collapse, through intensified ties with other Latin American nations. Brazilian Finance Minister Ernane Galveas told *EIR*, "We do not anticipate a disaster. But we view it [the Latin American Common Market plan] as a safeguard in case of disaster. If world trade shrinks, we will expand trade with Latin America; that is what the Europeans will do inside the European group, and also others."

As it became clear among the welter of conflicting rumors that Mexico would refuse the conditionalities of the Fund, and lose its right to draw the remaining \$1.5 billion of the \$1.8 billion "bailout" facility arranged through the IMF, the Latin American delegations went into ferocious debate over how to respond. Venezuelan Planning Minister Maritza Izaguirre Porras called for an all-Latin American effort to aid Mexico should the collapse of negotiations with the Fund result in an American trade cutoff, similar to the aid package made available to Argentina during the Malvinas War, in an interview with *EIR*. Colombian Finance Minister Edgar Gutierrez Castro told *EIR* that it was too early for his government to respond to the potential attack against Mexico. Senior Argentine and Brazilian officials insisted that their case was separate, but watched the Mexicans and weighed their moves carefully. And in two presentations in Toronto, Galveas provided crucial flanking support to Mexico's fight by attacking the "interest rate shock treatment" which has been applied to the world economy since 1979. He described the \$500 billion debt of the developing countries as "an intolerable burden on the economies of the Third World," adding: "Without courageous measures, the world will continue in the current depression. We must have political and economic leadership. Without this, our efforts will stand as a denial of the very essence of humanity, which is permanent growth."

In this environment, 250 copies of a special Open Letter authored by LaRouche were rapidly grabbed by conference delegates and intensively studied. The document, titled "IMF Conditionalities are a Nuremberg Crime," warned the international banking community that unless they deal intelligently with Mexico and other developing-sector countries, they risk plunging the world into a depression whose outcome will be as fierce as the 14th century banking crisis which led to the outbreak of the Great Plague.

LaRouche's moves to put together forces in the United States and Western Europe which are prepared to defend economic growth in the developing sector, were well known among the conference delegates. The forces working with LaRouche in the advanced sector will become increasingly important over the coming months as the showdown with Mexico intensifies. If Mexico stands firm, the entire southern half of the Western Hemisphere may well form into an alliance against the IMF; the repercussions of the American betrayal of the Monroe Doctrine during the Malvinas war have intersected the economic crisis.

# From the G-24's Toronto communiqué

*From the Sept. 3 communiqué of the IMF's Inter-governmental Group of Twenty-Four on International Monetary Affairs:*

. . . Ministers reviewed the performance of the world economy in recent years and noted with concern the near stagnation of economic activity in industrial countries, the continuing sharp decline in growth rates in developing countries, and the marked deceleration in the growth of world trade, from 6.5 percent in 1979 to 2 percent in 1980, and the virtual stagnation of world trade in 1981. . . .

Ministers emphasized that economic conditions in the industrial countries have a vital bearing on the prospects of developing countries. In the context of the continuing stagnation in the major industrial countries, the growth prospects of developing countries look grim. . . .

Ministers stressed that the prevailing high interest rates have added enormously to the debt service burden of developing countries. Increasing difficulties of access to the capital markets have made the task of financing these deficits extremely onerous for these economies. Ministers noted that even the oil exporting developing countries were not immune from these developments. In fact, the combined current account surplus of these countries has shrunk sharply from \$115 billion in 1980 to an estimated \$15 billion in 1982.

Ministers warned that unless the adverse trends in the international economy are reversed, the whole international system of trade and finance could collapse. It is therefore imperative to formulate a world recovery program to stimulate non-inflationary growth in industrial as well as developing countries. . . .

They also noted that the arrangement recently adopted by OECD countries on minimum interest rates on export credits can further inhibit trade in capital goods and aggravate the financial burden on developing countries. Ministers called for the exemption of imports of developing countries financed by export credits from the minimum interest rates provisions of this arrangement. . . .

Ministers deplored the hardening of conditionality evident in the increasing resort to preconditions and the current tendency for the Fund to shift from three-year programs to one-year programs. They regretted the heavy emphasis on domestic demand management in the application of conditionality and felt that the mechanistic and narrow monitoring of performance criteria did scant justice to the structural nature of the problems faced by developing countries. . . .

Ministers emphasized that there is no effective substitute for a straightforward and sufficient increase in quotas to enable the Fund to discharge its due responsibilities. . . .

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## Brazilian finance minister

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*From the speech delivered by the Finance Minister of Brazil, Ernane Galveas, at a luncheon in Toronto on Sept. 7:*

. . . We have to say that adjustment of the Brazilian economy is being further endangered by the profound disorganization of the world's economic system.

The industrialized countries are blindly insisting on the maintenance of economic policies which have extraordinarily perverse repercussions on the developing countries, notably oil-importing nations, such as Brazil.

It is not without reason that the world economy is going through an unparalleled crisis, of dimensions much greater than could be generated by a simple energy crisis.

Perplexed and defenseless, the Third World has been relegated to the sidelines, as the industrialized nations adopt an exclusivist and recessionary framework of adjustment, based on generalized protectionism, import restrictions and the reduced flow of international trade, inexorably condemning the peripheral nations to swallow the bitter pill of recession, inflation and balance-of-payments disequilibrium. . . .

The maintenance of high interest rates hampers investment, including investment channeled to technological development that could, to a great extent, attenuate the energy crisis. Even more serious is the fact that high interest rates represent an intolerable burden on the foreign debt of the less-developed countries. It is estimated that this debt will rise from \$400 billion in 1981 to \$466 billion in 1982 and to a level of more than \$500 billion in 1983.

The application of the high rates of interest to the voluminous foreign debt of the oil-importing developing countries has resulted in unjustified burdens. One simply has to see that, for the majority of the developing countries dependent on oil imports, a rise of just one percentage point in foreign interest rates is now five to six times more important than a growth of one percent in the price of oil. All of this has inexorably placed the United States in the painful position of villain in the eyes of the ever-poorer less-developed world. . . .

We are all aware that, without courageous measures, the world will continue mired in the current depression. It is not a question of economic systems, for the socialist nations are facing problems of equal or higher magnitude.

Above all, it is a question of political and economic leadership, a commodity so scarce in the international community. We must have that unusual type of leadership which is capable of galvanizing society in its search for new solu-



tions, which can prove itself capable of recovering the economy's flexibility in responding to crisis situations, which will clear the way for solutions to the structural problems we are debating here today. We must have a leadership that can create an environment favorable to the development of the different regions of the world, that will return to the free market forces the freedom of initiative.

Without this, our efforts will stand as a denial of the very essence of humanity, which is permanent growth, and we certainly will not achieve the superior goals of increasing production, enlarging employment opportunities, and improving the world's standard of living.

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## Egyptian central bank

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*From an interview with Aly Mohamed Negm, Deputy Governor, Central Bank of Egypt, and Vice-Chairman of the Group of 24, conducted Sept. 7 in Toronto:*

**EIR:** Mr. Governor, the Group of 24 communiqué refers to the problem of high interest rates and the debt-service burden. . . .

**Negm:** Yes, the debt is one of the major problems. Our economies need all the capital we can get for economic development, and to raise the living standards of our populations. However, with the contraction in the world economy, many countries are now unable to support rising debt burdens considering their falling foreign trade.

**EIR:** The nations of Latin America are growing increasingly aware that they have a great deal of power, if they act in cooperation, and that they can take leadership in attempting to redirect the world economy. Can Egypt take the leadership in the Arab world, to support the efforts of Latin America, and to demand progress for the developing nations?

**Negm:** Yes, certainly, as Arabs as well as Africans, we understand the problems of the area. We are a good example of this. We have to fight our battle, as well, to survive. Then, we must fight a battle to develop our economies as rapidly as possible. The Group of 24 communiqué reflects these efforts and problems of the developing nations.

That is why it stresses the magnitude of the problem represented by the external debt burden, and the question which we have, which is, how to have access to, and to increase, our resources, of foreign currencies needed for economic development. I cannot comment on the details of the Mexican program, but I may say that we want Mexico to survive. We stand beside Mexico as a developing country, in its battle to develop its economy and to industrialize.

# Don Regan's insane posture in Toronto

by Kathy Burdman

U.S. Treasury Secretary Donald Regan, British Chancellor Sir Geoffrey Howe, and the other Group of 10 industrial nations at the IMF Annual Meeting this week re-enacted Shakespeare's "Merchant of Venice." Rejecting charges by the Group of 24 LDCs that the West's austerity is about to cause a world "collapse," and ignoring Mexico's refusal to accept IMF austerity, the G-10 in a Sept. 3 communiqué demanded the Third World tighten its belt, and pay its debts.

On Sept. 4, the Interim Committee of the IMF, the IMF's policy body, issued an identical communiqué, largely written by the G-10, which controls the IMF. It blamed the world's problems upon excess spending by the LDCs. Not only will no new funds be made available, the IMF's final communiqué stated, but any country that refuses to immediately tighten its belt will be cut off from world credit.

"Current difficulties" in the Third World, according to the Interim Committee communiqué, "have stemmed from unduly expansionary financial policies. . . external debt has reached historically high levels in many countries. The Committee stressed the importance, at a time when private financial flows are less readily available, to be taking steps toward realistic adjustment."

Playing the role of Shylock was Donald Regan, who personally scuttled even the G-24's foolish plan to expand IMF resources from \$69 billion to \$140 billion in the Eighth Quota Review. In fact, Regan acted instead to ensure that "no new quotas will be available until April 1985," as he said in a Sept. 6 press conference. As a result, the Interim Committee final communiqué announced no new funds for the IMF.

Instead, Regan prescribed more austerity for the world. Tight money and budget cuts have licked inflation in the U.S., he lied; "the U.S economy is now up beat, and the recovery is under way." As for the Third World, he said Mexico and others have been "over-ambitious. We've had to cut back, others will have to do it too. It's tough."

## Free-market bull

"Listening to U.S. Treasury Secretary Donald Regan making a public fool of himself," a spokesman for *EIR* founder Lyndon H. LaRouche commented Sept. 7, "the only sensible reaction would have been to shout at the poor jerk: 'Enough of your bull, Merrill Lynch.'"

"Whom the gods would destroy, they first make mad. Not only the mentally sick Friedmanites around Washington,

but most of the representatives of the leading industrialized nations—The Group of 10—at that International Monetary Fund conference were behaving as the most pathetic pack of hysterical fools seen at any major intergovernmental conference of the post-war period.

“We are on the edge of the worst financial collapse in modern history, far worse than 1931-32. To roll over the debt of nations for even six months or so, will require between \$500 and \$700 billion. What is the discussion among the Group of 10? The issue is whether to raise the kitty to \$100 or \$120 billion dollars of ‘bailout funds’ to tide the bankrupt monetary system through the next month!”

Leading U.S. bankers at the meeting exhibited the same symptoms of insanity. “It is not necessary for the IMF to hand out any more money,” G. A. Costanzo, recently retired Vice-Chairman of Citibank told *EIR*. “The LDCs must cut their deficits. They must cut their borrowing. They must not declare debt moratoria! We will never negotiate with anyone who seeks to violate their debt contracts. The debt must be paid.” From Chase Manhattan Chairman Willard Butcher, to Henry Fowler of Goldman Sachs; Anthony Solomon of the New York Federal Reserve and Dennis Weatherstone, Chairman of the Morgan Bank, the responses were identical.

### The British disease

Behind Regan, as usual in international affairs, was the Malthusian policy of Great Britain, whose Chancellor Sir Geoffrey Howe, in a Sept. 4 interview with the *Toronto Globe and Mail*, announced that “I am happy to see,” that the IMF has been following “the policies of Britain” for the past several years.

Howe and IMF Managing Director Jacques de Larosière, had evidently decided upon the old British military strategy of “aura of power.” If the G-10 reacted viciously enough to the Third World’s demands for debt relief, the victims would come begging to the IMF, regardless of the fact that the IMF has no actual power.

De Larosière stated as much at his press conference following the Interim Committee communiqué’s release. Asked by a Mexican reporter whether the communiqué’s demand for “realistic adjustment” was a threat to Mexico, he replied: “That is a paragraph which should be read over and over again, by every government, and, yes, it is a warning.”

Indeed, every other industrial nation lined up behind the British strategy. “Stepped-up adjustment efforts by borrowing countries are clearly required,” West German Finance Minister Manfred Lahnstein said in his Sept. 6 speech. “Borrowing countries must restore economic discipline,” Japanese Finance Minister Michio Watanabe said, and added, “IMF conditionalities are a means of preventing inflation and Japan endorses them,” in a Sept. 7 press conference.

“The U.S. policy is insane,” a high Brazilian official told *EIR*. “It is a very bad policy. Donald Regan’s actions will destroy his own banking system.”

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## ‘This is a warning to Mexico’

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*Excerpts from questions and answers during press conference of the Interim Committee of the International Monetary Fund on Sept. 4.*

**EIR:** After Mexico’s nationalization of the banking system, an entire group of Latin American countries, including Venezuela, Colombia, Bolivia and Brazil, are prepared to join Mexico in a declaration of debt moratorium in opposition to the policies you have put forward. This could crash the entire \$1 trillion interbank market. What do you intend to do about the private commercial banks? What does the Bank for International Settlements intend to do?

**Delarosière:** I am not going to comment about individual countries. However, since your question deserves an answer, I will try to answer it. As to what the BIS will do, you had better ask them.

**EIR:** I just spoke with Mr. Lamfalussy, the chief economist of the BIS, and he told me to ask you (laughter).

**Delarosière:** In the Fund, we treat balance of payments problems as they arise. When member countries ask us to provide assistance, we try to respond promptly. We do not act in global terms, but strictly on a specific basis with each country. When countries do ask, we try to negotiate an adjustment program. That is the way we operate. However, if the question implies that we were on the verge of widespread slippage, I do not share your view. The international financial system is sound and flexible, and has shown its resilience in the past years and months.

**Q:** Does the recent decline in interest rates bring us nearer to recovery, or represent a change from a strict monetary policy?

**Delarosière:** No. If, in present circumstances, the whole apparatus were let go and replaced by the wrong program of a monetary character, there would be a rise in inflation.

**Q:** Was the U.S. delegation the only one to oppose a substantial increase in quotas?

**Canadian Finance Minister MacEachen:** It’s not possible to poll every delegation, but the U.S. was the only major country opposed.

**El Universal (Mexico):** The Interim Committee communiqué says “current difficulties in many countries come from unduly expansionary policies which have generated domestic

inflation and misallocation of resources. There must be adjustment.” Can that be interpreted as a specific warning to Mexico?

**Delarosière:** That is a paragraph which should be read again and again, and studied by all concerned. And, yes, it is a warning.

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## Delarosière relays dictates

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*Statement by J. Delarosière, Chairman of the Executive Board and Managing Director of the International Monetary Fund in Presenting the Thirty-Seventh Annual Report of the Executive Directors to the Board of Governors of the Fund.*

. . . [C]onsiderably more adjustment is needed on the part of many countries if external deficits are to be brought down to a sustainable level and debt crises avoided. This means that countries must shape their economic policies in such a way as to keep their external deficits within manageable bounds in terms of their debt service capacity. . . . And the Fund, as the agent of adjustment in the system, has a vital role to play in helping member countries to put together and implement the adjustment programs that are needed.

The commercial banks have played a rapidly expanding role in the international financial system. Banking practices should now conform to this wider role. . . .

When financing only has the effect of allowing a country to live beyond its means by, for example, supporting excessive consumption, it serves neither the interests of the borrower nor that of the financial community. . . .

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## ‘Overly ambitious planning’

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*From the statement by Donald Regan, Secretary of the Treasury and Governor of the Fund and Bank for the United States, to the IMF conference on Sept. 6:*

. . . The experience of the past few months underscores the basic strength and resilience of the international financial system. The system is sound. It has coped with some difficult liquidity and debt problems, and I am confident that it will do so in the future.

At the same time, it is clear that the rapid growth of international debt has placed strains on the world banking system. Ironically, many current problems stem from gov-

ernment policies designed to stimulate rapid growth but which—because of their excesses and reliance on controls—have produced little or no growth and have greatly damaged economic performance in all respects.

All too often, governments have tried to follow overly ambitious national economic plans that exceed the real and financial resources of their nations. Confronted with the gap between aspirations and resources, the temptation is great to spend beyond one’s means—a problem not unheard of in Washington. There are pressures for massive government deficit spending and temptations to monetize budget deficits, thus fueling inflation. And there are heavy pressures to borrow excessively abroad—to the point that a nation loses access to foreign credit markets altogether.

The results are inevitable: too little growth, too much inflation, too much debt. Confidence in the borrower’s economy becomes shaken and money flees to other countries and to other currencies.

The lessons here for all of us—creditors and debtors—are plain. The international financial system is tough and resilient, but its resources are not inexhaustible. Societies cannot grow faster than their resources will allow. Attempts to promote unrealistic growth rates lead only to inflation.

The real solution to the problems we all face is to be found through a series of courageous and concerted steps toward adjustment. . . .

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## ‘Monetary system is sound’

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At his press conference, and in his speech the next day to the IMF Annual Meeting, U.S. Treasury Secretary Donald Regan demanded openly that the nations of the world, beginning with Mexico, capitulate *politically* to the IMF’s call for world austerity.

Lying baldly, and to general laughter from reporters, Regan stated that due to the austerity measures taken here in the last year, “The U.S. economy is now upbeat, and the recovery is underway. The leading economic indicators show it,” he said. “Since last year, the U.S. has succeeded in getting interest rates down, in getting inflation down, by cutting our expenditures.”

“Regarding the worldwide situation,” Regan said, “we’ll be more upbeat than others,” because he said the U.S. is confident all nations will take austerity measures. “Mexico is in a serious situation,” he said, “but if there is a *political result* and response by Mexico,” to agree to the austerity conditions of the IMF, “the situation can be handled.”

*EIR*’s Kathy Burdman then shocked the press conference by asserting Mexico would not give in, and indicting the IMF for violation of the Nuremberg statutes.

**EIR:** Mr. Secretary, with respect to your statement that Mexico must politically submit to the IMF: Lyndon H. LaRouche, the editor of my magazine, this morning made two charges against the IMF Board of Governors to which I'd like your response. First, is it not in fact true that Mexico will not submit to the IMF, that in fact Mexico, Argentina, Brazil, Venezuela, and other nations are soon about to default on some \$250 billion in foreign debt, and that this means the IMF is under the threat of the worst international financial collapse since the 14th century? And second, how do you answer the charge that IMF conditionalities have caused famine, epidemics, and homicidal strife throughout the developing sector amounting to crimes against humanity in violation of the Nuremberg code?

**Regan:** I'll try to dignify that with an answer. The International Monetary Fund is not on verge of collapse—

**EIR:** Not the IMF, sir, the system. The system.

**Regan:** The Fund has plenty of money, and it has the ability to borrow any additional funds it may need on the international markets. The U.S. has proposed a special emergency fund for use by any members facing emergencies. The international monetary system is sound, the situation with the international banking system can be handled, I expect no individual crisis which can shake the system.

As far as crimes are concerned, this is an erroneous charge. I don't think any such thing has happened.

In subsequent questions, Mr. Regan continued to insist that IMF austerity programs would prevent default.

**Q:** Mr. Regan, the nine largest banks in the U.S. have lent amounts surpassing 40 percent of their capital to Mexico. It is estimated that \$240 billion in debt must be financed this year. You have said the IMF will not be expanded. What is the alternative to the IMF? What will you do about the U.S. banks?

**Regan:** They'll get along just like any other banks. Take Poland. The Poles haven't paid their debt, but their bankers are getting along fine. They've had rescheduling and stretch-outs. These things can be handled. You don't get a default and total collapse of the banking system. We'd like to see the IMF handle it, but there are many other ways it can be done.

**Q:** But Mr. Secretary, Mexico cannot pay its debts.

**Regan:** Mexico has been over-ambitious. You have to cut your cloth to suit your pattern, and if the pattern is less revenue, you have to cut back. We've had to cut back. We don't have unlimited money. Others will have to do it too. It's tough.

**Q:** But Mr. Secretary, what about the so-called "IMF riots"? Doesn't the IMF cause political instability?

**Regan:** Look, belt tightening is something everyone has to go through, and it's up to the political leaders of these countries to explain that to their people.

## 'Mexico model' could rally the continent

by Cynthia Rush

Mexico's nationalization of its private banking system and imposition of other dirigist economic measures to defend itself from the IMF, has put the rest of the developing sector, and especially the debt-ridden nations of Ibero-America, on the spot.

The IMF is on the spot as well: it knows what Mexico's defiance of its policies signifies, and it fears that other Ibero-American nations may follow suit. The Sept. 8 edition of the *New York Journal of Commerce*, reported that Mexico's bold action "cast more gloom over the annual [IMF] meeting than has been seen in many years."

Delegates from Nicaragua, Venezuela and Brazil denounced IMF conditionalities and detailed the effect on their economies of Paul Volcker's interest-rate madness. The intervention by Brazilian Finance Minister Ernane Galvaes did not go unnoticed by strategists who are counting on keeping Brazil out of a "debtors' cartel" or away from plans for joint debt renegotiation, with promises of new credits and a better credit rating.

Brazil's leadership continues to insist that their country "is different," and knows how to "manage" its \$80 billion in foreign debt. But Galvaes forthrightly attacked IMF policies. "The industrialized countries are blindly insisting on the maintenance of economic policies which have extraordinarily perverse repercussions on the developing countries," Galvaes told a luncheon gathering. Without the "leadership that can create an environment favorable to the development of the different regions of the world . . . our efforts will stand as a denial of the very essence of humanity, which is permanent growth."

As for Argentina, while Finance Minister Jorge Wehbe told the IMF that non-payment of debt would constitute "moral effrontery," and indicated willingness to subject Argentina to the austerity conditions of a "stabilization program," nationalists in the Air Force in Buenos Aires issued a sharp public declaration that further undercut the limited authority Wehbe had when he left home.

To those pro-British monetarists who want to give in to the blackmail of the international banks and unfreeze British assets in Buenos Aires in exchange for foreign credits, the Sept. 3 Air Force statement warned that "no demand for the prior lifting of the blockade [as a condition for] the refinanc-

ing of our foreign debts should be accepted.” The document also proposed that frozen British assets be put into a special “reparations fund” to compensate Argentina for Britain’s “illegal occupation of the [Malvinas] islands and for economic damages caused by the [British] maintenance of the zone of exclusion” around the islands.

Echoing the proposals of *EIR* founder Lyndon LaRouche, the Air Force explained that use of its debt as a “weapon” against Great Britain was valid, and was “one of the coercive measures that we possess.”

## IMF threat

The “warnings” to Mexico in Toronto flew thick and fast, all of them conveying the same message: either Mexico buckles under and accepts the austerity conditionalities of an IMF package, or it will forfeit the remainder of the BIS’s \$1.8 billion bailout loan, and subsequently be barred from all international financing. If Mexico doesn’t reach an agreement with the IMF, a Citibank executive warned, “we’ll force them to reduce their deficits the hard way—we’ll cut them off from all financing.”

“The conditions are draconian, and there will be no concessions,” West Germany’s Deputy Finance Minister Horst Schulman told reporters in Toronto. “The IMF is the guardian of world finances,” and it must prevent any nation from taking similar action to that which Mexico just adopted. U.S. Deputy Treasury Secretary Beryl Sprinkel told reporters: “I would expect that significant adjustments would be necessary before the IMF makes its funds available,” to Mexico, specifying the need for “belt-tightening” and a change in internal programs. “Throwing money at the problem” will not solve it; the U.S. government will “pressure” the IMF to take a hardline stance, Sprinkel grimaced.

BIS sources in Europe informed *EIR* on Sept. 9 that they intended to come through with the remainder of their bailout package, providing of course that Mexico adopts an IMF program, “as agreed.”

A cartoon in the Sept. 9 issue of Mexico’s leading daily *Excelsior* depicted a poor man, with rope around his neck. He turns to the IMF hangman, and says: “But if you hang me, how will you get my money?”

Ibero-America, whose combined debt is over a quarter of a trillion dollars does have the power to call the IMF’s bluff. In the period following the Mexican bank nationalization, most of the continent’s governments and political parties have been debating—and fighting—over the implications of Mexico’s action and what their own response should be.

The debate is particularly heated in Venezuela, a country that has assumed a leadership role in Ibero-America in the post-Malvinas period and is targeted by the IMF and the banks for that reason.

As soon as news of López Portillo’s attack on the promoters of capital flight and speculation had reached Caracas, that city’s leading bankers went into emergency session with Finance Minister Luis Ugueto who assured them that Vene-

zuela would not impose exchange controls or nationalize its banks as Mexico had done. Realizing that Venezuela now must take a stand, one high-level political figure confided to *EIR* that “there must be another way” to take on the financial oligarchy. “This makes things worse for us. Now capital flight will really increase.”

However, as President Herrera Campins reported in a Sept. 7 speech in Maracaibo, he sent the director of the state planning agency Cordiplan, Dr. Maritza Izaguirre, to Toronto with strict instructions to “tell the IMF and the World Bank that the developing nations can tolerate neither the reduction of lending possibilities, nor the conditions that the Fund wishes to impose, especially on the Central American and Caribbean nations.” Herrera Campins also blamed high interest rates for sabotaging the development plans of Third World nations.

The policy debate is also building up in Colombia, where certain factions within the government of President Belisario Betancur have begun to clamp down on the drug-related speculative apparatus that has thrived in the country under the two previous administrations.

Recent financial scandals that have put one bank president in jail and forced two others to flee the country, have revealed the extent of illegal operations in the economy.

Joaquin Vallejo Arbalaez, economic adviser to Belisario Betancur, told a meeting of bankers in early September that if the chaos represented by such scandals and illegal behavior “is not resolved,” the government could be forced to nationalize the banking system as Mexico has done.

Speaking for a substantial faction in the mass-based Liberal Party of Colombia, Senator Rodrigo Lara Bonilla proposed that the State either purchase majority stock holdings in the private banks or convert federal funds lent to the private banks into stocks.

Lara Bonilla motivated his proposal by pointing out that the State has been deprived of vast quantities of tax revenues by the private financial sector and yet is now being asked to bail out the “unscrupulous financiers” when their mismanagement of funds is exposed. On Sept. 21 a debate on Lara Bonilla’s proposal will take place when Finance Minister Gutierrez Castro attends a full Senate plenary session.

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## The Venezuelan President

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*From a speech by Venezuelan President Luis Herrera Campins announcing the financing of the Zulia steel and coal project, given in Maracaibo on Sept. 7:*

A project of this nature and scope also represents an injection of optimism which is constructive and creative in Venezuela at a time when continuous pessimism and negative

predictions are attempting to crush our spirit. . . .

The world is experiencing a dramatic economic period, but we must have faith in our capacity to navigate stormy and difficult waters. The developing world, towards the end of 1981, owed more than \$540 billion to the developed or industrialized countries, and this is one of the greatest problems that we confront. . . .

[At the North/South Cancún meeting in October 1981] I painted with objectivity and without alarmism the gravity of the situation that these [underdeveloped] nations are being subjected to, particularly when the interest rates rise in the international financial markets and all the development plans of the nations that want to develop are obstructed. In the [IMF/World Bank] meeting that is taking place in Toronto, the Venezuelan representatives and fundamentally the Minister of State, chief of the Coordination and Planning Office [Dr. Maritza Izaguirre Porrás], took direct personal instructions from me to pose before the World Bank and the International Monetary Fund that the developing nations can tolerate neither the reduction in the possibility of obtaining loans, nor the conditionalities that the Fund wants to impose, above all on the Caribbean and Central American nations. . . .

In the midst of this world economic crisis, we have not gone into the trenches with our own Venezuelan national egotism. With the backing of the population, which understands that we cannot aspire to be an island of prosperity in a sea of poverty, I declare that we intend to maintain our policy of cooperation with Central America and the Caribbean. . . .

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## Venezuela planning minister

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*From an interview with Kathy Burdman with Dr. Maritza Izaguirre Porrás, Venezuelan Minister of State for Planning and Coordination, on Sept. 8 in Toronto:*

**EIR:** Does Venezuela support Mexico in its current negotiations with the banks and the IMF?

**Izaguirre:** Politically, we must respect the national sovereignty of Mexico. National sovereignty equals Mexico's right to order its own internal political affairs. Economically speaking, yes, we stand for international cooperation. We, too, have been suffering the "Mexican effect" in the international markets . . . in which banks have reduced lending to all of Latin America. So we must respond. We must have a coordinated response, we are all Latin Americans and must act together.

**EIR:** Do you support Mexico's recent nationalization action?

**Izaguirre:** Mexico is a sovereign state, and we support Mexico's right to do such things, if that is the way in which they need to act. I think the coming weeks are very important—how the international banking market moves, and how the Mexican nationalization actions and the Mexican negotiations with the International Monetary Fund will shape their internal response and the response of the rest of Latin America.

In our case, however, it is a different story. Since 1979 we have been trying to put our economy in order, and we've been successful in reducing inflation. We've been successful in trying to put our foreign debt in order. We have tough problems with our budget, because of the fall in the price of oil, which is due to the fall in demand in the industrial world, which has cut into our income. So we've reduced our budget, and we've tried to stimulate industry, agriculture, and construction.

But the outlook for 1982 and 1983 is very tough, and in our case as well, very difficult. International cooperation is the key. We have cooperation programs with the Caribbean nations, and with Central America, on oil and on other trade. And I emphasize that even though we, as well as other nations, have less money now, we intend to continue these cooperation programs.

**EIR:** Are you referring to U.S. Treasury Secretary Regan's abdication of similar responsibilities?

**Izaguirre:** (Laughs) I don't like to mention others. But as I say, even though our own people have some difficulty understanding why we must spend money abroad in this tough period, we still intend to continue internationally.

**EIR:** Do you agree with Nicaraguan Finance Minister Joaquin Cuadra Chamorro that IMF conditionalities unduly "interfere in borrowing countries' economic systems"?

**Izaguirre:** Regarding conditionalities, the IMF sometimes does not see clearly not only the economic conditions but the financial, social, and political situations in sovereign nations. They don't take account of the entire range of problems nations have. Nations must promote employment; they must raise the standards of their people. Politicians must represent their constituencies, they have the entire society to take care of. It is not so easy. . . .

**EIR:** If Mexico does not reach agreement with the IMF, and the creditors do treat Mexico and the rest of Latin America badly, what cooperation can you offer Mexico?

**Izaguirre:** We will work through SELA, and the governments of SELA, which is all of Latin America, will help Mexico, as we did Argentina during the Malvinas crisis. We should create some sort of similar scheme to help Mexico.

**EIR:** Is the Venezuelan government conducting specific studies on such independent programs for Latin America?

**Izaguirre:** Yes. After the Malvinas war, Latin America re-



alized that it must promote its own economic development. For example, when we tried to import corn from Argentina, we discovered we did not have the transportation, that the lines of transportation all ran from Buenos Aires to New York and London. We didn't have the ships to promote our own trade between Argentina and Venezuela. So now we have specific studies, we're trying to clarify our own ways to better this situation.

We learned a lot during the Malvinas war. We learned the hard way, but we learned.

## Out of the chaos: rise of a new fascism?

by David Goldman

Treasury Secretary Donald Regan not only follows Milton Friedman's recommendations, reports a well-informed Republican party operator, but has begun to ape Friedman's speech patterns, e.g. his favorite expression, "Absurd! Absurd!" in response to interference. Regan's subservience to the vice-president of the Mont Pelerin Society, exposed as the economists' wing of the old "blue fascist" international, raises the question, who steered the United States into its greatest policy disaster of the postwar period, and why? The United States has now taken the role of the International Monetary Fund's most brutal enforcer, and made it possible for stupid anti-Americanism to creep into opposition to the IMF.

While the U.S. delegation donned their Milton Friedman masks in Toronto, Friedman and his Mont Pelerin colleagues held their annual meeting in Berlin, where the Society's new President, Prof. Charles Nishiyama, called for a shift in strategy: advocates of the "free market" have been too much associated with the aristocracy, he told the conference. But "radical changes, like the rolling back of the state, tax cuts and embedding [restrictions to] the state budget in the constitution are *revolutionary developments of a particular kind, which involve broad layers of the population.*" Rather than act in the name of the old oligarchy who control it—Count Max von Thurn und Taxis is the Society's world chairman—the Mont Pelerinites must re-tool towards *mass-based fascist movements*, the Berlin meeting announced.

South African Finance Minister Owen Horwood's resort to Old Testament language in predicting the demise of the financial system and the restoration of a free-market order

was, surprisingly, echoed by representatives of the Socialist International in private discussions during the conference—the same Socialist International that, in a January 1980 meeting in Washington, D.C., predicted that a world depression would destroy the Reagan Administration. Friedman's puppeteering of Donald Regan has brought this goal within reach of success. Even before the Danish and Dutch social-democratic governments fell Sept. 9, social-democratic ministers in attendance at Toronto talked in tones of their colleagues of 1932, bemoaning the failure of the left and the drift toward fascism.

Are the "ugly Americans" and the anti-Americans confronting each other on the same track? A composite interview drawn from discussions with several Socialist ministers is printed below which sheds light on the source of Donald Regan's insanity.

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### A social-democratic view

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*The following exchange is a composite of EIR's discussions in Toronto with three European Social-Democratic ministers, all of whom spoke off the record; their views were so similar as to make a joint presentation preferable.*

**EIR:** The Europeans seem to have opposed the American plan for an emergency fund with skepticism. Why?

**Minister:** There is considerable fear in Europe that the Americans just want to bail out their own banks, and leave the Europeans hanging. When it looked like European banks were in trouble due to Poland, the United States viewed this as punishment for our having engaged in East-West trade. Now that Latin America is the trouble spot they want to do something.

**EIR:** But nothing at all appears to have been decided at this meeting.

**Minister:** Absolutely nothing; now the crisis is here. Some people talk of lower interest rates being the light at the end of the tunnel; but sometimes the light at the end of the tunnel is a train coming in the other direction. Some of us foresaw this. Now we wonder why the Americans don't have the sense to bail out their own banking system.

**EIR:** What will come of the crisis?

**Minister:** The IMF will not be able to do anything. There will be increasing regionalization; that is what the Americans seem to want. They do not want a global deal through the IMF. All they want is a set of bilateral deals to screw countries one by one. They hope to run the Latin American bloc; and

they will, unless the Brazilians and the Mexicans wake up.

**EIR:** But the banks and the U.S. Administration both wildly underestimated the force of Mexican nationalism, and were taken by surprise when López Portillo nationalized the banks.

**Minister:** Yes, there is a nationalist wave spreading all over the globe. Everyone wants to blame something from the outside, never blame their own mistakes. During the 1930s it was the Versailles agreement; today it is the IMF; the IMF is the problem, never the policies of one's own government. The IMF is to the present-day nationalists what the Versailles Treaty was to the fascists during the 1930s.

**EIR:** Yet what John Maynard Keynes said about the Versailles World Treaty in 1919, that it would destroy the world economy, could be said just as accurately about the IMF today.

**Minister:** Well, in a way that is true. But as a long-time member of the Socialist International, when I see picket signs outside this conference saying, "If you liked Hitler, you'll love the IMF," it makes me very nervous.

**EIR:** The United States has been portrayed as the villain throughout this conference. Do you see a growing isolation of the United States?

**Minister:** That is the great danger, as in the case of the American sanctions against the pipeline to the Soviet Union. Now that the U.S. has attempted to use its patents to penalize European countries involved in the pipeline, do you think there will be any technology cooperation between the U.S. and Europe? Europe will set up technology agreements with Japan, and the U.S. will be left out in the cold.

**EIR:** But what will happen to international trade if the banking system collapses? Will Europe cut off trade with countries who declare a debt moratorium?

**Minister:** My country does not embargo trade with anyone, and, given their unemployment problem, I doubt the West Germans would either. But that is not the problem. It would be terrible for us. Trade could only go on through barter, through stone-age trading methods, at a much lower level.

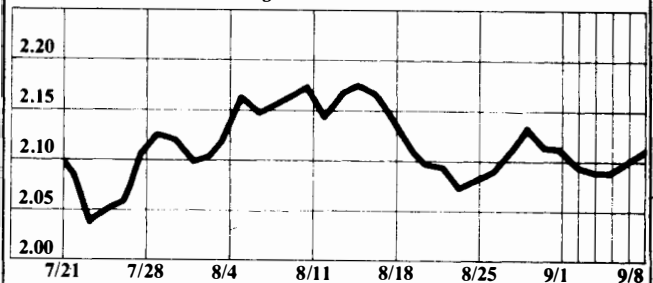
**EIR:** A final question: Will your government be in danger if the Schmidt government falls?

**Minister:** The West German political situation is very unstable; Schmidt could last two weeks or two years. For the last period he has been waiting for the Americans to come to their senses and make some kind of deal. Now he has begun to wise up, but it is too late for him; his political career is at an end. We of the Social Democracy have presented our case in the wrong way, and things will go badly for us. The masses will respond to the crisis by turning to the right; their fear will make them search for something elemental, the free market, back to nature, and I am afraid the right will come to power. In this respect it is very much like the 1930s.

## Currency Rates

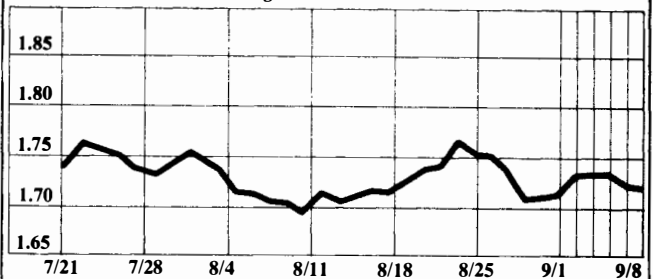
### The dollar in Swiss francs

New York late afternoon fixing



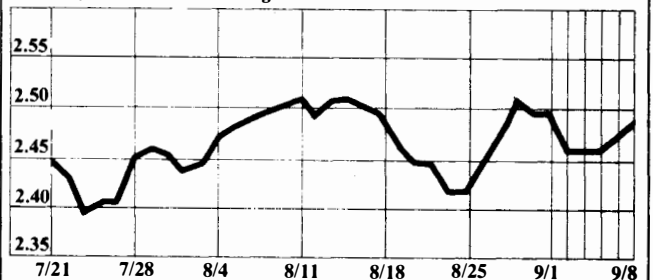
### The British pound in dollars

New York late afternoon fixing



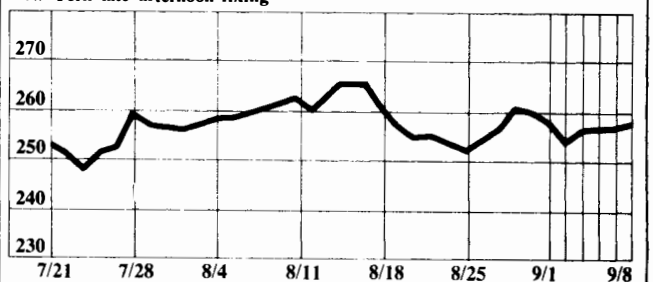
### The dollar in deutschmarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing



# High-technology farm methods are simply waiting to be used

by Cynthia Parsons

Since World War I, the spread of mechanization, followed by widespread use of fertilizers, pesticides, and herbicides, generated an enormous leap in the productivity of American agriculture. Coupled with the use of hybrid seeds, these developments facilitated a 30 percent increase over a 30-year period.

If such progress is not continuing today, the reason is not a lack of new technological innovation, nor a lack of desire for even better production methods on the part of the American farmer. The reasons are purely political. Jimmy Carter's agriculture Secretary, Robert Bergland, was wholly unfit for that office, as he certified by reversing a century of U.S. government support for American farm expansion. He stated his belief that the American farmer produced "too much"—although U.S. agriculture has not yet come close to its full potential. He stated his belief that there is too much mechanization, too much use of fertilizer, pesticides and herbicides, and too much irrigation. He supported "environmentalists" who sought to deprive America of its food supply by returning farming to the "natural" 20-acres-and-a-mule state.

Then came Jimmy Carter's Federal Reserve Chairman, Paul Volcker. Volcker, continuing his policies of usury into the hapless Reagan administration, deprived farmers and farm-equipment suppliers of the credit necessary not only to modernize, but even to survive. Volcker, since assuming office in 1979, will have eliminated one million farmers by the end of this year.

Reverse the depression conditions Volcker has induced—before too many more farmers disappear—and eliminate the continuations of "Berglandism" in the government's parity and other policies, and the technological innovations recently made and soon to come on line in the field of agriculture will produce an increase in American farm productivity palming that of even the recent 30-year period.

## The time factor

Among the many innovations we shall cite, the essential fact is that merely by reducing the time-factor involved in

agricultural production, agricultural efficiencies could be increased 20-fold. In fact, a simple increase in the application of fertilizers and pesticides would bring an enormous increase in present output, without a single innovation otherwise.

## Innovations in hydroponics

Innovations in mechanical technologies, including robots, computers, and improved tractors, plus innovations in the application of water, pesticides, and herbicides, are increasing output, reducing labor needs, and cheapening production costs in whatever part of the world they have been introduced. For example:

Soilless agriculture, though not widespread, is being developed in many countries, proving a boon to production of vegetables and horticulture.

The Israelis are developing aeroponics, a highly energy-intensive method of food production similar to hydroponics. Hydroponics is a soilless method of crop production with stones or similar substance replacing soil as the medium holding the plant. Essentially the plant is supported in water by the stones through which the roots grow and receive nutrients. The new aeroponics technique developed in Israel is similar. Extremely high yields can be obtained by this method, at very economical costs in terms of manpower, water and energy.

The new approach supports plants on modular growth-benches. Root systems are enclosed in "feeding chambers," where they are periodically sprayed with a fine mist of nutrient solution. The network of nutrient pipes is equipped with special foggers, which project a fog of air and solution into the chambers. A drainage system returns any unused solution to the nutrient tank, for greater economy. The important factor in this method is that it is a very controlled system, and water, nutrient and oxygen are supplied directly to the roots. Harmful microorganisms and insects are completely excluded. Computerized controls measure the amounts of nutrient solution to be atomized in each root chamber.

## Sheep-shearing robots

Among the leaders in farm innovation today is Japan, not surprisingly. (They do things the way America used to.) The Japanese are developing robots for the farm and have developed a robotized combine harvester that senses the side of uncut grain and harvests it. When the operation is done, the robot stops and waits for somebody to give it further direction.

The Israelis have long been using a robotized arm for fruit picking. The arms sense the ripe fruit, cut it from the branch, and drop it into a waiting container.

And finally, Australia has developed a sheep-shearing robot that senses the contours of the sheep, and cuts the wool without harming the sheep or losing as much wool as human labor would.

## Larger and more efficient tractors

In the United States, where the average-size tractor is 150-250 horsepower (hp), and the tendency has been to decrease the size, one Havre, Montana company, Big Bud, is now building a second generation of larger and more spec-

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*Merely by reducing the time factor involved in agricultural production, efficiencies could be increased twentyfold. The obstacles are purely political. Paul Volcker has deprived farmers and their suppliers of the credit required to survive, much less modernize.*

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ialized machines that enable farmers to increase their harvests with less labor and more efficient cultivation. Big Bud, founded in 1969 by Ron Harmon, manufactured their first tractor at 280 hp. Now, they can produce an 860-hp machine, already in use in California. Big Bud's 525-hp model sells at \$170,000, with sales of 75 units per year. These powerful tractors can pull large, heavy rigs that plow, till, plant and drill in one crossing of a field. Just one of them can replace five older tractors and tillage machines, while using only half as much fuel. A 650-hp Big Bud tractor has been sold primarily to large wheat growers in the southern Plains States and the Northwest. Big Bud believes that its greatest potential hasn't yet been tapped: large unbroken fields in Canada, Australia, and Argentina.

## Laser-guided farm machinery

Tillage is not the only advantage. Using special ploughs with lasers to guide them, the machines can install roughly one mile of continuous-roll plastic drainage tile per hour. This is many times the capacity of the old open ditch machines which are used to hand-set clay or concrete tiles.

The larger tractor is also better for soil conservation. Because the tractors can complete three or four processes in one field-crossing—whereas the smaller tractor would take, accordingly, three or four crossings—the wear on top-soil is reduced. The large models carry a no-till drill, which can apply as much as 2,000 pounds of packer-wheel pressure per seed opener, while simultaneously banding phosphates and nitrogen around the seed, and applying herbicides.

The packer wheel packs soil firmly around the seed, removing air pockets. The drill also applies liquid, gas, or dry fertilizers.

The largest model in the Big Bud line is 20-feet across, weights 33,000 pounds, and can carry a 25,000-pound payload. The manufacturer says that fuel for tillage and planting is cut from 6.5 to 1.5 gallons per acre.

There have also been new developments in sprayers improving chemical application to crops. Some planters and field preparation machines now apply chemicals at the same time that they accomplish other field work. "Broadcast" methods of chemical spraying are almost a thing of the past. Improvements in the all-in-one techniques include flotation tires that reduce impactation of soil.

## Irrigation systems

New irrigation techniques are also improving efficiency on the farms. There are two types of such improvements possible, one reducing the amount of water run-off, and so improving the efficiency of the irrigation system itself, the other improving the efficiency of the plant in absorbing water. Most of the new techniques now in use are of the first type, while research continues into plant-quality improvement.

New lateral-move irrigation systems can travel across a field using a single pump to draw water. The system covers rectangular plots far better than center-pivot systems, which may need several pumps to cover the same area. Water is provided by an open ditch or a series of pipes at one end or in the middle of the area. The system can irrigate a field 2 miles by 1 mile or larger. Crops, chemicals and fertilizers can be applied with the same system.

An experimental, computer-controlled version of the lateral-move system is equipped with lasers that keep it perfectly aligned as it moves.

These are a few of the existing technologies that could and should be widely applied to American farming practices today. But first, we must remove the purely political obstacles—like Paul Volcker and the "post-industrial" crowd. We live in a nation that likes to eat. And we live in a nation, the majority of whose farmers are technology-proud. Provide them credit and parity prices, and they will feed the world.

# Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$17 mn.	China from U.K.	Cable and Wireless will manage the setting up of a 1,000 km. microwave system connecting major centers in Canton province and Hainan Island with a network of 960 telephone channels and 1 color TV channel. (China is a one-channel country). The entire network is an extension of Cable and Wireless's Hong Kong-Canton microwave link, due to open next year. Cable and Wireless hopes to integrate other regions of China into its system in the future.	Cable and Wireless's largest profit source is its 80% ownership of Hong Kong's international communication monopoly. More important than the profits is the intelligence gleaned from listening in on the world's narcotics banking center. Presumably C&W will have a similarly strategic role in China's international—and internal—business. "Knowledge is power."
\$90 mn.	Antigua from Brazil	Brazil is providing the govt. of Antigua with a \$90 mn. loan to finance a tourist complex, including a luxury hotel, 700 condominium units, casino, golf course, yacht club, etc. Brazilian construction companies, suffering from depression at home, will build the hotel.	Brazilian tourism intake is down; and Brazil is so short of funds it is having difficulty financing many potential productive exports.
\$140 mn.	Holland from U.S.A.	DuPont is doubling its Teflon fluoropolymers capacities at its Dordrecht complex in Holland.	
\$31 mn.	Hong Kong from Japan	Hong Kong Electric Corp. ordered 8 sets of gas-insulated switchgear from Mitsubishi Electric Corp.	Part of expansion program.
\$76 mn.	Thailand from Canada/Japan	Thailand bought 2 coal-fired electricity generating plants from Cemar, a joint venture of Combustion Engineering Canada and Marubeni.	
<b>UPDATE</b>			
	India from Poland	Poland has offered India aid in raising coal output from 105 mn. tons in 1980 to 165 mn. tons in 1985 through modernizing Jharia and Jitpur mines in Bihar state. Poland is offering to transfer its longwall face mining technology to India. One Polish-made longwall mining machine is operating in India and Poland wants to sell 2 more, plus transfer longwall machine technology and that for 50 other mining machine systems to Indian capital goods industry.	Poland also offering to build ships and help set up deep-sea trawler-building shipyard in India.
	Yugoslavia from U.S.A.	Yugoslavia has "conceptually agreed" to letting America's largest private employer, McDonald's Corp., ply its trade in Eastern Europe.	
\$150 mn.	Japan/U.S.A.	5 Japanese electric companies have contracted Westinghouse and Mitsubishi Heavy Industries to design a more advanced pressurized water reactor (APWR) nuclear plant; plant would use fuel more efficiently and have longer (18-month) periods between refueling.	Utilities providing \$150 mn. financing for project Westinghouse began in 1977.

# Business Briefs

## Public Policy

### Howe demands Thatcher austerity for the U.S.

Sir Geoffrey Howe, British Chancellor of the Exchequer and British Governor at the IMF, demanded in his address to the Toronto IMF conference that the Reagan Administration not abandon the austerity and budget-slashing course its monetarist economics advisers borrowed from British Prime Minister Maggie Thatcher. Howe also demanded worldwide wage cuts, the replacement of the dollar by a multi-currency system including the Special Drawing Rights, and IMF surveillance over not only member nations' exchange rates but all aspects of policymaking. By implication, Mexico's López Portillo, for example, should never have enacted his recent measures without first having obtained IMF approval, which needless to say, would not have been forthcoming.

The London *Times* gave front-page coverage Sept. 8 to the British official's speech, headlining its article, "U.S. Holds Key to World Recovery, says Chancellor."

Howe also emphatically denounced the move to replace the IMF with an international development bank: "From time to time there are calls for new institutions," the central banker intoned with distaste. "What their roles would be, and how they would be defined, is not clear. What is clear, in my view, is that this is not the time for a fundamental reappraisal of a tested institutional structure which has served us, and never more so than at the present juncture."

## World Trade

### Ditchley hosts an elite GATT sounding-session

Overlapping the first days of the IMF conference, a highly elite meeting was held in Oxfordshire, England to discuss the ministerial session of the General Agreement on Tariffs and Trade (GATT) scheduled for November. Attendees included representatives from American Express, Anglo-American mining, Caterpillar, Ciba-Geigy, Nestlé, and Siemens, among others.

The conference was sponsored by the

London-based Trade Policy Research Centre. Ministers or senior officials from Australia, Brazil, the European Commission, France, West Germany, Hong Kong, the United States, Singapore, Sweden and Switzerland were also present.

Prior to the meeting, more confidential sessions of London and U.S. bankers were held. The package of issues under discussion at these events ranged from the financial crisis around Mexico to planning for the November GATT ministerial meeting. "Ditchley was crucial," a New York banking source reported, to ensuring that the GATT ministerial in November is not a waste of time. A prior "unofficial" ministerial exchange of views was deemed necessary, by the attending institutions, to set objectives for the upcoming November meeting. This will be the first GATT ministerial forum to be held in nine years.

## Banking

### Mexico mobilizes, seeks international support

In Mexico, labor and nationalists are now moving to make permanent the nation's new sovereign control over credit and foreign exchange, demanding the bank nationalizations and the new central bank be made a constitutional amendment—thus unalterable by future governments.

The constitution must be amended so that "only the state, from here on out, can carry out public banking services and control the income and usage of foreign exchange" in the country, Senator Silva Hernandez declared in the Mexican congress Sept. 8, a statement echoed by the head of the ruling PRI party, Pedro Ojeda Paullada.

The same day, Mexican Senator Victor Manzailla Schaefer called on the governments and parliaments around the world to now display their solidarity with Mexico, to counter the international campaign that is distorting the nature and intent of the banking nationalization to discredit the government.

Muscle is being put behind the state's action by labor, and in the north of the country. The Labor Congress called a breakfast Sept. 8 to express their support for López Portillo, at which Fidel Velásquez, the head

of the Mexican Labor Federation, called on the labor movement to break the "fascistic pots and pans" middle-class strike destabilization of Mexico. He warned: "We will respond to them as they wish. If they close businesses, we will open them. As we have warned in the past, if they want to play hardball, we will respond in kind. If they provoke us, we will defend ourselves, and defend the interests of the country—which is the important question."

## Mexico

### Beryl Sprinkel doused by the CTM

The Mexican mobilization against the International Monetary Fund has mounted, in response to "ultimatums" delivered to Mexico by the IMF, the BIS, and the U.S. Treasury Undersecretary Sprinkel on Sept. 9.

Fidel Velásquez, the head of the Mexican Confederation of Labor (CTM), which remains the backbone of the PRI, flatly declared that under no conditions could the impositions of the IMF be accepted. The Electrical Workers Union published a large ad in the press calling for the rejection of any conditionalities. An adviser to the Interior Ministry, Edilberto Cervantes Galván, told the press that in his view there is no reason for Mexico to give in to the IMF's demands; Mexico's rejection of the monetary rules of the game is accelerating the imminent bankruptcy of the international financial system. The leftist PSUM issued a statement calling for a "drastic rejection" of the IMF's "draconian measures" as well.

Beryl Sprinkel had threatened that unless Mexico meets IMF conditions—the first being the lifting of the exchange controls—they will not get a penny from anywhere.

## International Credit

### Judge rules collection on dead-regime debt

China must pay up on its 1911 Hukuang Railway gold bonds totalling \$43.3 million, according to a ruling by U.S. District Judge



U. W. Clemons in Birmingham, Alabama.

This unprecedented ruling is expected to encourage the holders of masses of pre-Revolutionary Russian debt, and pre-World War II Eastern European debt to attempt to collect.

In March of this year, Carl Marks & Co., a Wall Street investment firm, filed suit in New York, to collect \$619 million worth of Czarist public and private debt.

Dr. Hubert Park Beck, chairman of the Russian Dollar Bond Holders, claims that if the Chinese government fails to respond to the ruling, "there will be a showdown."

Previous attempts to collect debts from dead regimes have been laughed out of court. The new move appears to be designed to heighten East-West tensions.

## Monetarism

### Mont Pelerin conspires in West Berlin

The Mont Pelerin Society, the cult organization for economic theorists founded by Austrian Friedrich von Hayek, held a semi-secret meeting in West Berlin the weekend of Sept. 4. According to the West German press, the meeting discussed a "revolutionary" approach for creating an upsurge of "right-wing," free-enterprise economic policies in the advanced sector countries.

Mont Pelerin President Professor Chiaki Nishiyama outlined the need for a "revolutionary" approach to economic change in a speech, in which he reported that advocates of a "free order have won an intellectual battle in recent times," but have not yet "won the war." Mont Pelerin members like U.S. Chicago School leader Milton Friedman had achieved great "scientific" success in getting their policies implemented, but this was just the first step.

The United States, England and other advanced countries were conforming to the society's outlook, he reported, by making cutbacks in state expenditures, the size of state bureaucracies, and in giving free rein to private enterprise, but more now must be done. "Radical changes," such as the "rolling back of the state," or imbedding ceilings on state expenditures in constitutions, such as is being pushed in the United States, are desirable "revolutionary devel-

opments" which "involve broad layers of the population," and must be encouraged.

Nishiyama attacked economic planners who push "physical capital and technology" against the vitality of "individual man." Another participant, Italian member Renato Mieli, denounced efforts to achieve full employment.

The Mont Pelerin Society is an ideological and operational conduit for the Geneva-based Fascist ("Malmö") International. Its major achievement has been the creation of Hong Kong "free-enterprise" zones to facilitate international narcotics trafficking. Member Milton Friedman has been chief economic adviser to the governments of Chile, Great Britain, and Israel.

## Western Europe

### Economic crisis pushes aside social democrats

A severe economic crisis in Denmark and new elections in Holland have resulted in important political shifts in those countries, from ruling social democratic governments to conservative coalitions. Both are being read in West Germany, which faces the crucial Hessen elections Sept. 19, as a nod to the Christian Democratic party to make its bid for power.

Following the resignation of social democratic Prime Minister Joergensen in Denmark, who has headed the government for the last ten years, the Queen has asked the President of the conservative party, Poul Schluter, to try to form the next government. It will be the first non-social democratic government in Denmark since World War II. In Holland, although the socialists received more votes than the other parties, the Christian Democrats in alliance with the Liberal party have a six-vote majority in the new parliament, and will be forming a coalition government.

Meanwhile in Greece, plans are being made for a coup against Socialist Party leader and Prime Minister Papandreu. Lord Bethell, speaking on behalf of 60 Tory members of the European parliament, issued a warning to the Greek government that its economic negotiations with the EC would be cut off unless Greece became more politically "cooperative."

● **JAPAN STEEL WORKS** announced Sept. 7 that it had exported \$2 million worth of pipeline valves to the Soviet Union during August, under a contract signed in 1981. Japan Steel denied that the valves were made under a U.S. license, emphasizing that "neither the United States government nor United States firms have filed any complaint with Japan Steel as the company is using its own technology which is not covered by U.S. sanctions policy against the Soviets."

● **POLAND** reached a preliminary agreement with Western creditors on a 95 percent rescheduling of \$2.5 billion of principal owed to banks for 1982. At a meeting in Warsaw this month, final details of the arrangement were ironed out. Signing will be held off until Nov. 10.

● **ALEXANDER HAIG**, the undisputed master of the fractured phrase, and former U.S. Secretary of State, has been appointed to head a newly formed International Advisory Committee of the United Technologies Corporation. The committee will include "world leaders in finance and government affairs," according to the company. UT chairman Harry Gray praised Haig as "a man uniquely qualified to organize and conduct an effort designed for forward-looking assessments of social, political, and economic trends all over the world," a sugar-coated way of saying that UTC will be working heavily on standardization of NATO weaponry designs.

● **OPERATION JUAREZ**, Lyndon LaRouche Jr.'s confidential memorandum to developing-sector governments, which some people say was influential in shaping Mexican President José López Portillo's historic Sept. 1 measures, as well as recent proposals in the rest of Ibero-America for a continental Common Market, is now available from EIR Special Services Director Peter Ennis at \$100 per copy.

## Reopening the Kissinger file

by EIR's Counterintelligence Staff

Although Ronald Reagan built his political career on opposition to the policies of Henry Kissinger, and would probably not be in the White House today but for his overall campaign pledge to the American people that he would keep Kissinger's influence out of the government, the former Secretary of State is manifestly making a comeback in Washington. Despite strong resistance to according Kissinger any official position, a cold coup by Kissinger has been in progress since the United States betrayed its Ibero-American allies during the Falklands war, at the behest of Kissinger's business partner Lord Carrington. The coup has accelerated since Israel's invasion of Lebanon and the appointment of Kissinger's friend and fellow crisis manager George Shultz as Secretary of State.

### **The British dimension**

The *Executive Intelligence Review* has served as an authoritative source on Kissinger's policies and practices. In our last Special Report on the subject, "Henry Kissinger Boasts of Three Decades of Treason," published on June 1, 1982, *EIR* founder Lyndon LaRouche (in addition to describing Kissinger's personal vendetta against himself since 1975) revealed how Kissinger took advantage of the U.S.-Soviet adversary relationship again and again to humiliate, isolate, or undermine the United States, at the behest of the British and with the connivance of certain Soviet officials. We published Kissinger's May 10 address to the Royal Institute for International Affairs in London, in which, boasting of the array of secret Anglo-American agreements since World War II, Kissinger stated that "in my period in office, the British drafted various U.S. documents regarding the U.S.S.R. and the Third World, and asserted, "In my White House incarnation then [as National Security Adviser], I kept the British Foreign Office better informed and more closely engaged than I did the American State Department."

### **The Moro case**

Below we present new evidence warranting official investigation of Kissinger as a sponsor of assassinations and a threat to national security. We have translated



*Kissinger with his good friend José Martínez de Hoz of Argentina last December. The monetarist de Hoz, former Finance Minister, and a flagrant anglophile, had done more than any other single individual to savage Argentine industry.*

a legal brief, or *esposto*, submitted to the Italian authorities by Fiorella Operto, Secretary-General of the European Labor Party in Italy, and a collaborator of *EIR* founder LaRouche. The brief makes a case for Kissinger's implication in the 1978 kidnapping and murder of former Italian Prime Minister Aldo Moro, the trial of whose Red Brigades assassins preoccupied Italians this summer. In the course of that trial, the Italian press reported that Moro himself believed that an international conspiracy had targeted him, that there is a great deal of evidence to back up that belief, and that the name of Henry Kissinger comes up repeatedly in this connection, not least through his reputed membership in the Comité Monte Carlo, the parent body coordinating the coup planners in the outlawed Propaganda-2 Freemasonic group. *EIR*'s thesis from the beginning had been that such an international operation instigated the Moro murder and the terrorist upsurge as a whole. Every aspect of that operation leads back to a network in which Henry Kissinger is a prominent personality.

There were broad strategic issues at stake in the Moro murder, as there are today in Kissinger's collusion with mob lawyer Roy Cohn and others to politically or physically eliminate LaRouche and other international spokesmen for the New World Economic Order.

The efforts of Kissinger and his networks throughout the 1970s were devoted to 1) destroying the momentum for a New World Economic Order, which, if consummated, would have averted the present industrial depression and financial crisis; and 2) expanding NATO as an "out-of-area" gendarme for debt-collection enforcement, resource looting, and mass depopulation.

Aldo Moro had repeatedly indicated that his effort to achieve national unity through an alliance between his Christian Democracy and the Italian Communist Party (much of whose base consists of labor unionists, businessmen, and Roman Catholics) was being countered by elements in both West and East. Moro had also indicated that Kissinger's personal vendetta against him had to do with his denial of the use of Italian military bases for resupply of Israeli forces during the 1973 Yom Kippur War, and his promotion of a "Euro-Arab dialogue."

### **Preliminary conclusions**

Kissinger's plans for the Middle East did not aim at a genuine peace, but at the "NATO-ization" of the region, as the secret clauses of the Camp David agreement attest, and the "Khomeini-ization" of the Arab world as a wedge for enforcing the backwardness of the underdeveloped sector and the de-industrialization of the advanced sector.

Thus, Moro concluded, Kissinger's slanders of himself as "soft on communism" and willing to reach a deal with the PCI at any price (Moro was in fact very cautious and cagy in his dealings with his communist counterparts) did not stem from Kissinger's phobias about Reds, but from a fundamental policy drive.

There is accordingly a pattern behind the seemingly arbitrary string of coups and assassinations and destabilizations Kissinger has arranged. Kissinger did not represent the U.S. government, nor his own ambitions, but a private network whose scope Moro intuitively sensed, and whose roots and goals are outlined below.

# The case against Kissinger for the murder of Aldo Moro

*In a legal brief, or esposto, submitted to the Rome office of the Prosecutor of the Republic on Aug. 14, Fiorella Operto, chairman of the European Labor Party (POE) in Italy, documented evidence implicating Henry Kissinger in the ten years of terrorism aimed at destroying Italy's republican institutions, and, on the basis of that evidence, demanded that the Italian courts subpoena the former Secretary of State to answer charges.*

*The brief, excerpted below, details Kissinger's involvement in the kidnaping and murder of former Premier Aldo Moro and in the 1980 bombing of the Bologna train station that killed 80 people, as incidents within a scheme known as "the strategy of tension," designed to undermine Italian democracy.*

*The legal brief is also being submitted to the prosecutor's office in Milan, and to the parliamentary commission delegated to investigate the subversive activities of the P-2 Freemasonic lodge, which has been implicated in terrorist coordination and coup plots.*

Fiorella Operto, Secretary-General of the Partito Operaio Europeo (POE), brings to the attention of the State's Attorney of Rome certain facts and considerations regarding the investigations into the Masonic Lodge Propaganda 2 (P-2), the kidnaping and assassination of the leader of the Christian Democracy, Aldo Moro, and the dynamiting of the station in Bologna on Aug. 2, 1980. We also append, among other things, a brief presented by ourselves to the state's attorney and the district attorney of Rome, relating to the investigation into the violent death of banker Roberto Calvi.

On the basis of the facts we shall lay out here, we intend to demonstrate that both in regard to the kidnap and murder of Aldo Moro, and for the Bologna bombing, we

find ourselves confronting not isolated episodes, but a destabilization project of international significance, a project that is still going on, with the aim of subverting the institutions of the Italian Republic. In particular we single out the role, at the highest levels of this project, of the American citizen Henry Kissinger. The POE therefore demands that a court proceeding on the activities of Henry Kissinger be opened. The POE maintains that it is urgent to issue a subpoena for the appearance of the above-named Kissinger so that he can be called to respond on the points of crucial importance in order to ascertain the truth about the destabilization project of which our country has been the victim for many years. To motivate such a demand, the POE enumerates:

1) In the course of the investigations into the bombing of Aug. 2, 1980 in Bologna, the magistrates in charge of the investigation, Aldo Gentile, Giorgio Florida, and Claudio Nunziata, discovered elements which proved the direct implication of the Masonic lodge of Monte Carlo, alias Masonic Executive Committee, alias Comité Monte Carlo, in the orchestration of the bombing.

Celso Elio Ciolini, an individual closely linked to the head of P-2 and presented by the press as the "lieutenant of Gelli" (*La Repubblica*, July 31, 1982), confessed to the Bolognese judges that the decision to set off a bomb in Bologna was taken by the Comité Monte Carlo during a meeting at the Hotel de Paris in Monaco by the Comité itself on April 11, 1980. The same Licio Gelli took charge of the implementation of the criminal plan. The following May, Gelli traveled to the Hotel Sheraton of Buenos Aires accompanied by Ciolini [who has since "disappeared"; see box]. There he met the noted terrorist Stefano Delle Chiaie. The subject of discussion was "how to set up the mechanism that will lead to the Bologna massacre" (*La*

*Repubblica*, art. cit.). The existence of the Comité Monte Carlo has been confirmed by many witnesses heard both by the Bolognese magistrates and by the Parliamentary Commission of Inquiry into P-2. In particular, the Pisan entrepreneur Remo Antonucci confirmed the meeting at the Hotel de Paris April 11.

2) Henry Kissinger is a member of the Comité Monte Carlo. Ciolini in fact supplied a list of 400 names of persons belonging to the lodge. "Among the members [are] party secretaries, big industrialists, important politicians and so forth, along with personalities of the Trilateral Commission [Ciolini mentions also Kissinger] and of the Masonry." (*La Repubblica*, art. cit.) The fact of Henry Kissinger's membership in the new Masonic lodge organized by Gelli in Monte Carlo is, as we shall see, coherent with the activities of the ex-Secretary of State of the United States and above all with his relations with the P-2 lodge. According to American sources, reported in press articles, it was the U.S. National Security Council directed by Henry Kissinger that "relaunched" in 1969 the activities of the P-2 lodge. On June 16, 1981, the Rome daily *Paese Sera* published an article by U.S. correspondent John Cappelli in which among other things, one reads: "1969 would have been the year in which, at least according to good New York sources, the decision was taken by functionaries of the U.S. National Security Council staff to protect, with a Masonic cover, an association which in substance was really to carry out a subversive shift in Italian politics. This role was then entrusted to a P-2 which was already active in the field of business and investments. Number Two man at the NSC was, it's worth recalling, at that time Alexander Haig." The Number One man at the NSC, the man to whom Haig owed his career, was Henry Kissinger. "The future generalissimo and Secretary of State Alexander Haig launched at that time a series of contacts with Italian 'businessmen' . . . . It should be said that the decade from 1970 to 1980, saw in Italy the launching and unfolding of the coup-makers' Strategy of Tension. . . ." (John Cappelli, art. cit.)

3) The Masonic lodge, Comité Monte Carlo, appears to be the direct continuation of the P-2 lodge. Corrado Inverti wrote in the weekly *Panorama* on Aug. 9, 1982: "That year, 1979, Gelli's P-2 was in difficulty: the court inquests of Florence and Bologna [*Italicus* massacre—a train bombing] had rendered less impenetrable and more uncertain that center of business and political-financial plots. Gelli decided to create a new lodge, in Monte Carlo." Here Gelli founds the "Masonic Executive Committee." Into the new lodge the Arezzo industrialist transfers persons formerly enrolled in the P-2 and enrolls others who do not appear in the lists found a year and a half ago in his offices at Castiglion Fibocchi. . . . Important names in the Italian political-economic world must be kept secret.

"Participating in the formation of the Monte Carlo committee were Ezio Giunchiglia, the lawyer Federici,

William Rosati, and Enrico Frittoli, who works in Monte Carlo for the Locadi Import-Export Company. The headquarters of this company, in Rue Saint Charles 5, becomes the mailing address of the committee."

4) The Comité Monte Carlo had worked out a project for a coup d'état commonly defined by the press with the name, "cold coup," that is, a strategy for taking power consisting of conquering the institutions from within, and attracting persons of positions of power into the lodge. "The persons of the committee"—reads its statute—"must hold already the greatest power possible in some sector of political, economic and cultural life. . . . We must conquer, exercise, increase and ever reinforce our power." Writes Corrado Incerti in the above-cited article: "After having embraced the idea of a military coup d'état [the Borghese case, 12 years ago], Gelli has now developed with Monte Carlo a political project of moderate-reactionary imprint, a type of 'cold coup' based on conquering power by means of billions [of dollars] and on the replacement of a few politicians in the main Italian parties. . . ."

To realize these plans Gelli used terrorism, as is demonstrated by the testimony of Elio Ciolini. Gelli was and is in close contact with the top terrorists, such as Stefano Delle Chiaie. Against him and against some of his accomplices, the Bolognese judges issued arrest warrants on the 15th of April of this year. A judicial summons for the crime of massacre was also issued against lawyer Federico Federici [also "vanished"], a member of the Monte Carlo lodge. Sandra Bonsanti wrote in *La Repubblica* of July 31, 1982: "The meeting takes place April 11, 1980 at the Hotel de Paris of Monte Carlo. Reportedly present are Calvi [murdered in London, July 17, 1982—ed.], Gelli, Ortolani, Federici Ciolini [also "disappeared"], plus a bigwig from the Grand Orient, plus an industrialist. . . . They talk about the financial problem. It is Gelli who launches the idea of covering the operation with a bombing. . . . At the end of June [terrorist Stefano] Delle Chiaie sends two of his men to Italy to prepare for the action."

5) It is well known that the political hypothesis against which Gelli fielded, and still fields, all the resources to which he and his powerful patrons have access (it is appropriate to recall that various media have reported that many members of the Comité are also members of the Trilateral Commission of which Kissinger himself is a member, and other members of the lodge are important Swiss, American, and English personages) is the possibility of installing a government in Italy based on "national unity," that is, a stable government based on the alliance between the biggest Italian parties. It was against this political possibility, for which Aldo Moro had become the spokesman, that Licio Gelli on the one hand and Henry Kissinger at a higher level, unleashed the means at their disposal. It is not superfluous to note, and we shall see this point better later, that both Gelli and Kissinger have tried with all means to impede the entry into government power

of precisely those communist parties which are taking their distance from the "Soviet model" in the most determined way. This was a reflection, as we shall report below, that Moro made several times. It is to be noted that while Gelli said he was ready to consider the immediate possibility of a coup d'état in the case of a "clerico-communist" alliance, at the same time he maintained relations with regimes in the East.

In the course of a meeting of the P-2 lodge which took place March 5, 1971 in Rome (hence, a year after the decision made by Kissinger's NSC to use the P-2 to cause a "subversive shift in Italian politics"), Gelli harangued members of the lodge on the "danger" of a clerico-communist alliance, foreseeing the need to resort to any means whatever, including the use of "emergency plans," to prevent this.

As was also reported in the book by Roberto Fabiani (*IMassoni in Italia*, Milan, 1978), the watchword of the secret meeting centered on the point: "The threat of the Italian Communist Party, working in accord with clericalism, and determined to take power." Gelli said among other things at this meeting: "And despite the fact that everybody knows this to be an immediate danger, no one has felt the need to oppose it with protests and demonstrations: Today a state of public apathy registers in all the classes of the Italian population, passively favoring the implementation of these plans, which are projected with the most blatant premeditation to grab and retain the levers of power. Many have asked how we should act if *one morning* upon getting up we should find that the clerico-communists had taken power: if we should retreat into passive acquiescence, or assume certain positions and take emergency measures based on them." [emphasis added]

From this statement and from the analysis of the behavior of Gelli and his protectors it is clear that from their point of view the "morning" of the seizure of power by the "clerico-communists" arrived on March 16, 1978, the day of the launching of the government of national unity and of the kidnaping of the author of that government, Aldo Moro.

6) In testimony given at the Moro trial, and in statements to the press in the context of the trial, the widow of the statesman, Mrs. Eleonora Moro, and his children, Giovanni and Agnese, said they were convinced that Aldo Moro was the victim of an international conspiracy to "punish him" and keep him from carrying forward his political line. The members of Moro's family said that to understand who organized the statesman's assassination, it is necessary to go back to the threats that he received from an American political personality from 1975—it was in 1975 that Moro began the "strategy of attention" toward the Italian Communist Party (PCI)—until the day he was kidnaped. From many witnesses, it emerges clearly and without any possibility of doubt that the person who threatened Moro is Henry Kissinger.

Among the statements by Moro's family, other than the documentation appended, we wish to report:

a) In an interview given by Eleonora Moro to *Corriere della Sera* on Apr. 13, 1982 at the beginning of the Moro trial, the following question was posed to the widow: "Moro was 'fully conscious' of the risks he was running. What were the threats, the warnings, and hence the worries of the DC leader? Where did they start?"

Mrs. Moro answered: "At first I don't think he took it very seriously; but little by little, he had to realize that it was not a generalized threat. . . . I heard that, even at the international level, some people had told him point-blank that if he did not quit this idea of his, if he did not stop this attempt of his of implementing his political line—that is, the idea that all the political forces should collaborate and participate directly in the life of the country—he would pay dearly for it."

Mrs. Moro explained that Aldo Moro was perfectly aware of the danger of the threats he had received and equally aware that such threats could have cost him his life. Given the consciousness of the international political world that Moro had, he necessarily had to know that the source of the threats was extremely "credible." Mrs. Moro continues: "I am asked if my husband had had, shall we say, friendly advice, that he should desist from this thing which could be dangerous for him, or if it was said to him point-blank: 'Look, if you persist in this thing, this thing will get you into trouble.' It is one of the few times in which my husband told me precisely what they had said to him, without telling me the person's name. Now I shall try to repeat as I recall it: 'Honorable (said in another language), you must stop pursuing your political plan of bringing all the forces of your country into direct collaboration. Either you stop this thing here or you will pay dearly. It is up to you how you want to understand this.' The sentence was like that. It's something that frightened me a great deal. . . ."

b) In a deposition in court during the Moro trial, July 20, 1982, Moro's daughter Agnese declared: "My father was very shaken and worried because of the strong pressures he received to abandon his political project. . . . I later came to know that such discussions were held with my father in the summer of 1975 when he went to the United States and participated in a reception at the Italian Embassy."

And Giovanni Moro, whose deposition was taken the same day, said: "There have been reports of threats, related to his political line, which were received in the United States, it seems to me, at an official reception even: somebody came up and advised him to switch tracks." Aldo Moro spoke again of threats he had received, a few weeks before he was kidnaped: "He was aware of the fact," Giovanni Moro continued, "that he was concretizing a form of government on a line he had sustained for ten years, and he was heavily preoccupied that there might be a lot of forces converging abroad so that the constitution of this government would never



arrive.”

c) In September 1978 (cfr. also *L'Avvenire* of April 16, 1982), Hon. Vittorio Cervone, a Christian Democrat who is very close to Moro, reported to an Italian weekly what the statesman had said to him before his kidnaping: “He told me: You will see that they will make us pay for our political line. It happens to me as it does to Berlinguer. He does not find comprehension in the Soviet Union, and I in the United States and in part of Germany. By that ‘part’ he meant Strauss. . . . Now we have arrived at this conclusion: the BR [Red Brigades—ed.] served as a cover for whoever had planned the kidnap and the murder.”

7) The threats against Moro were proffered by Henry Kissinger. Such threats fit into the picture of a precise strategy. The testimonies and statements in this sense have been numerous, and many others can be obtained by Italian justice using the approach followed by Moro’s family.

a) In an interview released to the daily paper, *La Repubblica*, on Aug. 17, 1978, Senator Luigi Granelli, who was at the time head of the Foreign Affairs Section of the Christian Democracy, referring to the kidnaping of the statesman and responding to a question on the threats Moro had received from the “Americans,” stated:

“The ‘Americans’? The term is too generic. It is known that there was not much understanding from Kissinger, and that’s not surprising. . . . I recall an unpleasant toast by Kissinger in Rome, at the end of a dinner and a very long official discussion with Moro. We have spoken at length of the Italian situation, said Kissinger, and up to 1947 I understand everything very well, but then after that I don’t understand anything. . . . Moro was very angry.”

In the same interview Senator Granelli explains why he was convinced that Moro had been kidnaped and killed precisely to keep him from carrying forward his political line, and he also explains why the threats against the statesman are to be linked directly to his kidnaping. “From the beginning we were convinced that we had to face not only a human situation, however dramatic, but a political situation. . . . The Moro crime cannot be isolated from the overall strategy of tension. . . . surely, from Piazza Fontana [December 1969 bombing in Milan that claimed 16 lives and was first major terrorist act since the war—ed.] onward, the instruments of this strategy appear diverse, but how can one rule out a linkage, a single design? It is also true that these episodes did not achieve their objective:

“From the political standpoint we had continued to press forward. So then they hit the author of this ‘pressing forward’. . . . That was not the first time that Moro had felt himself in danger. . . . Certainly he underwent pressures and threats in the period when he preceded and accompanied the Opening to the Left [first inclusion of Socialist Party in government, in 1962-63, under Moro’s premiership—ed.]. It is true that in those years many politicians were forced to sleep away from their homes from time to time. But it was Moro himself who taught us then that the only positive response to

the destabilization attempts was to be sought and found in a broadening of the consensus. . . . Surely pressure was put on him to abandon his policy. . . .” It is at this point of the interview that Granelli made the above-cited reference to Henry Kissinger.

b) Parliamentarian Stefano Rodotà, in an article which appeared in *Panorama* on Aug. 2, 1982 writing under the headline: “So Many Great Old Men,” specifically fingers Henry Kissinger as the one who “symbolizes at least one of the circles that had planned the violent interruption of Moro’s policy” and as the text evinces, as the possible giver of the order to kidnap and assassinate Aldo Moro. Rodotà writes: “From Henry Kissinger to Raffaeli Cutolo: Are these by now the extremes of the parabola traced by the Red Brigades, from the assassination of Aldo Moro to that of the head of Digos in Naples? The question is not merely rhetorical, but it focuses the hot issue which can no longer be evaded since, in recent days, two extremely significant events have occurred.

“First, in depositions before the Roman court, Moro’s family once again emphatically underlined an element upon which they had insisted in the past. Nora, Agnese, and Giovanni [Moro] all agreed in recalling that, on the occasion of a trip to the United States, heavy and explicit threats were made to Aldo Moro. In substance, the Christian Democratic political leader was invited to abandon his policy of cautious opening toward the PCI, or else face grave consequences including personal ones. And in the same hearing as Mrs. Moro’s deposition, one of the accused Red Brigades, Antonio Marini, revealed that, during his ‘interrogation’ by part of the BR, Moro had indicated three occasions on which he had been threatened, the last of these linked in fact to the phase of political conflicts with Kissinger. This name, therefore, symbolizes at least one of those circles which, according to the family’s hypothesis, had planned a violent interruption of Aldo Moro’s policy.”

Hon. Rodotà concludes by establishing a link between what he had written regarding the role played by Kissinger in the kidnap and the role played in the context of the “plot” against Moro by the P-2 lodge. “This means that the plot was not merely international. . . . The political assassination of Moro becomes, in this light, the first move of that gameplan among secret powers that later unfolded through affairs like the P-2 affair and the Banco Ambrosiano affair. [It is] a gameplan in full operation and one upon which, more than upon any other, the destiny of democracy in Italy depends.”

c) Ambassador Roberto Ducci, former head of the Political Affairs Section of the Italian Foreign Ministry, in his book, *I Capi in Testa*, reports episodes which are extremely significant for understanding the campaign of threats unleashed by Kissinger against Moro. Ambassador Roberto Ducci is a source of crucial importance given the fact that he personally participated in most of the discussions between Kissinger and Moro.

On page 73 of the book, the Ambassador reports on a discussion between Kissinger and Moro at the end of which

Kissinger threatened, almost explicitly, a coup d'état in Italy. "Moro invited Kissinger to lunch at Villa Madama [Foreign Ministry in Rome—ed.]. . . . Kissinger got up and said, 'As I sat down I asked my friend Moro to explain the Italian political situation to me, and he did it. . . . But when he got up he had only gotten as far as 1947, and therefore I must postpone the continuation of my education on this subject until a future meeting. In the meantime I cannot be concerned about the Italian internal situation as I understand it and as my advisers present it to me. It is a situation that no one, I believe, could describe with optimism and which seems to me to have worsened notably since my last visit. I am sure that Sr. Moro and the other Italian ministers are as worried about it as I, and I don't doubt that they will want to commit themselves totally to improve things. . . . Otherwise the day will have to come in which I shall be obliged to call in Ambassador Volpe [John Volpe, then U.S. Ambassador to Rome] and tell him: 'Dear Volpe, has the time come to send a general in place of you? I don't believe so. . . .' Every one of us remained frozen,'" Ducci recounts.

In other parts of his book Ambassador Ducci describes another meeting between Kissinger and Moro in the United States. "Kissinger allowed Moro to come to the 24th floor of the Hotel Hilton to have breakfast with him at eight in the morning. Sonnenfeldt met him at the door. . . . At a certain point in walked Kissinger and said hello while continuing to stir a soft-boiled egg he had in a cup. He quickly interrupted Moro's first words . . . and he threw himself into a merry-go-round of jokes, barbs, condescending remarks, threats, and compliments, all equally directed at Moro and at some of his advisers. . . . After these brief and sudden words, Kissinger at a certain point disappeared from the room and did not come back . . . Moro felt the affront was personally against him. . . ."

d) The journalist Rodolfo Brancoli, in his book, *Spettatori Interessanti*, reports part of the "confessions" extorted by the Red Brigades from Moro during his imprisonment, from which there emerge certain details which are crucial for understanding Kissinger's particular hatred for Moro.

"Moro speaks several times in his 'confessions' of Kissinger's hostility to him, when he recalls his having been excluded from receptions at the Embassy by directive of the then Secretary of State, and the preference shown 'with extreme simplicity and a certain dose of rudeness for the DC [Christian Democracy] younger set, which would set aside 'the more traditional and unsophisticated group to which I belonged' . . . Moro himself mentioned a more specific recent motive for contrasts with Kissinger, in his 'confessions,' where he brings up the question of landing bases on Italian soil for American resupply to Israel during the Yom Kippur [1973] War. Moro says: 'We, although risking friction with our powerful ally, explained that, above all given the lack of forewarning and an adequate explanation of the reasons and purposes that could be considered a NATO crisis, we therefore refused the bases that were requested. The new pro-Arab

or at least more balanced orientation of Europe and Italy continued to be badly digested by the Americans who continue to interfere in the existence, the modalities, the limits and the presuppositions of the Euro-Arab dialogue, with the effect of somewhat slowing down the pace of the operation and partially emptying it of its content. This was in large part the position of Kissinger who, besides, made no mystery of it and cultivated an animosity for the Italian position and for me personally. As it was explained to me by objective sources and as some very unpleasant episodes showed to be true, I was portrayed as bent on an indiscriminate accord with the Italian Communist Party, whereas it is well known that my attitude is a carefully thought-out and measured political evaluation. . . ."

8) In a book published by the Partito Operaio Europeo in October 1978 (which we attach to this brief), *Who Killed Aldo Moro?*, the POE detailed both certain previously unpublished facts and the strategic context in which the kidnap of Aldo Moro was situated. In particular the book referred to an operation for which Kissinger was one of the main movers, known as the "Ninety Days Strategy," begun at the outset of that year with various destabilization maneuvers against Italy, which led to the kidnap and killing of Aldo Moro.

9) We maintain that it is of crucial importance for the purposes of the investigation of the activities of Henry Kissinger in relation to the Moro crime to underline that Kissinger and his strategy must not be identified with the United States government or with the United States. Kissinger represents an international force, a private "network." From the appended material it will become clear that Kissinger declared explicitly that he has followed from the outset a foreign policy aimed at bringing about the triumph of the strategic interests of British power groups.

10) Kissinger is well known in international political circles for his capacity to put the threats he proffers into action. This is proven by the case of the President of Pakistan, Zulfikar Ali Bhutto, a political leader dedicated to the development of his country whose government was overturned by a coup d'état on July 4, 1977, who was imprisoned and then killed. As the White Paper written by Bhutto himself at the beginning of 1977 reports (see appended, "The Pakistan Papers," *Executive Intelligence Review*, January 1979), in a statement that is on the court record of the Supreme Court of Pakistan, Bhutto was perfectly aware even before the coup against him that Kissinger had signed a "death sentence against his person," because he, just as in the case of Moro, had not wanted to accede to threats and pressures on him by Kissinger himself.

"Dr. Kissinger," Bhutto wrote, "told me that I should not insult the intelligence of the United States by saying that Pakistan needs uranium processing plants to satisfy its energy needs. I replied that I do not intend to insult the intelligence of the United States by discussing the energy needs of Pakistan, but at the same time, he should not insult the sovereignty and self-respect of Pakistan by discussing the plant in any

way. Thus I received my death sentence.”

We further maintain that it is crucially important to obtain material on the assassination of the Spanish Prime Minister Carrero Blanco, of the coup d'état against and murder of President of Chile, Salvador Allende, and the murder of the Saudi monarch, King Faisal.

In particular regarding the assassination of Carrero Blanco, it is important to note that he, like Moro, had opposed the concession of military bases repeatedly demanded by Henry Kissinger in relation to the Arab-Israeli war in October 1973. Kissinger held talks on this point in Madrid Dec. 18 and 19 and found himself faced with a firm reaction by Carrero Blanco. On Dec. 20, Carrero Blanco was assassinated.

11) In the context of our request for urgent investigations into Henry Kissinger, we also maintain that it is urgent to open investigations into one of the men who is most linked to Kissinger and whose interface with the P-2 lodge has been spoken of several times by the press. In particular we maintain that the investigative dossier must include the “Alexander Haig File” seized among the papers of Licio Gelli in his villa at Castiglione Fibocchi, of which *Paese Sera*, among other things, spoke in its June 7, 1981 issue in an article titled, “In Gelli’s Safe, There Was Also a File on Haig,” and signed by Sergio Baraldi. The article reads, in part: “Rumors are circulating in Rome that the Milanese judges have sent the document to Palazzo Chigi [Interior Ministry—ed.] and that it is already classified.” Such a file assumes extraordinary importance, above all in relation to what we reported in point (2) of this brief.

12) We also maintain it urgent to open immediate probes into a series of threats launched in the direction of Mrs. Moro after her deposition. In particular the journalist Indro Montanelli wrote in the weekly *Oggi* an article asking that Mrs. Moro be incriminated and concluding: “All of this reinforces in me my old idea that public officials should take their widows to their graves with them. Widows are very dangerous.” Montanelli, who is linked to TV Monte Carlo, is famous for the series of threatening articles he wrote against the then-President of ENI [Italy’s National Hydrocarbons Agency, which pursued a policy of independence from the oil multinationals—ed.], Enrico Mattei, who subsequently died in an air accident which many considered sabotage.

## Considerations

We realize the difficulties of pursuing an investigation of this kind, but besides the duty of doing justice to Aldo Moro, the necessity of the investigation of Henry Kissinger, beginning with the presentation of a warrant for his appearance to Kissinger himself, is imposed by the fact that, as many political figures have stressed, the peril of destabilization of which Moro was the victim is still very much alive and operational. Therefore the Italian republican state must be made capable of safeguarding its institutions.

Respectfully submitted,  
Fiorella Operto

## Two key witnesses have disappeared

Two witnesses in the Italian magistracy’s ongoing investigation into the terrorist spree which began in Italy around the 1978 kidnapping and murder of former Prime Minister Aldo Moro, have disappeared. A third witness has been murdered in his cell in the maximum security prison of Novaro. What the three witnesses shared was the possession of knowledge linking Henry Kissinger to the secret Freemasonic lodge in Monte Carlo, the Monte Carlo Committee.

Italian press reports, including those published in the widely read news magazine *Panorama* have revealed that the Monte Carlo Committee, which itself oversaw the activities of the Propaganda-2 (P-2) lodge which caused the government scandal of May 1981, directed both the kidnapping and murder of Moro, and the Aug. 2, 1980 terrorist bombing of the Bologna railroad station, in which 83 persons were killed.

The most important of the “disappearing witnesses” against Henry Kissinger is Celso Ciolini, who had begun to testify in April in a Bolognese court as to the details of the Bologna massacre—which was ordered by P-2 chief Licio Gelli. Ciolini had also “named the names” of members of the Monte Carlo Committee.

Ciolini had been held in a Swiss prison until late in August, when it was suddenly reported by Swiss authorities that he had “disappeared.” No further explanation has been given by authorities.

Journalistic sources have revealed that when the Italian magistrates investigating the Bologna massacre received Ciolini’s list of names, they became quite terrified; the list included high-level international figures, including members of the Trilateral Commission. Ciolini had mentioned Kissinger in particular. Once the magistrates heard Ciolini’s testimony in April, they began searching for witnesses to confirm his story. One was a known neo-fascist terrorist, Palladino, who knew everything concerning the link between the Monte Carlo Lodge and the terrorist Black International.

Palladino was recently found murdered in his cell in the Novaro prison. Insiders suspect that he was assassinated by fellow prisoner Pier Luigi Concutelli, the assassin of Judge Vittorio Occorsio, a leader in the terrorist investigation.

A third witness, Federico Federici, who was put under judicial summons by the courts for the crime of massacre in connection with the Bologna bombing, has also disappeared despite close police surveillance. Federici is the attorney of the P-2 Freemasonic lodge.

# The Anglo-Soviet circles that created Kissinger

by Scott Thompson

It is generally known to circles around President Ronald Reagan that Henry A. Kissinger, the former Secretary of State, is dedicated to policies contrary to what the President's circle might regard as the national interests of the United States. It is highly doubtful, however, that President Reagan, or even National Security Adviser William Clark (who has reportedly taken measures to block any formal government post for Kissinger), know what is locked away in the files of various security and intelligence agencies of the United States and other nations, concerning Kissinger's background. It is time those files were opened.

According to former counterintelligence officers interviewed by *EIR* in both Europe and the United States, files which exist or once existed establish beyond doubt that Henry A. Kissinger is a witting agent of "foreign powers," powers dedicated to weakening the United States. In this regard, Kissinger is an avowed agent of British oligarchic interests, who seek a dangerous new "balance of power" in a "multipolar world," a world in which the superpower status of the United States has been destroyed.

There is more to be revealed, however. For example, Kissinger has been investigated as a suspected asset of a homosexual KGB network directed from the Soviet Union. As we shall demonstrate, the two investigations—of Kissinger the "British agent," and Kissinger the "KGB agent"—are convergent.

In the latter connection, during his two terms as "Acting President" of the United States (the Nixon and Ford administrations), Kissinger engaged in policy actions verging on or representing treason to the United States, including policy actions that were, in many instances, prosecutable under the Nuremberg Code's definition of "crimes against humanity." These included:

**Promotion of international terrorism.** Kissinger directed the creation of a synthetic "Black September" terrorist unit in Canada during the early 1970s, with support and collaboration of both British and Chinese Communist intelligence services. The unit was to have assassinated prominent Jewish leaders in the United States, as one of the triggers for the 1973 Mideast War and subsequent "Great Oil Hoax."

**Deliberate misdirection of Mideast diplomacy.** Kissinger's "shuttle diplomacy" produced the 1973 Arab-Israeli

war, in order to create conditions for the "oil shock" that resulted in the fall of all major European heads of state, what is known as "the year Europe lost its head."

**Betrayal of U.S. forces and genocide in Southeast Asia.** Kissinger prolonged the Vietnam bloodshed through his "decent interval" policy regarding peace negotiations by the Nixon administration. He subsequently directed Thomas Enders, then an undersecretary for Asian affairs (now, inter-American affairs) to undermine the Lon Nol government of Cambodia, as part of secret agreements with Peking. The takeover by Cambodia's Chinese Communist-backed Khmer Rouge under Pol Pot led to the extermination of one-third to one-half of that nation's population in the space of three years.

**Conspiracy to murder.** Kissinger is implicated in the murder of Chilean Chief of Staff General Snyder, and other leaders as part of the coup d'état against Salvador Allende (1973), a coup run with support of U.S. assets in that nation; there exists hard evidence connecting Kissinger to the murder of former Italian Premier Aldo Moro by Red Brigades terrorists linked to the Propaganda-2 and Monte Carlo Committee Freemasonic organizations. Kissinger is responsible for the overthrow and murder of Pakistan's Prime Minister Zulfikar Ali Bhutto, as a "terrible example" (Kissinger's threat to Bhutto) to other Third World leaders supporting a New World Economic Order.

On whose behalf was Kissinger acting in these and other instances?

## Kissinger's Round Table controllers

As many diplomats and former colleagues have reported, underneath his pompous exterior and pretensions of diplomatic confidence, Henry Kissinger is an anxiety-ridden paranoid, given to rug-chewing fits of homicidal rage. He is, in other words, an ideal tool.

A close friend who maintains a position of major responsibility in Kissinger's New York office began to tell us whose tool: "Henry's been a regular traveler to the United Kingdom, and not always announced," this source revealed. "Look at the membership from the United Kingdom of the Bilderberg Society and the Trilateral group," (the former founded by once Amt. 6 SS officer Prince Bernhard of the

Netherlands and Anglo-Jesuit Dr. Joseph Reitingger, the latter by David Rockefeller). "You'll see the kinds of people Henry's been hanging around with for years . . . people like Denis Healey, Lord Douglas-Home . . . guys like Arnold Weinstock and [Sir] Eric Roll. Lord Carrington is one of them. You know, Henry's also a regular visitor to the Institute for Strategic Studies and Chatham House" (the Royal Institute for International Affairs).

The Trilateral Commission, Bilderberg Society, International Institute for Strategic Studies, and Royal Institute for International Affairs, are all spin-offs of the British Round Table Group. This Round Table Group, under implicit patronage of Queen Victoria, was formed out of two predecessor organizations: the homosexual Pre-Raphaelite Brotherhood of anti-culture insurgent John Ruskin; and the Jesuit-modeled secret society set up and funded by the last will and testament of Anglo-Saxon racist Cecil Rhodes, and led by the Earls Grey, Rosenberg, Selbourne; the Viscounts Esher, Milner, and Astor, the Marquess of Lothian and Lord Halifax; William T. Stead, Jan Smuts, Lionel Curtis, Sir Isaiah Berlin, and Arthur Balfour; and the Venice-owned Cecil family which formed the center of an aristocratic power bloc that has dominated British government throughout this century.

Committed to a Hobbesian principle of "pitting each against all" to disintegrate nation-states, the Round Table Group developed a geopolitical doctrine that has already been the cause of two world wars in this century. Prior to World War II, it was the Round Table Group and allied Cliveden Set of Lord and Lady Astor, for example, that created Hitler to act as its marcher lord, driving a Germany broken under the Versailles Treaty eastward against the Soviet Union. At the same time, through such left assets as the British Fabian Society, Socialist International, and intelligence networks associated with Soviet KGB General H. "Kim" Philby, the Round Table Group promoted delicatessen varieties of Jacobin movements inside the Soviet Union, networks today associated with Yuri Andropov and sections of the KGB.

Henry Kissinger's British controllers are all second and third-generation products of the British Round Table Group conspiracy; these include:

**Lord Peter Carrington**, who has joined Henry's new "consulting firm," Kissinger Associates, Inc. Carrington has been in secret collaboration with Kissinger since 1968, when they jointly reorganized the Propaganda-2 Freemasonic Lodge, making it a coordinating center of both "red" and "black" terrorism for the "strategy of tension," a NATO-run destabilization of Italy. Carrington's family of Scottish bankers were first ennobled for acting as financiers of William Pitt the Younger, who launched the 18th and 19th centuries' Propaganda-1 lodge with the French Duke D'Orléans, as part of the Jacobin destruction of the French Republic through the Reign of Terror.

In 1967 Lord Carrington joined the board of Hambros Bank, which was then Michele Sindona's main partner in his

Banca Privata Finanziaria, used to launder NATO funds to P-2 members for a wave of coup attempts, bombings, and assassinations in Italy. In 1969 Kissinger, then National Security Adviser, sent his assistant, Alexander Haig, to oversee this project in the field. One year later British Prime Minister Ted Heath named Carrington Minister of Defense and "top troubleshooter." From that position, Carrington remained in charge of the destabilization of Italy.

Despite his resignation as British Foreign Secretary over the Malvinas crisis, Lord Carrington remains the principal architect of the present Round Table Group strategy: to negotiate a global "New Yalta" with the Soviets. This involves destroying U.S. prestige and influence, in favor of a British or British-French "superpower" in the West. Carrington, Kissinger, Haig, and others triggered the Malvinas crisis, and the war in Lebanon, undermining U.S. influence in South America and the Middle East. Eastern Europe, the Balkans, and other border areas of the Soviet Union have been destabilized, and an alliance with the Peoples' Republic of China formed, to force the Soviet leadership toward "New Yalta" negotiations.

**Lord Alec Douglas-Home of Hirsell**, the former British Prime Minister (1963-64) and Foreign Secretary (1970-74), has been "revered" by Kissinger as "that rarest of statesmen" and "one of the wisest men I have known." Kissinger admitted in his May 10, 1982 Chatham House confession that he "kept . . . [Lord Home] better informed and more closely engaged" than appropriate agencies of the U.S. government. Of Kissinger, Lord Home has said, "I worked with him for many years in my official capacity . . . Our [London's] purpose has always been the same as his."

This mutual praise is ironic. Lord Home is the "survivor" of Munich 1938. In 1938, the year that Henry Kissinger's family fled from the Nazis to England, Lord Home (then, Lord Douglas) traveled to Munich as British Prime Minister Neville Chamberlain's Private Secretary. There he met with Il Duce Benito Mussolini and Field Marshall Hermann Goering, while Chamberlain hammered out a pact with Hitler that would allow the removal, by partition or blitzkrieg strikes, of the buffer states which separated Nazi Germany from the drive east into the Soviet heartland that Round Table Group geopolitician Halford Mackinder had planned decades earlier. The Prime Minister's relative, Houston Stewart Chamberlain, a member of the Isis-Urania Order of the Golden Dawn, controlled through the Cecil bloc's Society for Psychical Research, was one of the original intermediaries to the Bavarian Thule Society which indoctrinated Hitler and the core Allgemeine SS in the "blood and soil" version of this plan that appears in *Mein Kampf*. After the rearming of the Rhineland, Lord Home, then newly appointed Neville Chamberlain's Private Secretary, toured Germany to inspect progress on this "Hitler Project."

The question that separated Prime Minister Chamberlain and Lord Home from other early oligarchic sponsors of the project (leading to their resignation in disgrace in 1940, as it

had earlier with Edward VIII), was whether Hitler had become a Frankenstein's monster with whom the British could not afford to be publicly allied. "Appeasement," the term Sir Winston Churchill used to attack the Munich Pact, was coined for consumption by "dumb Americans" who had to be rallied to pull Britain's chestnuts out of the fire. Of the Munich pact itself, Lord Home later said: "There can be no doubt the breathing space saved Britain."

Lord Home was born into the center of the British oligarchy, and was shaped by precisely the same influences that were to shape Henry Kissinger later. Through his father, the 13th Earl of Home who was suspected of Communist leanings in his day, Lord Alec Douglas-Home was descended from "The Black Douglas" (a Scottish marcher lord in the ranks of King Robert Bruce) and was the closest relative of the 14th Duke of Hamilton, the Premier Peer of Scotland, upon whose nearby estate Deputy Reichsführer Rudolf Hess landed one night to end the 1939-40 "phony war" and attempt to mobilize British support for the drive east. He was instructed as a youth by Sir Douglas Haig, the World War I Field Marshal who is a cousin of former Secretary of State Alexander Haig; and by Lord Robert Cecil, a son of Lord Salisbury, the British Prime Minister who patronized the Milner-Rhodes group. Lord Cecil (Viscount of Chelwood) founded the Royal Institute of International Affairs in 1919 with Lionel Curtis as a broader Round Table front. He also founded the League of Nations to manipulate world affairs in the direction of a second world war, and the Moral Rearmament Movement ("Oxford Movement") that recruited SS Chief Heinrich Himmler and Field Marshal Goering to attempt to form an Anglo-American-German-Japanese Axis in the early-1930s. (Kissinger joined MRA after World War II.) Lord Home was polished at the aristocrat's Christ Church College, Oxford by Arnold Toynbee, Chief of RIIA intelligence and the Foreign Research and Press Service based at the RIIA, Balliol College, and Rhodes House. Toynbee's Manichean race-culture cycle theory of history was the main apologetics for the Round Table group's crimes against humanity.

With Kissinger as his junior partner, in the late 1960s and early 1970s, Lord Home pursued the same geopolitical thrust he had in the 1930s. As he states emphatically in his autobiography, it was he who initiated the policy to open the door to China, drawing upon longstanding personal ties with the PRC's Foreign Minister, ties first established through the Cecil family-associated Lord Bertrand Russell, who had trained Mao Tse-tung and Chou En-lai as his "philosophy" pupils in the 1920s. Using Kissinger and a duped President Richard Nixon as bait, Lord Home set out to recruit the Peoples Republic of China to the same marcher-lord role against the Soviets filled earlier by Nazi Germany. His second major purpose was to assure that the United States mediated its relationship to the Soviets through a NATO in which the British were hegemonic. When President Nixon sought direct ties to the Soviets along the lines of President Eisenhower's

"Atoms for Peace" policy, Lord Home, who was kept directly apprised by Kissinger, called for Nixon's Watergating; he had earlier been a party (as British Prime Minister) to the decision of the British oligarchy to assassinate President John F. Kennedy—an execution carried out by the British-controlled Permindex "Murder, Inc." Corporation named by New Orleans District Attorney Jim Garrison. Kennedy had just fired Kissinger from the National Security Council, and negotiated a Test Ban Treaty with Moscow.

**Denis Healey**, former British Minister of Defense (1964-70). Healey worked opposite Robert S. McNamara, slashing defense budgets. He was Chancellor of the Exchequer (1974-78), taking Britain to the IMF. Healey is Kissinger's principal British contact with the Socialist International and its "mother," the British Fabian Society.

In reference to his longstanding friendship with Kissinger, Healey has said: "Of leading foreign politicians, the one I have known longest is Henry Kissinger, whom I met in the mid-1950s when we were working independently in America and Britain on the problem of controlling nuclear war." At the time, Healey was a member of the Royal Institute for International Affairs, the International Institute for Strategic Studies (which he founded in 1957 after the Suez crisis to co-opt broad layers of the U.S. military) and the British Fabian Society (of which he was then a National Executive Committee member). Healey called for a "New Yalta," to involve a neutral zone including both East and West Germany as a buffer between NATO and the Warsaw Pact in this period. Kissinger, who was working for the Council on Foreign Relations (and possibly the Tavistock Clinic, whose Russian Studies section interfaces the Fabian Society), wrote *Nuclear Weapons*, the book which advanced the doctrine of Mutually Assured Destruction (MAD): by acting in an insane fashion, a nation would terrify adversaries and avoid war—a doctrine that destroyed the U.S. military more profoundly than McNamara's cuts.

Described by his colleagues as "a likable thug," "a hit man," "a monster—rude, boorish, and haphazard with the truth," Healey rose to be a trusted servant of the British oligarchy in a process similar to that of Kissinger. Born of lower-middle-class professional parents, Healey received a scholarship to Balliol College, Oxford where, under the direct influence of Arnold Toynbee and the Master of Balliol, A. D. Lindsay, he joined the Communist Party of Great Britain in 1936. (He remained a card-carrying member until 1940.) After World War II, Hugh Gaitskell, Victor Laski, Ernst Bevin, and other leaders of the Fabian Society-Labour Party recruited him to be International Secretary of the party, charged with re-establishing the Socialist International. It was Healey who brought Kissinger's future great friend, Social Democratic Party left-wing leader Willy Brandt back to Germany from exile in Norway, and he also made several trips to Italy to re-establish an Italian Socialist Party fractured when Benito Mussolini left its ranks to become Il Duce. In a speech at this time, Healey said: "The Socialist Revolution



is already firmly established in many countries in Eastern and Southern Europe. The crucial principle of our foreign policy should be to protect, assist, encourage, and aid in every way the Socialist Revolution wherever it appears.”

Healey came to follow left-wing variants of Lord Home’s policies toward NATO, China, the Soviets, and the United States, actually visiting China for talks with Chou En-lai in 1972 as part of the open door effort. Many individuals with connections to British and U.S. intelligence have questioned how Healey, like Kissinger, with his background, ever came to obtain security clearance.

### **An agent ‘by training and experience’**

Asked after Kissinger’s Chatham House speech whether Kissinger was a British agent, Lord Home said, “Surely by instruction and experience, he finds himself on the same side as us, yes.” It was at Harvard in the late 1940s and 1950s that Kissinger received the formal side of this training, from men deployed directly out of the Round Table Group.

Kissinger’s Harvard tutor was William Yandell Elliott, who was a Rhodes Scholar at Balliol College, the recruiting center of the Round Table, where Henry Kissinger has since expressed a desire to teach. Elliott was trained by A. D. Lindsay, then Master of Balliol. In 1938, at the urging of John Wheeler-Bennett (who would replace Toynbee as RIIA chief of intelligence and who was then an MI-6 agent working for the Ministry of Information in Washington), Elliott began a work, finally published in 1943, titled *The British Commonwealth at War*. The book was a straight printout from the propaganda machine of Sir William “Intrepid” Stephenson, the Chief of British Security Coordination based at Rockefeller Center; it called upon the United States to enter the war as Britain’s junior partner, recognizing Britain and her Empire as the “main front of our own defence.” His co-author was Eric Roll, who has also been a major influence upon Kissinger.

During World War II, both Elliott and Roll were part of a team of Round Table members assembled under Lord Lothian, a notorious member of the Cliveden Set, and later Lord Halifax, British Cabinet Minister. From positions with the War Supply and Production boards, the team was to assure shipment of food and weapons for Britain. Before returning to Harvard in 1947, Elliott moved to an office next to Secretary of State Jimmy Byrne from which he helped shape the post-war “special relationship” Kissinger alluded to in his May 10, 1982 Chatham House speech. Roll became one of the “three wise men” based in Paris who determined distribution of Marshall Fund aid; he then held various government posts before becoming chairman of S.G. Warburg and a director of the Bank of England.

Roll’s Warburg connection has been important for Kissinger. Max Warburg, who sponsored Hjalmar Schacht as Nazi Finance Minister to develop the blitzkrieg economy and concentration camp system, was part of a circle of *Hoffjuden*, including the Oppenheimer family, reported to be the patrons

of the Kissinger family, clearing their 1938 emigration to England with SS General Heydrich’s *Sicherheitsdienst* (SD). Paul Warburg had been the founder of the Federal Reserve Bank (1913) at which Elliott was employed when he first came to attention of the Milner-Rhodes group and, with other Round Table members, became a co-founder of the Council on Foreign Relations.

Elliott’s role as a Round Table agent was dramatically shown in the 1968 edition of his republished doctoral dissertation, *The Pragmatic Revolt in Politics*. He added an appendix subtitled “A Round Table for the Republic” which summarizes his life’s work and registers Henry Kissinger as a British agent: “In conclusion may I make a special plea for a type of group that I do not think we have today—as a nation . . . the Round Table. . . . We must find ways to produce some high purpose groups like a . . . Round Table for the Republic, chosen on a coopted basis, selecting those people who best represent the best principles. . . . This is what the Round Table of Arthurian legend suggests. . . . I would hope the Round Tables could be spread on an international base by a parent Round Table for Freedom. . . . We had the makings of something like this on a lower-level model in the well-chosen representation of the Harvard International Summer Seminars set up during the ten years which I ran the Summer School, and with Henry Kissinger as the prime guide for it through most of his life.”

Elliott schooled Kissinger in the racialist cycle theories of Arnold Toynbee and Oswald Spengler, with whom Kissinger has remained obsessed. This is reflected in Kissinger’s undergraduate thesis, *The Meaning of History: Reflections on Spengler, Toynbee and Kant*.

If Elliott represented the “conservative” side of the Round Table, two other mentors of Kissinger, namely Karl Friedrich and Sir Isaiah Berlin, represent the “left.” Friedrich, whom Kissinger passed over as tutor because Elliott could open more doors, was a “Kantian-Marxist.” Sir Isaiah Berlin, with whom Kissinger was in frequent contact throughout the 1950s, was a member of the “Philby network” and a suspected homosexual lover of Guy Burgess.

As a lifelong fellow at Balliol College, Oxford, specializing in Russian studies, Berlin had been directly recruited into the Round Table by the outset of World War II. He was also recruited into a literary subset of the Pre-Raphaelite Brotherhood grouped around W. H. Auden and Christopher Isherwood at Oxford. The set also included: Stephen Spender, whom Berlin called “a Child of Nature”; Denis Healey’s mentor Hugh Gaitskell; and, R. H. S. Crossman, who became Assistant Chief of the Psychological Warfare Division of SHAEF during World War II, based at the London Tavistock Institute, and determined to “out-Goebbels Goebbels.”

The flavor of this homosexual ring, whose broader international circles, investigators report, Henry Kissinger joined, is given by Spender in his autobiography, *World Within World*, when he describes his 1929 stay with Isherwood in Berlin: “To these young Germans the life of the senses was a sunlit

garden from which sin was excluded. The sun was a primary social force in this Germany. . . . Modernism in this Germany was a mass movement. Roofless houses, expressionist painting, atonal music, bars for homosexuals, nudism, sunbathing, camping, all were accepted. Drums and flags seemed to march through my brain; it was as though my blood were a river of music." Guy Burgess and Donald McLean, the two homosexual agents now in Moscow with KGB General H. "Kim" Philby, were part of a broad circle of occasional male-lovers for this set, as was Anthony Blunt, the Cambridge University Marxist who became keeper of the Queen's Pictures; when Blunt's earlier espionage work was finally made public, he fled for refuge to the home of Kissinger's friend Eric Roll.

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*Through its 'left' assets, including the Kim Philby networks, the British Round Table, which controls Henry Kissinger, also promoted various Jacobins within the Soviet Union.*

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Kissinger's mentor, Sir Isaiah Berlin, had intimate links to this circle and to Guy Burgess. In 1940 when Burgess and Philby were running the Guy Fawkes College for MI-6, Burgess obtained an appointment for himself and Berlin with His Majesty's Embassy in Moscow, traveling first with him to Washington, D.C. But the appointment in Moscow was canceled. In 1941, as a member of the Ministry of Information, Berlin was assigned under diplomatic cover to His Majesty's Embassy in Washington, D.C., where he worked with Sir John Wheeler-Bennett. Berlin threw the welcoming party for Donald Maclean, who arrived at the embassy in 1943 to spy upon the U.S. nuclear program for both Britain and the KGB. After a brief stint at the British Embassy in Moscow, Berlin returned to Balliol, but he returned as a frequent visiting professor to Harvard during Kissinger's years there. His first trip to Harvard in 1949 coincided with Philby's posting in Washington as the British Secret Intelligence Service's liaison to the CIA, which he penetrated to the core at its founding and exposed to the KGB.

### **The man they call 'Bor'**

In 1960 the Deputy Chief of Polish Intelligence (GZI) and former Chief of GZI Counterintelligence defected directly to the CIA under the pseudonym "Michael Goliniewski." During three years of debriefings, Goliniewski was to

name more Soviet espionage agents functioning in the West than any other defector. Among the more notorious were: William John Vassall, the homosexual KGB agent within Admiralty intelligence whose exposure led Lord Carrington, then First Sea Lord, to tender his resignation; Israel Beer (aka Bieber), a top military adviser of the Israelis and an Austrian who masqueraded as a Jew; GRU (Soviet military intelligence) Col. Kolon Molody (aka Gordon Lonsdale), head of a ring in England that stole the Polaris submarine secrets; and George Blake, a top MI-6 agent whose capture was the final straw that triggered Philby's 1963 "escape" to the Soviet Union. In all, Goliniewski brought a list of over 250 Warsaw Pact espionage agents involved in dozens of rings throughout the West.

One case that never received the public notoriety of Vassall, Beer, or Blake, although it involved people of far greater importance, was known as the Odra Cell, a counterintelligence ring run jointly by the GRU and GZI whose assignment was to penetrate U.S. and British military intelligence during the occupation of Germany. In 1962-63, when Henry Kissinger was merely a Harvard don of no major note, Goliniewski reported that Kissinger had been a member of the Odra Cell under the code name "Bor."

Kissinger was then a non-commissioned officer with the 84th Division's 790th Counterintelligence Corps based at Oberammergau, West Germany from 1945 to 1947.

Goliniewski named two other members of the Odra Cell. One was Eric Bosenhard, like Kissinger a German-born refugee to the United States, who joined U.S. Army Intelligence (G-2) and was assigned as a clerk at Oberammergau. In 1951 Bosenhard was sentenced to four years imprisonment by courts of the Allied High Commission. In his appeal, Bosenhard claimed to have been blackmailed as a homosexual.

Another Odra Cell member named by Goliniewski was Gen. Horst Wendland, the deputy of Gen. Reinhard Gehlen, who ran Nazi Abwehr intelligence on the Eastern front (FHO) and turned his files and staff over to OSS officer Allen Dulles at the end of the war. The charge against Wendland by Goliniewski was ignored until 1968, by which time General Wendland had become Deputy Chief of the BND (West Germany's CIA). When he was exposed, Wendland committed suicide before he could be debriefed.

In December 1973, Goliniewski wrote a new memorandum on the Odra Cell which reportedly led West German security agencies to backtrack upon Wendland's trail to discover who he had protected. This led to the exposure of Gunther Guillaume, an East German refugee who had worked his way up within the SPD to become Chancellor Willy Brandt's aide for party matters. Prominent party leader Egon Bahr had kept Guillaume in the Chancellor's office over repeated protests of West German security services. When ultimately arrested as a captain in East German intelligence, Guillaume was preparing to leave the West with NATO documents (some classified on the "Cosmic" level) and correspondence between Brandt and President Nixon.

It is of note that Henry Kissinger had held frequent announced and secret meetings with both Bahr and Guillaume, whose exposure led to the toppling of Kissinger's friend, Willy Brandt, from office.

How did Kissinger become a member of ODRA? Several sources with U.S. Army Intelligence backgrounds report that Henry's father, Louis Kissinger, had been a socialist, active in circles around the Munich Soviet, formed after World War I, and in the Reichsbanner, a paramilitary socialist group. The Soviet NKVD had close ties to the Munich Soviet, and it formed cells from which espionage agents were recruited. The Sturmabteilung (SA) also recruited heavily from the Reichsbanner, perhaps explaining why the Sicherheitsdienst (SD) allowed the Kissingers to leave Germany.

Unfortunately, no public documentation of these reports exists. What is known is that in 1944, Henry Kissinger, who was then a PFC in the U.S. Army, was picked up by his first important patron, Fritz Kraemer, who was, like Kissinger, a refugee from Germany and, at the time of their meeting, a member of U.S. Army Intelligence.

Trained at the Fabian Society's London School of Economics, Kraemer was to become an *éminence grise* at the Pentagon and an international leader of the Socialist International; his closest friend, Jay Lovestone, was Secretary General of the Communist Party U.S.A. until he resigned when Stalin purged Bukharin. Lovestone became an agent of the OSS and CIA. Later, Kraemer led a right-wing split in the Socialist International with Lee Kuan Yew, the British intelligence officer who became Prime Minister of Singapore and was present at private meetings between Kissinger, Shultz, and Schmidt after last month's Bohemian Grove meetings.

Kraemer is also one of the more influential figures within the West German Lutheran Church, which has become a coordinating center for the Peace Movement and the Green Party, and he has been a longtime friend and adviser to Oskar and Karl Wilhelm von Preussing, the heads of the House of Hohenzollern, once Emperors of Germany. Through the Protestant Church, Kraemer also maintains close ties to the oligarchy in Switzerland, where he keeps a chalet for annual vacations. Kraemer has many other protégés, among whom is Alexander Haig, who Kraemer found when he was still a paperclip colonel at the Pentagon. Kraemer remained in the Emergency Planning Division of the Pentagon as a geopolitician in the Halford Mackinder school until Haig's removal from the Secretary of State's office.

Kraemer obtained for Kissinger a series of posts with U.S. Army Intelligence and Counterintelligence, calling him affectionately "my little Jew." Another protégé of Kraemer at the time was Helmut Sonnenfeldt, who would later be Kissinger's Counselor at the State Department. Sonnenfeldt got this job, which did not require Senate confirmation, because his 1970 nomination as Undersecretary of the Treasury under George Shultz had to be withdrawn when it was revealed in hearings that Sonnenfeldt was investigated by the CIA, State Department Security, and the Justice Department

in the 1960s for espionage on behalf of Israel. He escaped trial, sources report, only because the material he passed to the Israelis was too sensitive to be exposed in court proceedings.

Ironically, one of the tasks Kraemer, Kissinger, Sonnenfeldt and associates were involved in at the end of the war was a massive reorganization of Nazi networks, for use in impending Cold War operations. This job, which was overseen by Allen Dulles, among others, drew upon contacts that Dulles established with most major fascist intelligence officers in Italy and Germany during his secret surrender negotiations with SS Gen. Karl Wolff. Under the program, such figures as SS Gen. Walter Schellenberg, the head of all foreign intelligence, SS Col. Otto "Scarface" Skorzeny (whom Hitler called "my favorite commando"), and Gen. Reinhard Gehlen, were recruited as Anglo-American assets.

It is out of a left-wing counterintelligence operation run by Dulles from his wartime post in Switzerland that some former U.S. Army Intelligence sources believe the ODRA cell was developed.

This network was a combined operation of Swiss, British, OSS, and Soviet GRU intelligence services to send information-disinformation to the Soviet Union on Nazi military plans and operations. Code-named the DORA network, its members included Rudolf Roessler, who was recruited by Swiss intelligence circles around the Protestant theologian Karl Barth and Sandor Rado, the nominal head of Soviet intelligence in Switzerland. Curiously, Allen Dulles showed up in West Germany in 1946 with Rado's wife, who was an instrumental figure in rebuilding the SPD left wing associated later with Brandt, Bahr, and others.



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# The Kissinger Associates firm: a new vehicle for British influence

by Scott Thompson

When Henry A. Kissinger first emerged in control of U.S. executive branch policy during the late 1960s, it was the Trilateral Commission and that less-well-known conduit of European oligarchical policy, the Bilderberg Society, which ensured Kissinger's rise to power and controlled his activities. A new vehicle has been prepared for Kissinger's re-emergence as the leading U.S. enforcer of the programs dictated to the United States by the British and European oligarchy: Kissinger Associates, Inc.

Kissinger Associates, a Washington, D.C.-based "consulting firm," boasts the following board members:

**Lord Carrington**, former British Foreign Secretary. Despite his resignation over the Malvinas crisis, Lord Carrington remains one of the most influential "one world" strategists in the British policy-making echelons which deploy Henry Kissinger as a trouble-shooting thug. (See accompanying article for more on his career.)

**Robert O. Anderson**, the chairman of Atlantic-Richfield and of the Aspen Institute, which is one of the main think tanks for the "convergence theory" of the Kissinger group. Aspen was the site where the Watergate toppling of President Nixon was initially planned, as well as a coordinating center for overthrowing the Shah of Iran through a secret alliance with the Muslim Brotherhood forces behind Khomeini that paved the way for a Mideast giveaway to the Soviets. Anderson frequently travels to Moscow where he meets with Dzermen Gvishiani, the son-in-law of Alexei Kosygin and major figure in the circles around KGB General H. "Kim" Philby.

**Pehr Gyllenhammar**, the chairman of Volvo in Sweden, who was responsible for introducing Tavistock's corporativist worker-management schemes into Swedish industry. Gyllenhammar is also on the board of the Skandia insurance conglomerate. Skandia is one of the major investors in IRIS, a 1,000-man Washington, D.C.-based private intelligence company run by former Secretary of Defense and World Bank chairman Robert McNamara and former Tory British Prime Minister Ted Heath, of whom Kissinger once said: "I

have had a longer friendship with him than with any other leading British political figure." A trustee of the Aspen Institute, Gyllenhammar helped Anderson arrange a computer interface among Aspen, Control Data in Sweden, IFIAS (which serves as a Swedish-based front for the Muslim Brotherhood), Soviet computers, and IIASA, the Vienna-based think tank of the KGB-linked Djermen Gvishiani. Gyllenhammar is also a Chase International board member.

**General Brent Scowcroft**, who was Kissinger's National Security Council deputy until named as his replacement as National Security Adviser. It was Scowcroft, Kissinger, and Haig who ran the White House inside track of Watergate, supported from the outside by the *Washington Post's* trial-by-press attacks. Scowcroft has remained Kissinger's special operations assistant, working out of offices at International Six, Inc. in Washington, D.C.

**William D. Rogers**, who was Assistant Secretary of State and Undersecretary of State for Economic Affairs in the Ford administration. Rogers is a solid Rockefeller Latin American man, serving at different points with such investment and counterinsurgency groups as AID, the Inter-American Development Bank, and Overseas Private Investment Corporation. He has also been, from 1965 to the present, a partner in the Arnold and Porter law firm.

**Jeff Cunningham**, the former president of Chase International's Orion Bank subsidiary in London, who is now full-time secretary to the board of Kissinger Associates.

## What the associates have to say

Interviews with Kissinger Associate board members (the week after the announcement that the new consulting firm is seeking clients at an annual retainer rate of \$250,000), revealed that the company will serve as a major operational center for the implementation of plans by the Bank for International Settlements and the International Monetary Fund to manage the "controlled disintegration" of the world econ-

my, beginning with the austerity-enforced depopulation of the developing sector.

The successful refinancing of Third World debt, especially that of Mexico and Argentina (where Kissinger will soon visit) is one of the most critical problems of Kissinger Associates' corporate clients, said one source at the new consulting firm. Mexico is to be put through IMF-directed austerity, regardless of whether this creates a "volatile and potentially unstable situation," that may lead to "serious problems"—"potentially even a coup—before 1990." Argentina, where Kissinger is being deployed to negotiate a cessation of hostilities government sources have already decried as unacceptable, must also be forced to meet its debt payments though Britain froze \$4 billions in assets. These Third World countries "will be the big losers . . . as banks retrench to buildup reserves."

Asked about how the overall world debt crisis should be handled, another Kissinger Associates board member said: "The concern of the BIS group is to make certain there isn't any panic. Look at the example of how the so-called New York real estate crisis was handled in late-1970s: By just taking four or five years to work these things out rather than slamming everybody into bankruptcy, the banks came out of it reasonably well." In short, sovereign nations, including the United States, Germany and other advanced sector countries, are to be treated like New York City, brought under the

control of a global "Big Mac" receivership—designed in this instance by the BIS and "the more enlightened central bankers and commercial bankers"—who will run them through the hoops of genocidal austerity.

As for the Western alliance, "The [Reagan] administration is not at all wedded to [West German Chancellor Helmut] Schmidt's survival," one Kissinger Associates source said, adding: "You can say Schmidt has run out his string and it's inevitable. . . . We got into enough problems in the past with our support for the Grand Coalition which brought in the SPD in the first place." This source insisted that Schmidt should be allowed to fall and the sanctions against European nations cooperating in the trade on Soviet national gas pipeline development be upheld regardless of how it affects an already unstable NATO alliance. Such a willingness to sacrifice Schmidt, for whom Kissinger and his associates protest great friendship, is especially ironic since the Chancellor fled to California early last month for private meetings with Kissinger and the new Secretary of State George Shultz, where the Chancellor was led to believe an accommodation for his survival had been worked out.

Kissinger Associates, Inc., through its special advisory relationship to the multinationals, will potentially draw upon a vast array of oligarchic think tanks, KGB-linked private intelligence channels, and other resources to profile nations in order to break resistance to this genocidal scheme.

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## Mexico declares war on Volcker economics

by Timothy Rush

As *EIR* warned at the end of August, when push came to shove in terms of economic pressures on the Mexican state, Mexico had the capacity to reply with a dramatic re-assertion of national interest and back it up with a mass mobilization of the population. We termed this the “Cárdenas factor,” referring to the 1938 oil nationalization of President Lazaro Cárdenas.

On Sept. 1, as everyone knows, President José López Portillo activated it, with his decrees nationalizing the private banks, instituting total exchange controls, and nationalizing the central bank, which had operated with Federal Reserve-style independence.

Two days later, on Friday, Sept. 3, 1 million workers and peasants filled the central plaza of Mexico City, the Zocalo, to overflowing. Amidst choruses of “*Vivas*” and the ringing of church bells, the President declared, “Mexico has become Mexico again. Mexico is ours once more.”

Late on Saturday, Sept. 4, the new director of the central bank, the Banco de México, announced on national television a package of dirigist credit, interest-rate, and foreign-exchange measures which immediately lowered borrowing costs 5 percent and slashed mortgage rates up to two thirds.

On Sept. 5 and 6, the ruling PRI party held mass rallies in almost all the 31 state capitals.

A spur to the PRI has been the spirited organizing of the small Mexican Labor Party (PLM), which had all along been urging López Portillo to counter-attack against the international banks and speculators. “Now a debt moratorium”—the PLM’s slogan—has appeared in huge painted letters in central locations throughout Mexico.

Those business elements which had profited from the previous orgy of speculative activity attempted to organize a

run on the banks when they reopened Sept. 6, and to launch a nationwide businessmen’s “strike” for Sept. 8. Under the pressure of the pro-government mobilization—15,000 PRI cadre were sent to the banks with flyers explaining the new measures, and labor leaders warned that any businesses which closed shop “could face the same fate as the banks”—this strategy collapsed. Banking functions proceeded normally on Sept. 6, confederations organizing the “strike” threw in the towel on Sept. 7 and publicly called it off.

### What next?

In light of the success to date of the popular mobilization behind López Portillo’s Hamiltonian policies, the international forces of usury and speculation have had to give up fantasies of a quick “counterrevolution” within the country. The middle class, hyped for six months in the international press, was not the uniform, intransigent anti-government force it was advertised to be, though pockets of hard opposition remain. The army demonstrated firm loyalty to the institutions.

The strategy drafted by the international oligarchy, diverse sources confirm, is to continue a new “blowout” of the Mexican situation in the December-January period, when López Portillo has left office and Miguel de la Madrid takes over. One element of this strategy is to unleash Guatemalan military strikes at Mexican oilfields, and possibly attempt a U.S. military occupation of the Tabasco region to “protect” those oilfields. De la Madrid will be tested in spades.

Mexico is not to be given three months’ breathing space, however. Some of these sources expect activation of “wet-works”—assassinations and terrorism—from both “right” and “left” between now and then. The presidential circle



and the President-elect are not excluded.

Initial indications point to laundering operations against Mexico through the same kind of "private-sector" apparatus developed in Chile by Kissinger and Rockefeller for the overthrow of Salvador Allende in 1973.

Sections of the Connally-Bush machine in Texas fit in here, and Henry Kissinger can be expected to play an especially large role. For years his "Mexico connection" has been former President Miguel Alemán, czar of the Acapulco underworld, whose group of business cronies, formed in the late 1940s, had run most of Mexico's flight capital circuits and controlled the Banco de México as their speculative preserve until the events of Sept. 1.

Various international bankers have put out the line through their press conduits that López Portillo's actions were a desperate public relations stunt, typical of a lame duck (his term ends on Dec. 1). The President was "scapegoating" the private banks for a situation he himself brought on through "mismanagement" of Mexico's oil wealth, went the line,

and some charged that the moves were a lurch toward "socialism."

The bankers know perfectly well that it is Volckerized world interest rates, declining oil prices and markets, and flight-capital operations coordinated by oligarchic families in Mexico, which forced Mexico into a situation in which its economic sovereignty and survival as a republic were on the line.

What frightened the Friedmanites in IMF and BIS circles was not that the López Portillo measures were socialistic, but that they were *capitalist*, in the sense of the industrial capitalism of the first U.S. Treasury Secretary, Alexander Hamilton. From the first moment of the outpouring of mass support for López Portillo's moves, the watchwords were "War on usury and speculation," and "A rebirth of productive, industrial growth."

More threatening still to the Swiss gnomes and their cohorts, Mexico stood in a position of spreading such reprehensible doctrines to scores of other developing countries and

## At the Zocalo: 'Juárez, Cárdenas, López Portillo'

The support rally of one million in Mexico's central square Sept. 3 heard speeches from leaders of the three branches of the PRI party—workers, peasants, and professional groups—and a short but emotional greeting from the President. With López Portillo in the balcony overlooking the giant Zocalo square were President-elect Miguel de la Madrid, PRI president Pedro Ojeda Paullada, labor chief Fidel Velásquez, and Defense Minister Felix Galván López. Excerpts from the major statements follows:

**Fidel Velásquez**, head of the Mexican Workers Confederation [CTM]: "We nationalized the banking system to prevent financial speculation from dominating the economy of the country. There will be rational management of interest rates, and credits will be oriented for the progress of Mexico."

**Pedro Ojeda Paullada**: "We are at the historic center of the nation. We have come to this place, where 115 years ago the nation celebrated the triumph of the Republic [over Hapsburg emperor Maximilian] with Juárez; here, where we took rightful title to our oil wealth for the nation in 1938 with President Lázaro Cárdenas. We unreservedly support and applaud the revolutionary and patriotic measures decreed by the Mexican President in defense of the nation. . . . [These measures] are vital for our progress, because only in this way can Mexico direct all its resources to the satisfaction of domestic needs and the increase of national wealth."

"To those who attempted to place their individual security ahead of the security of the nation, we warn, with Juárez and López Portillo, that they must remember that they are Mexicans, and that they have children to whom they must not leave a legacy of infamy. To those who preferred to create prosperity and jobs abroad, at the cost of backwardness and unemployment in Mexico, we reply: today, with Cárdenas and López Portillo, may their economic power and arrogance not shield them against the dignity and sovereignty of the nation."

**Gustavo Carvajal**, secretary of Agrarian Reform, former president of the PRI, interviewed leaving the rally: "Our history has shown that with the unity of the Mexican people, [outside] pressures will not triumph, and that those who attempt such pressures will find another Hill of the Bells [site where Maximilian and two traitorous Mexican generals were executed by Juárez in 1867]. In these conditions there will be no step back in the historic path taken by the government of the republic. The Mexican state is capable of directing the banks efficiently. Now there will be greater stimulus for industrialization which generates jobs, since nationalization will lower interest rates on loans and free them from the ravages of free speculation."

**President López Portillo**: "I want to say to you, that here the roads divide again. On this side are the majorities, who demand justice, who demand the values of our nationhood. On the other side, those who want to steal the treasure [of the nation]. Here, with all of you, is Mexico, here we are united. The revolution is once again in vigorous motion. Let us support it, let us push it forward. Mexicans: this is Mexico and Mexico has lived. Mexico lives and Mexico will live. *Viva México!*"

into advanced countries such as the United States itself (see *EIR*, Sept. 14).

### **Factionalization in the private sector**

For a long time, most Mexican businessmen, especially those in small and medium-sized firms involved in tangible-goods production and agriculture, have known the Mexican private banking system the way a victim knows his mugger.

As detailed by the new Bank of Mexico director, Carlos Tello Mucias, on Sept. 4, effective interest on loans to preferred customers had reached 80 percent. It was higher for the small fry. Banks, however, were paying out a maximum of 44 percent interest to depositors, and to a large class of "small savers," only 4.5 percent. The record outstrips the practices of the Bardi and Peruzzi in the early 14th century.

Those business leaders who had a cut of the bankers' speculative paradise raised the roof when López Portillo announced the nationalization. Fat, bearded former latifundist Manuel Clouthier of the Businessmen's Coordinating Council called the measures "infantile," while José María Basagoiti of the Mexican Employers Confederation called on all the private sector to overturn the "unfair and baseless" action.

From the first, however, important sections of industry and agriculture supported the measures. Endorsements came from the National Association of Business Lawyers; the head of the Guadalajara metal-working industry; and several local Chambers of Commerce around the country. After the Tello Macias measures were announced, support within the private sector accelerated. One owner of a medium-sized factory in the Mexico City area, who had just finished a trip abroad, where he had harped on how Mexico was unsalvageable because of the "corruption" of the government, said after the Tello measures that he had sounded out all the other manufacturers in his area and the reaction was universal: now they had a future. Bellwether Chambers of Commerce, like that of Ciudad Juárez, and the traditional antagonist of government policy, the 280,000-member Cattlemen's Association, led the movement in terms of public declarations.

Further puncturing the effect of the "socialization" line was Tello's announcement that the 35 percent of the Mexican private sector which had fallen into the bankers' hands would be auctioned off, not incorporated into the state sector.

Mexican Cardinal Ernesto Corripio Ahumada, moreover, issued a Pastoral Letter sanctioning the move. Citing Pope John Paul II's encyclical *Laborem Exercens*, Corripio stated that if the means of production are used to support labor, then they are good; if used for "egoisms," they are harmful. If the nationalization of the banking system is administered "honestly and loyally for the good of the national community without [the state] constituting itself as a new and arbitrary owner, the measures will be good," he concluded. His statement undercut efforts of the nominally Catholic National Action Party (PAN), Mexico's second largest electoral force, whose economic policy is avowedly fascist, to make hay out of the situation.

*What Mexico's President José López Portillo announced in his State of the Union (Informe) address Sept. 1:*

#### **Two decrees:**

- 1) All Mexican private banks in the country nationalized. Indemnification to owners over 10 years.
- 2) Full exchange controls. No private dealings in dollars.

#### **One "corollary" measure:**

Nationalization of the Banco de Mexico, the central bank, which previously included part private ownership. (Almost from its inception in 1925, the Banco de Mexico had been run by monetarists. After World War II, the clique around President Miguel Alemán took control of the Banco as a private fiefdom, a control on behalf of speculation, drugs, and other dirty money flows, never broken until now.)

#### **International fight against flight capital:**

- 1) Call for an early meeting of U.S. and Mexican legislators to work out arrangements to encourage return of flight capital to Mexico;
- 2) Call for a new chapter of international law, "difficult to conceive of in a free trade world," to protect all developing nations from flight capital devastation. New international economic relations must include a "special recycling link."

#### **Calculation of amount of flight capital:**

Bank accounts of Mexicans abroad	\$14 billion
Initial payments on U.S. real estate valued at \$30 billion	8.5 billion
Remaining payments to be made on foreign real estate purchases (minimum)	20 billion
Accounts denominated in dollars within Mexico (so-called Mexdollars)	<u>12 billion</u> \$54 billion

López Portillo stressed repeatedly that these figures were conservative and depended on further scrutiny of previously private records to determine the true figures.

The previously unreported balance of private indebtedness abroad hikes total Mexican foreign debt \$95-100 billion.

**War on speculation and rentier finance:** In his Sept. 1 speech, López Portillo stated: "The fundamental question is determined by the difference between an economy increasingly dominated by absenteeism, by speculation and rentier finance, versus an economy vigorously oriented towards production and employment.

"Speculation and rentierism translate into a multiplication of the wealth of a few without producing anything, and are necessarily derived by the simple plundering of those who produce, and over the long run it inevitably leads to ruin."

**Fight for industrial and technological progress:** "The world's productive capacity has been increasingly subjected to contraction and unemployment by an unjust and obsolete financial system. . . .

"The lack of coherence between industrial progress, whose technology advances by ever more astonishing leaps,



and a world financial structure that has responded to the technological challenge primarily by attempting to stop it, is increasingly evident. The financial plague wreaks more and more havoc around the globe. As during the medieval era, it devastates country after country. It is transmitted by rats, and in its wake lie unemployment, misery, industrial bankruptcy and speculative enrichment. The remedy of the witchdoctors is to deprive the patient of food and submit him to forced rest," stated the speech.

**Abolish usurious interest rates:** "For all countries, but especially for the developing nations, the rise in interest rates explains a large part of the process of economic deterioration. . . . The prevailing levels of interest rates, the highest in civilized history, apparently do not obey any logic derived from the functioning of the markets, but rather the logic of deliberate policies of monetary restriction, whose anti-inflationary purpose is belied by the inflationary effect of the high cost of money. Everyone suffers from it," said López Portillo.

#### **New director of Banco de Mexico:**

On the same day as his State of the Union address, López Portillo replaced the monetarist director of the Banco de Mexico, Miguel Mancera Aguayo, with nationalist economist Carlos Tello Macias. Tello served as Minister of Planning and the Budget 1976-77, before resigning in opposition to IMF interference in the economy. He then directed the national sugar agency, Finasa, until his current appointment.

Named to be director of the Foreign Trade Bank is Horacio Flores de la Peña, Industrial Development Minister 1970-75 and Ambassador to France 1976-82. Like Tello, he is a strong economic nationalist.

#### **Priorities on use of dollars:**

As established in the official decree of Sept. 1:

1-4) Various categories of debt obligations of the federal government and its dependencies, such as Pemex, the national oil company.

5-7) Payments for import of basic food, capital goods, and other priority industrial goods.

8) Repayment of private sector debt.

9) Certain classes of border transactions.

10) Royalties and repatriation of profit by private firms operating in the country.

11) Travel for business or health reasons.

12) Travel for tourism.

#### **Anatomy of usury:**

On Sept. 4, new Banco de Mexico director Carlos Tello announced a series of measures to go into effect with the reopening of the banks on Sept. 6. He outlined first the depth of usurious banking practices that had been built into the private banks before nationalization:

At the beginning of 1980, banks paid out an average of 17 percent on deposits and charged an average of 21.5 percent for better clients. The differential for the banks was 4.5 percentage points. As of Aug. 31, 1982, banks were paying

out an average of 44 percent on large deposits, while charging 62 percent interest to their best customers—a spread of profit for the banks of 18 percentage points.

For all borrowers, the above figures do not include a phenomenon called "reciprocities," which meant that 20 percent or more of any loan had to be kept on deposit with the bank, although interest had to be paid on 100 percent of the loan. When this and other "service fees" were computed, even good customers were playing *over 80 percent effective interest*.

More: the banks paid out only 4.5 percent on smaller savings accounts, exploiting smaller savers. A charge of 800 pesos per month was made on any checking account holder who maintained a balance of less than 10,000 pesos—an 8 percent charge on small deposits.

#### **Measures to halt usury:**

Tello announced measures to:

1) Immediately lower interest rates to borrowers 5 percentage points, and in succeeding weeks for a five week period, by 2 percentage points per week. Lower rates paid to depositors 2 percent per week for the same five-week period. At the end of that period, evaluate next steps.

2) Eliminate all hidden charges, commissions, "reciprocities," etc. Immediately raise interest paid on deposits in small savings accounts to 20 percent. Eliminate the charges on checking accounts which fall below 10,000 pesos.

3) Slash mortgage rates. Rates on lower-class housing, currently 34 percent, will drop to a uniform 11 percent, for a two-thirds reduction. Mortgages on middle-class housing will drop to 24 percent, for a one-third reduction.

#### **Other measures to regain economic sovereignty:**

Tello also announced:

1) The dollar will be eliminated as a currency of lending and gradually as a currency of deposit. No new loans will be given out in dollars and existing dollar loans which come due will be renewed in pesos. As existing time deposits in dollars come due, they will be open for redeposit only in pesos. The peso will be legal tender again in fact and not just in theory.

2) The peso will be set at a two-tiered system of fixed, not floating, parities. The rate for preferential payments, largely debt repayment and priority imports, is 50 to the dollar. For other uses, it is 70 to the dollar. Tello stressed that fixed parities is a "central feature" of the new system, since "it aids planning processes in private firms as well as the government, by giving certitude to (future) transactions."

3) The government will not hold on to the non-banking assets of the private banks. The banks had used their usurious profits to buy up fully one-third of the entire private sector economy. These were holdings that went from tourism to real estate to manufacturing firms. Tello announced the government will begin a process of selling these assets off to private buyers. He "highly recommended" such purchases to Mexicans who had taken their money out of the country and were looking for a place to invest it again in Mexico.

## Which way for the U.S.?

Will the United States line up as a sympathetic partner of Mexico's return to Hamiltonian economic policies, or will it declare them anathema in favor of the Friedmanite "free-enterprise" dogma and throw the weight of America against Mexico? This was the question in 1920, when "Hamiltonian" Mexican president Alvaro Obregón seized direction of the Mexican Revolution and channeled it toward industrial and agricultural development under a mixed system of state and private control. Obregón turned to the United States for diplomatic recognition, credits, and support in the creation of a national bank for development. The House of Morgan in Wall Street and London, working in collusion with the State Department, put Mexico in a deep freeze. Across America, however, industrialists, border interests, labor leaders, and some bankers, helped create a measure of rapprochement with Obregón in 1923.

Thus far, the White House has been careful to steer clear of direct statements about the Mexican measures. In response to a question from *EIR*, White House spokesman Larry Speakes stated Sept. 8 that, "What the Mexican government is doing is an internal matter. We have worked closely with them in giving loan guarantees and buying oil, for instance. We want to be helpful because we think it is a situation that plays on the international economic situation."

However, it is known that some informal advisers with access to the President are enraged at what they see as a "stab in the back" by a López Portillo "who is worse than Castro or Mitterrand." Washington's ambassador to Mexico, John Gavin, leaked a cable to the *Wall Street Journal* Sept. 9, in which he termed Mexico's efforts to institute exchange controls "a mess," and urged that any financial bailout package be held up pending resolution of claims from Americans who have frozen dollar accounts in the country.

No formal State Department reaction has been released,

though eyebrows were raised by the notation, "tape indistinct for 2 hours 48 minutes," in the Department's Foreign Broadcasting Information Service reporting of the López Portillo speech Sept. 1, just at the point the Mexican President began to discuss his economic measures.

Neither the State Department, nor the White House, nor relevant Congressional bodies, have had any comment on López Portillo's proposal that a meeting of U.S. and Mexican legislators be held to work out cooperative mechanisms to induce Mexican flight capital to return to Mexico. As one Mexican banker correctly put López Portillo's offer, "I think he was telling the foreign bankers, 'if you want the money we owe you, you'd better help us get the money that has gone from our country into yours.'"

The underlying attitude of the hard-core Volcker partisans was expressed in the racist response of a New York Federal Reserve officer, asked what might follow the Mexican nationalization. "Look, who knows?" he said. "A white man can't imagine to himself just what it is that they, in their heart of hearts, want. . . ."

Leading up a pro-Mexican mobilization has been the National Democratic Policy Committee of Lyndon LaRouche, with rallies and leaflet distributions in a dozen or more cities, and a campaign of support telegrams to both López Portillo and President Reagan. In Europe, Helga Zepp-LaRouche, chairman of the European Labor Party, is directing a similar mobilization.

Along the U.S.-Mexico border in Texas, American bankers are putting out the word to "keep calm" and give the new Mexican measures a chance.

The farm sector, which had bonanza exports to Mexico in the 1979-81 period, has seen those exports slow to a trickle. Robert B. Delano, President of the American Farm Bureau, has written a letter to Treasury Secretary Regan proposing four measures to revive United States-Mexico grain trade. The Farm Bureau wants the cheaper credits of the Eximbank to be brought into play, as well as other outside credit.

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## Support from private sector

Largely ignored by the international press have been the substantial numbers of Mexican businessmen who were being strangled by the usurious credit policies of the private banks and are now hopeful that investment in production will once again be profitable. A sampling of their statements:

**The president of the Ciudad Juárez Chamber of Commerce**, Sept. 6: "The financial measures announced by [central bank chief] Carlos Tello are very satisfactory. The government is giving us what we had asked for. It would be stupid to protest because they are lowering interest rates for us, they are eliminating extra commissions, and not demanding minimum levels of deposits. We can't be opposed to that.

We see the nationalization and the generalized exchange controls as necessary measures and we support them. Naturally, we are defenders of free enterprise. It is mortifying to think that everything that is being done now could have been done without nationalizing the banks.

**The National Association of Business Lawyers**, statement Sept. 3: We support the new measures, the Association declared, "as long as interest rates are reduced and cheap credit is re-instituted. That is the path that will help the country."

**The National Cattlemen's Association**, Sept. 7: statement of support for the measures preferentially lowering interest rates for the productive sector. "Finally we can produce more milk and eggs and other things that high interest made impossible," the Association declared.

# A profile of Mexico's nationalized banks

by Elsa Ennis

Previous to their nationalization, Mexico's private banks enjoyed enormous power and political leverage. According to government estimates, the country's 53 private banks and credit institutions controlled at least two-thirds of domestic banking operations.

A list of the 10 largest banks published in the Mexico City press last April included the following private banks: *Banco de Comercio* (Bancomer), with 21 percent share of all banking operations; *Banco Nacional de México* (Banamex), with a share of 20.22 percent; *Banca Serfín*, with 8.68 percent; *Multibanco Comercio*, with 3.68 percent; *Banco del Atlántico*, with 1.79; *Banpaíses*, with 1.79 percent; and *Banco de Crédito Hipotecario*, with 1.73 percent.

The two largest banks, Bancomer and Banamex, thus controlled more than 40 percent of the country's total banking system, and 50 percent of all private-led banking. The other major banks were mostly controlled by business interests based in the city of Monterrey and the state of Chihuahua.

Their influence over the country's economy extended well beyond credit activities. According to recently published government figures, these banks has muscled into 30 percent of the companies participating in the national stock market, and through this stock participation they had particular influence in the industrial, tourism and mining sectors.

Documents seized by the government shortly after the nationalization nonetheless show that some of these banks were not fully reporting their holding of assets. Their grip over the economy could therefore be even greater than was previously believed.

The banks maintained as well the largest private paramilitary force in the country, the Pan-American Security Service, handling all bank security. Questions were repeatedly raised over the private army's acquisition and disposal of weapons.

Over all, this banking system, with its traditional orientation to speculation and raw materials production, represented a major obstacle to Mexico's full industrialization.

## Banamex

On Sept. 6, President López Portillo opened operations of the new nationalized banking system by raising the national flag in the headquarters of Banamex, based in the famous

Iturbide Palace in Mexico City. The palace was the residence of Agustín de Iturbide, a pro-British general who proclaimed himself Emperor of Mexico in the 1820s; since then it became a symbol of the country's "pro-Empire" oligarchy.

In 1880, under the presidency of Porfirio Díaz, the newly constituted Banamex chose the building for its headquarters. Interlocked with French and Swiss capital, the bank developed such power under the Díaz dictatorship that for many years it served as the country's principal bank of currency issue, and de facto central bank.

Except for a short period of nationalization after the 1910 revolution, the Legorreta family—the bank's main holders and controllers—has acted as a key command apparatus and channel for zero-growth oligarchical penetration of business circles. Most recently, the bank's president Agustín Legorreta had been one of the main promoters of the idea that Mexico's financial problems were to be blamed on López Portillo's "expansionist economic policies."

"We should not have accelerated the economy as we did," said Legorreta at a heavily publicized meeting of the Mexican Businessmen's Committee on Foreign Affairs (CEMAI) April 20. "The growth of gross domestic product at 8 percent a year was simply too much." Mexico should have built just one new industrial port instead of four, he said, and should stop building steel plants since imports were cheaper. His alternative to growth? "Further reduction in population growth."

With a "right-wing" tint, this anti-growth perspective was presented in a large symposium of businessmen sponsored by Banamex last January in Guadalajara. Titled "Atalaya 82," the meeting brought together the top command of Mexico and Europe's "black nobility" networks. A strategy of confrontation with the government was planned out.

## Bancomer

Enrique Espinoza Iglesias, the president of the other giant banking conglomerate, is widely known as the founder and funder of the "right-wing" Falangist circles stemming from the Cristero movement, which in the 1920s launched a bloody insurrection against post-revolutionary governments.

The Puebla-based Jenkins Foundation, one of the dirtiest fortunes built in the period between the two world wars, aided Bancomer's rise, as well as the Cristeros. Built by the American citizen William Jenkins, this empire was based on sugar, liquor, and Hollywood-style film industries. Named as executor of this fortune, after Jenkins's death, Espinoza used the Foundation's influence to build Bancomer into Mexico's largest bank.

In a speech at the annual meeting of the Mexican Association of Bankers on June 1, Espinoza demanded that Mexico follow the recessionary path set by Chile under the Pinochet government with all its implications: mass unemployment, bankruptcies throughout the industrial sector, a renewed emphasis on exporting raw materials, and brutal austerity measures.

# Washington's Mideast plan has begun to backfire

by Judith Wyer and Thierry Lalevée, Middle East Editor

The resumption of Israeli air strikes against Lebanon which have hit Syrian anti-aircraft missile installations was the opener to what *EIR* has predicted will be phase II of the bloody Lebanese crisis, and a broader collapse of what is left of stability in the Mideast.

Unless President Reagan overrules Secretary of State George Shultz and his top adviser Henry Kissinger and uses all the leverage he can to compel Israel to negotiate a settlement now over the West Bank and Gaza equitable to the Palestinians and Jordan, Sharon will go on a rampage, tearing Lebanon apart and spreading chaos elsewhere. The Shultz-Kissinger "peace plan," as we reported last week, is a step-by-step blueprint for pre-empting any real diplomatic solutions."

Without decisive American action in the tradition of Eisenhower's during the 1956 Suez affair, Lebanon is headed for brutal fragmentation along the lines of the partition Kissinger pushed during the 1975 civil war. The illegal election of the Falangist gang leader Bashir Gemayel now threatens to spark sectarian violence in Lebanon.

It was in this climate that Reagan delivered the Sept. 1 initiative calling for Jordan to enter the Camp David talks, as a representative of the Palestinians. Though Mr. Reagan may naively believe the plan he unveiled will bring peace to the region, the Shultz-Kissinger team views the chaos which an unrestrained Israel will spark as creating the necessity for the same Kissingerian crisis-management which has unraveled the region over the past decade and brought the world two oil hoaxes.

## Pressuring the Saudis

The annual Arab League heads-of-state summit at Fez Morocco began Sept. 6 under unusually secretive conditions and lasted an unusual four days. Saudi Arabia is reported to have disbursed vast sums of money to win the 14 Arab leaders there to a stance compatible with the warmed-over Camp

David formula that Reagan presented.

Riyadh has offered \$15 billion to Syrian President Hafez Assad to pull his 30,000 troops out of Lebanon. The Saudis are calculating that if they can somehow buy off Assad and get a Syrian withdrawal, the United States will succeed in pressuring Israel to withdraw from Lebanon. Huge amounts of cash are also said to be floating President-elect Bashir Gemayel's way to break him away from alliance with Israel.

The court of Saudi Arabian King Fahd was acting out of a mounting concern that if some breakthrough on the Mideast peace front is not soon delivered by Washington, he will find himself unable to fend off internal and external challenges to his regime which bases itself on an alliance with the U.S.

The Sept. 9 communiqué from Fez offered a formulation which for the first time spells out de facto Arab recognition of Israel. The summit also agreed to send a delegation to Washington next month to compare peace proposals.

Not long before Reagan's Sept. 1 speech, Riyadh was delivered a set of written pledges from Washington with respect to furthering the peace effort. It is thought that among those pledges was a commitment by the United States to oust the Begin regime and replace it with a government probably headed by opposition Labour Party chief Shimon Peres. But a European diplomat with long experience in the Mideast says that the Begin regime is confident the United States will not "pull an Eisenhower on Israel," and therefore Israel will escalate its drive to capture all of south Lebanon and increase terror on the West Bank to push the Palestinians into Jordan.

## 'Breakaway ally'

Begin easily got through a vote of confidence during a special Knesset debate Sept. 8 called by the Labour Party. The 50-to-36 vote signified the support Begin enjoys for rejecting the U.S. demand to turn over parts of the West Bank and Gaza to Jordan. By calling for elections in mid-1983, two years early, Begin boasted to the Knesset that he intends

to continue his policy of slow annexation.

The game is to have Israeli politics revolve around an agenda—the Reagan “initiative”—set by Kissinger, eliminating the possibility of a faction emerging in Israel promoting a regional peace package based on economic development. The battle lines emerging are the “pro-Reagan” faction, led by Labour Party leader Shimon Peres, who is calling for a national debate on the issue, and the “anti-Reagan” faction, associated with Prime Minister Begin but really led by Defense Minister Sharon. Under these circumstances, the many Israelis who are genuinely suspicious of Kissinger, Shultz, and their “peace plan,” are herded to follow the lunatic Sharon. Polls in Israel show that, if an election were to be held at this time, Begin would easily win.

Two days earlier, the Israeli cabinet had announced it had approved funding for construction of 10 new settlements on the West Bank. The plan, which came out of a proposal submitted by the newly named Minister of Technology, Yuval Neeman, one of Sharon’s fiercest supporters, also calls for moving Israeli high technology firms to the West Bank for the first time.

Since Reagan’s speech, Sharon has ordered a violent escalation against the Palestinian Arabs on the West Bank. The announcement of the establishment of the first three settlements in the militant Palestinian town of Hebron sparked strikes. Sharon aims to push Palestinians out of the West Bank and Gaza into Jordan, which Sharon has declared “the Palestinian state.”

In Lebanon, Sharon and Shamir have stated that unless Gemayel signs a peace treaty with Israel, Israel will not pull its forces out of south Lebanon. But the Saudi-backed Muslims of West Beirut who opposed Gemayel’s election are saying that they will fight Gemayel if he accedes to Israel’s pressure to sign a peace treaty. Sharon has personally overseen the outright takeover of the economy of southern Lebanon, distributing the profit from the highly lucrative drug trade there among his mafioso partners, Meyer Lansky and Meshulam Riklis.

On Sept. 6 Sharon declared that if Gemayel did not agree to sign a peace treaty with Israel, Lebanon would have a “different status,” i. e., Israel would not withdraw its troops. Israeli troops are already fully prepared to stay in Lebanon through the winter; over the past two weeks they have begun installing prefabricated houses for an extended stay.

Throughout the American Zionist lobby there has been a positive response to the new Washington initiative and a mild criticism of Begin’s immediate rejection of the plan. While American Zionists appear to be backing Peres as the next Israeli Prime Minister, there are signs that Peres may be no less intransigent on negotiating the West Bank, Gaza and Jerusalem questions as Begin. Peres’s endorsement of the Reagan plan is an election ploy which is at odds with his actual policies.

The dead-end nature of the Reagan “peace” initiative

was cynically highlighted in an article in the Sept. 10 *Wall Street Journal* by Jack Kemp’s controller, Irving Kristol. Kristol argues that the entire “peace” initiative by Reagan, though not bad in the abstract, is doomed to fail, because the only visible option for the United States is to recognize that there is no “refugee” problem in the Middle East. The Palestinians displaced by several wars must simply be forced to settle in the existing Arab countries, he says. The Reagan administration is trying to overthrow Begin, Kristol says, with the illusion that Peres will be friendly to the Reagan initiative. But, he concludes, Peres will, if he comes to power, quickly be forced to disassociate himself from many aspects of the Reagan plan, angering the Arabs, and dooming the plan.

### **The Persian Gulf connection**

The war in the Persian Gulf is now on the verge of a new escalation (see Mideast column) which threatens to affect territory outside the Iran-Iraq war zone. By London’s calculations, flare-ups on both sides of Saudi Arabia, in the Gulf and in Lebanon, will confirm the total failure of Washington as a mediator in the region and perhaps fatally weaken the two strongest allies of the United States, Saudi King Fahd and Egyptian President Hosni Mubarak. Thus London will find it easier to re-establish itself as the premier foreign power in the Mideast. Like Sharon, the Ayatollah Khomeini is acting to push the United States out of the Mideast.

An Arabist at the Brookings Institution who keeps day-to-day contact with British embassies in the Persian Gulf states told *EIR* that the unchecked spread of Khomeini’s fascist Islamic fundamentalism may find the most “fertile ground” in Egypt. The source affirmed that if Iraq fails to put down Khomeini, the “growing Islamic ferment in Egypt will sweep the secular government there away.”

## **Mubarak could slam financial ‘Open Door’**

by Judith Wyer

For the second time in eight months, Egyptian President Hosni Mubarak this month shuffled his cabinet, replacing his economic ministers. The Sept. 1 cabinet shake-up affected seven ministries and followed a heated cabinet debate over the issues of cutting back state subsidies for food and other vital commodities and limiting certain food imports. Those ministers who were removed had argued in favor of the cuts

in order to trim Egypt's growing payments deficit, echoing a longstanding demand of the International Monetary Fund. The cost of food imports, estimated at \$4 billion a year, and of the annual \$2 billion subsidy, is straining Egypt's balance of payments, which this year, according to Mubarak, will reach a record deficit of \$5.8 billion. Earlier this year the Egyptian central bank took its first loan since 1977 in order to meet balance-of-payments obligations.

Following the ouster of the cabinet members, Mubarak repeated the pledge he made in July during the celebrations for the 30th anniversary of Egypt's revolution, that food subsidies on basic goods would remain.

With an average per capita income of \$520, the majority of Egyptians cannot afford bread, the basic staple, without the subsidies. Mubarak remembers the bloody food riots that erupted in January 1977, when Abel Moneim Kaissouni, the then economics czar (he is called the "Talleyrand of Egypt"), followed the IMF's orders and ended the food benefits.

### **The Open Door**

The reason Egypt barely has the foreign exchange it needs, and its agriculture remains underdeveloped, is the "Open Door" policy begun in 1974. Later the companion piece to the Camp David accord crafted by Henry Kissinger, and pushed by David Rockefeller, that policy of allowing free-enterprise speculation has subjected Egypt to inflationary real estate speculation, organized crime domination, and the drug trade. The free-enterprise zones which were established to attract foreign businesses seeking cheap Egyptian labor have been found to be no more than sites for warehouses filled with illegal contraband and illicit drugs.

Since 1974 Egypt has become a funnel for hot money, primarily from the Persian Gulf, as offshore unregulated banks set up shop under the Open Door scheme. It is estimated that as of 1981 the free-wheeling private business and banking sector had four times the liquidity as the credit-hungry government and public sector.

So severe was the capital flight last year, when Egypt's economy took a downturn, that Sadat himself took limited measures to sanction the banks. It is said that Anwar Sadat was contemplating further action against the banks before his murder. The clampdown was short-lived, and today the banks remain an escape hatch for foreign exchange.

### **Will Mubarak act in time?**

An Egyptian diplomat reports that Mubarak and his inner circle are cautiously attempting to close the Open Door and return to the state-capitalist system of agro-industrial development begun by Nasser. The slow pace at which Mubarak is moving may prove to be his undoing and Egypt's, however. The mounting budget deficit, in combination with declining income from oil, tourism, and foreign workers' remittances, means that Egypt will again be forced to return to

the open market for loans. The international strategists who want to destroy Egypt's potential leadership role on behalf of industrial development are hoping this process will land Egypt in the same short-term debt squeeze which led up to the 1977 food riots.

Kaissouni, the IMF agent who triggered those riots, is part of a clique of Egyptian bankers associated with the Arab International Bank who are still pressuring Mubarak to gradually cut the subsidies. Though Egypt's banks are still formally subject to Nasser's bank nationalization of 1956, Egypt's freewheeling private and offshore financial community is more than qualified for a purge. Bankers and financiers who have used Egypt as a playground for capital flight, speculation, and drug trafficking could be ordered to leave or invest their money productively.

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# Insurgency and economic slowdown: will the U.S. help rescue the Philippines?

by Ramtanu Maitra

When President Ferdinand Marcos of the Philippines arrives in the United States Sept. 15, his discussions with President Reagan are expected to focus on economic questions. The IMF and World Bank are determined to keep the Philippines a relatively backward, commodity-exporting nation, by imposing a massive drain on the national exchequer for debt-service payments as a condition for the designation, "credit-worthy." One year ago at the Cancún North-South summit, President Marcos spoke out for a "new world economic order," and denounced the "conditionalities" of these supranational monetary institutions.

The Philippines' high rate of unemployment, large foreign debt, and depressed commodity-export sector are a result of the usurious interest-rate policy of the U.S. Federal Reserve, and the world recession that policy has induced. The Marcos government, which has already introduced a set of austere monetary measures under pressure from the International Monetary Fund and World Bank, is now under additional IMF pressure for cutbacks in public investment and subsidies; if adopted, these measures would further constrict the economy and result in political turmoil.

Marcos's opponents, in fact, have begun a concerted effort to destabilize his government in time for his visit to Washington, evidently hoping to discredit his rule in the eyes of the U.S. President. A plot unearthed by Philippine military intelligence in early August involved plans for general labor strikes, bombings of public buildings, and assassinations of senior government officials. It is the first serious plot against the Marcos government since the eight-year martial law was lifted a year and a half ago.

## Economic ills

The Philippines' economy is largely based on commodity exports, including garments and electronics. The electronics industry has continued to grow—alone among export industries—but at a much slower rate than was expected before the U.S. Federal Reserve's world recession. Twenty-five percent of the country's entire export trade is with the United States, slightly more than with Japan. It therefore came as a severe blow when the United States began to cut back on imports of

garments, causing a 27 percent drop in overall trade and high unemployment in the Filipino garment industry.

Although government officials place unemployment at 10 percent nationwide—15 percent in Metro Manila—unofficial estimates now give a much higher figure.

## IMF 'conditionalities'

High U.S. interest rates and the decline in the country's foreign-exchange earnings have fueled a rapid rise in the nation's foreign debt, which at the end of 1981 stood at U.S.\$11 billion. When one includes the private-sector debt, close to U.S.\$5 billion, the nation's ratio of debt service to foreign-exchange earnings stands at an all-time high of 19.2 percent.

Over the years, the Marcos government has made an effort to broaden the country's economic base by developing a manufacturing sector. In January 1981, when a Filipino businessman of Chinese extraction, Dewey Dee, vanished, leaving behind U.S.\$100 million in unpaid debts, most of it held by private investment houses, a chain reaction of investment-house bankruptcies caused Philippines banks to tighten the loan market severely, causing many small and medium-size businesses to collapse. Even some larger firms—the Silverio Group, Sorianos, Mariandique Mining Company, the Bancom Group, the Cuenca Group, and the Disini Group—had to severely curtail operations. Although government intervention helped to save many threatened companies, the outcome of the affair was generally depressed conditions and widespread unemployment. Then, in September 1981, Marcos pushed the National Assembly into enacting a bill for U.S.\$4 billion worth of priority infrastructural projects including highways, telecommunications, irrigation works, airports and air navigation, flood control, and drainage.

But in April 1982, the IMF published a report attacking Marcos's infrastructural projects, suggesting: "In the Philippines situation, restraint on public investment could be an effective instrument for securing an improvement in the current account deficit." Jacques Delarosière, IMF Managing Director, conveyed to Philippine Prime Minister Caesar Virata the view that the country has set itself "unrealistic growth

targets.”

For its part, the World Bank prepared a report for the World Bank-IMF Consultative Group for the Philippines, which met in Tokyo on June 29-30. That report urged the Marcos government to cut-off subsidies to insolvent domestic industries. “For the past two years,” the report stated, “Manila has pumped more than U.S.\$2 billion as equity into 33 government banks and corporations. That was nearly 40 percent of their capital investment. Self-financing accounted for a mere 4 percent.”

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*The Philippines debt has been fueled by high interest rates in the United States, while the IMF has stifled efforts to broaden the country's industrial base. Unemployment and unrest are feeding an effort to overthrow President Marcos on behalf of still more grinding austerity policies. 'What would Douglas MacArthur say,' President Reagan should ask himself during the Marcos visit to Washington.*

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The World Bank also charged the government with keeping fees for water and power usage too low.

The World Bank is demanding that the government invest heavily in oil-import substitution, and as in the case of Tanzania, has insisted that the doors be opened to the private multinationals as collateral for World Bank “oil-development” money. The Marcos government has already loosened the requirement that a contractor drill three wells within two years; granted accelerated depreciation; lowered effective interest rates on government loans; granted longer periods for delineating the extent of discoveries; and even allowed companies to recover from successful wells the costs of unsuccessful drilling.

Although the agenda of President Marcos's discussions with President Reagan has not been made public, it is not difficult to guess. Marcos has repeatedly voiced his indignation over World Bank and IMF policies. In addition, there are the matters of the discretionary quota system enforced by the United States against imports of Philippines garments, and additional U.S. Eximbank financing for the contested Westinghouse-contracted Bataan nuclear power plant.

### **Opposition violence**

The seriousness of the recently uncovered opposition plot against the Marcos government is probably not exaggerated. In April, subsequent to the arrest of one Horacio Morales, a “businessman” who went underground to become a Maoist guerrilla leader, military intelligence unearthed extensive ties between Maoist guerrillas and certain leaders of labor, student unions, churches, and businesses, as well as sections of the country's intelligentsia.

Morales had been involved in the purchase and smuggling of arms from Syria and Lebanon, including AK-47 and Makharov firearms loaded in South Yemen and brought in on fishing boats for delivery to rebel-infested southern islands. From time to time, the Philippines army has seized large caches of arms on boats bound for the port of Mindanao Island, where Muslim rebels have sought secession for more than a decade, with support and financing from the British-controlled “Islamic fundamentalist” elements of the Middle East.

The British Broadcasting Company (BBC)—which did so much to bring the Ayatollah Khomeini to power in Iran—on Aug. 8 broadcast an inflammatory interview with two Filipino political figures attacking President Marcos as a tyrant. The two men, Tanada and Diokno, had both been involved in inciting the Kalingo-Apayo tribes to attack and terrorize personnel engaged in construction of hydroelectric dams at Chico, intended to supply energy to the power-starved Upper Luzon. Tanada's son, among others, has been named for plotting bombing attacks on downtown Metro Manila in collaboration with anti-Marcos terrorists operating from the United States—none of this reported by the BBC.

The opposition has also been organizing labor strikes all over the Philippines. The government has passed a law requiring striking workers to return to their jobs and place disputes under binding arbitration when industries deemed essential to national security are affected.

Also involved in anti-Marcos activities is the radical “liberation theology” faction of the Roman Catholic Church, which is very powerful in the Philippines. The head of the Church, Cardinal Sin, is a vocal critic of President Marcos. The Cardinal admitted this past July that some radical priests have abandoned their parishes and gone underground to join the Maoist guerrillas. Again, there is a foreign connection: last year, Marcos ordered two American priests to leave the islands when their involvement in rebel activities came to light.



# Italy's slain anti-terrorist chief was investigating Mafia funders

by Vivian Freyre Zoakos, European Editor

The Sept. 3 Mafia murder of Italy's leading anti-Mafia investigator, General Carlo Alberto Dalla Chiesa, opened a new phase in the ongoing destabilization of the country. Not since the 1978 assassination of former Prime Minister Aldo Moro was the country so shaken by the assassination of one of its leaders. Knowledgeable sources predict that the Dalla Chiesa affair, together with other developments to occur in the near future, will force another government collapse, leading to early elections and probable takeover of the government by the Socialist Party—one of the leading terrorist supporters, whose chief, Bettino Craxi, has ambitions to become the new "Duce."

It is certainly true that the murder is rebounding against the newly formed government of Prime Minister Giovanni Spadolini. When Spadolini and eight of his ministers went to Palermo, Sicily, to attend the funeral, Sicilian Cardinal Pappalardo refused to shake the cabinet members' hands. The Cardinal proceeded to deliver a stinging sermon castigating the government for refusing to launch an all-out war against the Mafia, as Dalla Chiesa had demanded. Later, Dalla Chiesa's daughter looked at the government ministers and declared for all to hear that possibly the man who ordered her father's murder was one of them.

The Spadolini government was hastily pulled together following its collapse last month by the Socialists. It is viewed by its own creators as a stopgap to keep the Socialists out of power a little while longer. However, as the European bureau of the *Executive Intelligence Review* warned in a telegram sent to Italian President Pertini at the end of August, Italy is scheduled to undergo a massive destabilization, and nothing short of "martial-law" tactics against the terrorist-Mafia complex will suffice to achieve national stability.

The problem with the Spadolini government, as Dalla Chiesa recognized, is that by its very nature as a compromise affair it continues to harbor some of the terrorist controllers inside the cabinet itself.

## Lack of political backing

The father of General Dalla Chiesa's wife told interviewers following the assassination that the entire family began to worry about a possible hit against the General following his most recent return from Rome "with practically empty hands. He was supposed to coordinate personnel and resources which he was not given." In effect, as *Corriere della Sera* correspondent Alfonso Madeo has noted, "What Dalla Chiesa

feared was the possibility that the 'high Mafia' might finally arrive at the conclusion that he was nothing more than . . . a target to be hit without [the Mafia's] running the risk of compromising useful alliances, underground political links."

From the moment Dalla Chiesa was shown to have lost his political backing, when he returned to Palermo unable to secure the passage of decrees handing him extraordinary powers to deal with the Mafia effectively, he was a targeted man. This is coupled with the fact that, despite the restraints placed on him, he was employing a highly effective method for entrapping the upper echelons of the Mafia.

This method, essentially the same as that used with enormous success by the anti-terrorist magistrates in Italy, was to start at the top and reconstruct the Mafia organization, rather than pursuing the lesser foot soldiers. Specifically, Dalla Chiesa was investigating the Mafia's channels of money-laundering: a plethora of "legitimate" business interests in collusion with politicians who handed over government contracts to the "legitimate" Mafia firms. He had just received a list of 2,300 names from the Guardia de Finanza (treasury police) of individuals and firms believed to function as Mafia fronts, and was beginning to correlate these with the lists of contracts handed to private companies by Sicily's various municipal governments.

The immediate political repercussions of Dalla Chiesa's dramatic assassination have been such that his successor has been handed many of the extraordinary powers the General had requested. Emmanuele de Francesco, the new superintendent of Palermo, arrived on the island following the government's passing of decrees extending his powers.

This in itself will not suffice to launch a serious crack-down against the Mafia in all its ramifications, however. Certainly over and above the formalities of specific powers will remain the question of the political decision at the top whether to sanction action against the leading oligarchical families and certain leading politicians for whom the Mafia is a political tool.

Exemplifying the problem is current Defense Minister Lelio Lagorio, a Socialist. Lagorio, who played a significant role in circumscribing Dalla Chiesa's capabilities by denying him the requisite support of the military and secret services, is himself a high-level terrorist controller. He was one of the chief collaborators of Giovanni Senzani on the magazine *Città e Regione*. Senzani was arrested following the Moro assassination for his role as a controller of the Red Brigades.

## Kissinger's safari

*The former Secretary of State is encouraging South Africa to further attack neighboring black-ruled states.*

When Henry Kissinger began a two-week safari in southern Africa early this month, it was recalled that since the days of the 1975 Angolan war for independence, the Pretoria regime has been carrying out his policies.

Kissinger plans to deploy the military forces of the P. W. Botha regime of South Africa as a marcher lord throughout the region to destroy what infrastructure and industry exist, and control the resource-rich area. In this particular case, South Africa functions as a de facto extension of NATO.

One problem confronting Kissinger and his backers in this project for dominating southern Africa, a problem that has been with them especially since the June NATO decision to deploy NATO forces into the Third World: how to use conventional military force to destroy and dominate the Third World, controlling its resources, without provoking a wider war with the Soviets.

Kissinger delivered the keynote address to a conference in South Africa on Sept. 6-7, after stopping in Zambia, Zimbabwe, and Namibia, which is occupied by some 30,000 South African troops.

The South African conference, entitled "Foreign Powers and Africa," was sponsored by the South African Institute of International Affairs. Cosponsors were South African mining and raw materials magnate Harry Oppenheimer and South African business tycoon Anton Rupert. In his speech on "The Superpowers' Role in Africa," Kissinger raised the spectre

of Soviet activity in southern Africa. Elsewhere during his trip, Kissinger raised the issue of the Soviets and their allies in the region by calling for the departure of Cubans from Angola before the issue of the independence of Namibia could be resolved. Namibia, now ruled illegally by South Africa, borders on Angola.

The Botha government had used the issue of the presence of Cubans in Angola as a justification for scuttling talks last month in New York, so Botha could accelerate his policy of destabilizing Angola.

The core of Botha's policy is to reduce all the other governments in the region to chaotic conditions. This accomplished, Botha hopes that the United States will see the Botha government—whose internal apartheid policy is inflicting increasingly large-scale murder among the black majority of the country's populace—as the only reliable ally in the region for the West.

Kissinger came to the aid of Botha in the latter's fight with his Afrikaner opponents, who oppose even superficial changes in the apartheid laws. Kissinger warned that the forces that want to back South Africa's geopolitical policies would not be able to do so "as long as the system of institutionalized racial discrimination persists." Kissinger added, however, that South Africa had the right to ask for patience because of the special complexities of their situation.

Because of the legacy of the enforced backwardness of the colonial

period, the black countries surrounding South Africa suffer a severe shortage of skilled labor, and this weakness is being targeted by South Africa. South African intervention into the Angolan war in 1975, on top of mercenary bands that were deployed directly by Kissinger, caused most skilled labor to flee Angola; the gap was subsequently made up by Cuban personnel. A precipitous departure of Cubans now would economically paralyze the country.

Destabilization activities by South Africa in Zimbabwe—three South African soldiers were recently killed on its territory—are similarly designed to terrorize whites who have elected to remain in the country. To counter these efforts, Prime Minister Mugabe has announced that the next election slate for his party will include white candidates.

In Mozambique, authorities say that repeated attacks by South African forces, or South African-sponsored rebels, are aimed at forcing out Portuguese technicians aiding the development effort.

My sources report that the rebel operation inside Mozambique is run by former Portuguese colonial banker Jorge Jardim, who is connected to the Portuguese oligarchic Milo family. Jardim now operates out of Lisbon, and works in southern Africa with the British company Lonrho, controlled by Angus Ogilvy, and the Oppenheims' DeBeers diamond monopoly.

Mozambique has reportedly begun cultivating ties with Portugal and France to weaken the pretext of Soviet ties used by South Africa for attacks on Mozambique. For the same reason, Angola keeps Cubans away from the southern part of the country to avoid any Cuban contact with the South African forces which are constantly making incursions.

## An oil war for the Gulf?

*Iran is threatening to block oil shipments from the region, a move the British majors wouldn't mind at all.*

**T**he Khomeini dictatorship is reported to be making final preparations for what it claims will be its deepest invasion of Iraq since Iran first crossed the border on July 13.

According to a Paris-based oil consultant, this time around Khomeini may be prepared to make good his regime's repeated threats to blockade the flow of oil from the Persian Gulf. It is reliably reported that in recent weeks Iran has re-established their pre-revolutionary status with traditionally the two most active oil companies in Iran, British Petroleum and Royal Dutch Shell, as part of this geopolitical ploy.

Both companies played a role in supporting Khomeini's revolution, and were the first companies to purchase Iranian oil after the Khomeini takeover. Now, according to London sources, these two companies are buying the lion's share of Iranian oil at discount prices and stockpiling in anticipation of a third oil hoax.

For the first time in months, the speculative spot market has registered a slight upturn in oil prices in response to increased buying. The buying in turn reflects fears that the escalating Gulf war will affect availability of oil.

Following Iraq's Sept. 3 sinking of a Turkish freighter which was en route to Iran, Khomeini has announced that Iran's retaliation would be the most drastic ever. On Sept. 7, Khomeini's right-hand man, Ayatollah Hashemi-Rafsanjani, warned that if Iraq did not cease its attacks on Iran's oil facilities, Iran would spread the two-year-old war outside the war

zone and block oil shipments through the mouth of the Gulf.

The Anglo-Dutch nobility which runs BP and Shell not as corporations but as resource weapons on behalf of its anti-growth policies, wants an oil hoax in autumn since oil consumption increases at that time, making a cutoff more damaging for consuming nations. It is also reported that they calculate that the radical anti-Western faction in Saudi Arabia will have gained greater power by that time. Saudi Oil Minister Zaki Yamani, claim British sources, has become an asset of London in maneuvering the next oil hoax.

Britain also has the unique capability of providing covert logistical aid to Iran in blockading Gulf oil flows. British Special Air Services forces to this day oversee the military and security forces of Oman, which controls the mouth of the Gulf to the west, with Iran controlling the east.

Since the little noticed announcement by the Iranian Deputy Minister of Oil in early July inviting all multinational oil companies except American ones back into Iran, BP and Shell have secretly regained their position in Iranian oil marketing. One way that the two companies have facilitated this is through new supply contracts between Iran and certain British Commonwealth countries like Australia and New Zealand.

At the end of August, Iranian Oil Minister Gharazi announced that Iran was no longer interested in selling its oil through barter, the primary means by which its oil trade has been facili-

tated since the revolution, principally with the East bloc. He stressed that Iran was looking for cash transactions only, another sign that Iran has developed links with the oil companies.

Not only has Britain increased its presence in Iran, but it has also made gains in Saudi Arabia. Late last month, for the first time the Saudi state-owned oil company, Petromin, awarded BP its first long-term crude contract. Though the volume of the sale was small, it is considered a precedent-setting development given Saudi Arabia's declining sales. Since that contract was awarded, BP has sent another delegation to Riyadh for further commitments.

As has been reported in this column, London has made no secret of its design to regain control over its old colonial turf, the Persian Gulf and the Arabian Peninsula. London is cultivating a gang of "Young Turks" to take over Saudi Arabia, and impose a regime as radical as the Khomeini regime it created.

This month the annual Muslim pilgrimage to Mecca, known as the Hajj, began. Khomeini has appointed Ayatollah Koini, a mastermind of the U.S. hostage affair, to lead the Iranian pilgrims to Mecca. Iranian Foreign Minister Veliyati has called on the Iranian pilgrims to "politicize" the Hajj, raising suspicions that Iran and its radical allies within Saudi Arabia may try to foment unrest at Mecca and destabilize the Saudi royal family.

By London's calculations, the United States will then retreat into the Western Hemisphere, and attempt to make Mexico its petroleum reserve. London and its oligarchic allies will have control over the prime oil source for the Eastern Hemisphere, giving them heightened economic warfare capabilities against the industrial sectors of West Germany and Japan.

# International Intelligence

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## *India hit with Punjabi violence*

The politics of violence has taken over in the Punjab province of India. During a period of one month, anti-government terrorists tried two unsuccessful hijackings of Indian Airlines planes and, at least on one occasion, threw a live grenade at Punjab Chief Minister Darbara Singh while he was addressing a meeting. On Aug. 26, in the wake of a large protest march planned by the opposition Sikh political grouping, the Indian government swooped down and arrested over 300 oppositionists.

Behind the various terrorist acts is a Sikh fundamentalist leader, Sant Bhindranwale, who had been charged by the government with abetting the murderous attack on the Punjab Chief Minister. It was Bhindranwale who, on being told of the plans, gave one of the hijackers his blessings. Presently, Bhindranwale is hiding in the main Sikh temple where the police are not allowed to enter.

Meanwhile, a militant Sikh group, Dal Khalsa, has become a conduit for foreign funds to the secessionists. Last year two Sikhs, both Canadian citizens, slipped into the Punjab and in collaboration with Dal Khalsa incited a riot in Taran Taran. The secessionist Khalistanis stationed in London, Canada, and West Germany have admitted their funding of these extremist Sikhs.

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## *Elections near; Spanish centrists fading*

Although moderate Spanish political circles had been hoping that a visit by the Pope to Spain just before the Oct. 28 elections would be useful to those fighting against an anticipated Socialist landslide, a significant number of bishops disagreed, consulted with the Vatican, and procured the postponement of the Papal visit until a few days after the election. This ruling out of an "assist from heaven" for the disintegrating Center Democratic Union (UCD) party that has ruled Spain since 1977, has thus far precipitated a kind of panic in UCD circles, as to which electoral-alliance combination might garner the UCD politicians a few more votes. Evi-

dence of opportunism, however, aggravates the skepticism that Spain's crucial 30-35 percent undecided voters hold for the present Calvo Sotelo government.

The Socialists and their allies will probably win on Oct. 28. The serious question therefore, as in Socialist François Mitterrand's France, is whether there will be waiting in the wings a viable countergrouping with a "Great Projects" economic program for Spain, or just the Socialists' right-wing fascist counterparts.

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## *Defferre to move against terrorists?*

Responding to pressures exerted by law-enforcement professionals, the European Labor Party, and other political circles fed up with the recent round of terrorism in France, Minister of Interior Gaston Defferre has shown signs of taking a tougher approach to terrorism.

In an interview with *Le Monde* Sept. 4, Defferre responded harshly to the reporters' questions about recent arrests of Irish and Italian terrorists, demanding to know: "Do you have to see blood and dead bodies before you will consider someone dangerous?" One of those arrested recently, after Italian officials sent a new dossier to Paris, was Oreste Scalzone, a "theoretician" who helped create the Red Brigades. Scalzone had been granted legal status to live in Paris by the Mitterrand government. After Defferre made a statement Aug. 10 that France's policy of systematically granting "political asylum" should be reviewed, the Italian government stepped in with a new warrant. The case for the extradition of Scalzone will come up for review soon.

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## *Le Monde editor calls for a new Yalta*

In the Sept. 8 issue of the French daily *Le Monde*, André Fontaine, the newspaper's foreign-policy editor, warns that a "generalized balkanization" is taking place which must be countered with an effort to restore "a minimum of planetary order" and do away with "purely national" solutions.

Fontaine calls for a new world "Yalta agreement," to be negotiated among the European Community, Japan, China, and the developing countries, as well as, the two superpowers.

The front-page article begins with a full review of the economic disasters facing every country in the world. "While the effects of the world crisis are measured in economic and social terms," writes Fontaine, the crisis reflects above all a fundamental political failure. Each superpower is currently betting on and actively encouraging a "collapse" of the other, with the probable outcome being "generalized war."

"As unpleasant as they may be, hegemonies have one merit: they ensure order. When they decline, disorder takes over until another hegemony manages to impose its law. . . [in the meantime] each ethnic, national, religious or tribal group is tempted to ensure its own independence and security, including through the use of force: it is generalized balkanization."

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## *Japan approaches economic crossroads*

Japanese Prime Minister Zenko Suzuki, opening his re-election bid, told a press conference Sept. 3 that Japanese government finances were "in a state of emergency." A recession-caused shortfall of \$20 billion in tax revenues means Japan will suffer a budget deficit equal to 32 percent of outlays this year, Suzuki announced. The cause of the shortfall is a tumbling of exports that will create Japan's first year-to-year decline in exports in 30 years. In response to this, Suzuki maintained, Japan must "adjust to" a long-term worldwide "era of low growth" by applying severe budget cuts at home.

Sounding much like Paul Volcker or David Stockman, a faction around Prime Minister Suzuki, including Finance Minister Michio Watanabe and Keidanren (business federation) president Yoshihiro Inayama, is arguing that Japan can no longer run budget deficits.

Exactly the opposite message was given in a speech the same day by Suzuki's opponent for the Prime Ministership, Economic Planning Agency Director Toshio Komoto, who insisted the way to overcome budget

deficits was to speed up economic growth. Komoto maintains that Japan's plan to make the 1980s "the decade of technological advancement" requires 5 percent economic growth, and proposes that government stimulation be used to ensure that growth.

This December, Suzuki comes up for reelection for another two-year term as President of the ruling Liberal-Democratic Party (LDP), a post whose occupant is automatically Prime Minister as long as the LDP holds its majority in the Diet (parliament). So far three candidates have declared: Suzuki, Komoto, and Science and Technology Agency Director Ichiro Nakagawa.

## ***Nixon references to Soviet threat ignored by Chinese***

Former President Richard Nixon, during whose administration the "China Card" strategy emerged as the cornerstone of U.S. Asia policy, arrived in China early this month but apparently was not briefed beforehand on the change of wind in Peking with respect to anti-Soviet posturing.

Nixon's exhortations about the "Soviet threat," which in the past had been received positively by the Chinese, were omitted entirely in official media coverage of his visit, following Peking's recent line of treating the "two superpowers" evenhandedly.

Meanwhile, initial Soviet commentary on the 12th Congress of the Chinese Communist Party has expressed satisfaction that speeches by Chinese leaders noted Soviet overtures toward Peking without ruling out the possibility of an improvement in relations between Peking and Moscow.

## ***Decimation of SWAPO on the agenda?***

Tuliameni Kalomoh, the Dakar, Senegal-based representative of the Namibia liberation group, SWAPO, said recently that the failure of the Organization of African Unity summit meeting in Tripoli in August could have adverse consequences for SWAPO's struggle for Namibian independence against South Africa.

He warned that SWAPO could suffer the

same fate as the PLO did recently if the differences among the African countries that sabotaged the summit are not resolved.

While in Zambia on his recent southern African trip, Henry Kissinger announced that he expected Namibia to become independent within a year. Kissinger's statement justifies SWAPO's concerns, since Kissinger has been using the South African regime and mercenary forces in southern Africa to impose his faction's control over the region.

## ***Argentine ambassador moots 'debt bomb'***

"The debts of Mexico, Argentina, and Brazil, which add up to \$205 billion are not a disadvantage, but an opportunity for unity against the powerful," proclaimed Argentina's new ambassador to Mexico, Rafael Vázquez, Sept. 9. This was the first public statement by an Argentine ambassador to Mexico, after many years of nearly ruptured relations. Vázquez added, "Mexico will come out on top of the present situation not only because of its potentials and its resources but because of the high quality of its people and its leaders." He praised Mexico's leadership role in the world and urged it to work "to make Latin American integration the reality of the future."

The financial press is filled with speculations about whether Argentine officials swallowed the demands of Britain and the IMF in Toronto. It is unlikely that an Argentine government which compromised the nation's sovereignty in this way could survive. The *Financial Times* of London reports, "More extreme voices were raised this week by the left wing of the Peronist and Radical parties. They are urging Argentina to unite with Mexico and other Latin American countries to dictate its own terms before reaching any agreement with foreign bankers."

The large center faction of the Peronist CGT trade union movement is campaigning for the solution proposed by Lyndon LaRouche for the payment of debt by countries which have been looted by capital flight. They suggest that the Argentine debt be paid by handing the creditor banks "all the companies and assets owned abroad" by Argentines engaged in capital flight.

● **LEBENSRAUM** (living space) was Adolf Hitler's excuse for invading Poland and Czechoslovakia. Now the environmentalist Green Party in the West German state of Hesse has made a demand for more *Lebensraum* part of its election program. Reporting on this demand, the daily *Frankfurter Allgemeine Zeitung* noted dryly that the Greens' "concept of 'living space' is not spelled out precisely."

● **THE WORLD PEACE** Council, generally promoted by the Soviet Union, has just established a special "committee in defense of human rights in Saudi Arabia," to protest "repression against the left" there. This is being used, according to journalists in Paris, to activate left-extremist layers in the Gulf region.

● **COLOMBIA's** new Labor and Wages Council held its first meeting on Sept. 6. The business and trade union leaders present, along with President Belisario Betancur, gave a warm reception to a document presented by the Secretary-General of the Colombian Workers Union (UTC). The document was an uncompromising call for a policy linking wage increases to a high-technology industrialization policy for Colombia. The statement charged that "monetarism has done much damage to our country, not only because of the reduced consumption, but because it has created a moral crisis. . . ."

● **MAURITIUS** has become an International Monetary Fund "colony," according to Paul Beranger, Finance Minister of that Indian Ocean island nation. He said on Radio France International that his country's problems were due to balance of payments problems "which year after year has made us go on our knees to the IMF and the World Bank."

## Are Connally, Kissinger and Shultz—or you—entirely responsible for the second ‘Herbert Hoover’ depression?

by Lyndon H. LaRouche, Jr.

Not for nothing do some jokers in Germany describe the famous Hamburg newsweekly, *Die Zeit*, as “Die Steinzeit” (“The Stone Age”). The Aug. 27 edition of that influential, ultra-liberal weekly, unbuttons itself, like a pyromaniac dancing at the fiery death of a great city, in exuberant contemplation of the present arrival of the second “Herbert Hoover” depression of this century.

Yet, the British-chic, oligarchical exterior of Marion Countess Dönhoff, the weekly’s commanding figure, never exaggerates her own importance. Not long ago, the Countess and this writer interviewed one another—“psycho-profiled one another,” were more accurate. That lady would serve tea with aplomb at *Götterdämmerung*. *Die Zeit* has contributed as much as any German publication to bring the new world-wide depression into being, but that lady would prefer quiet, British understatement of her weekly’s small part in bringing about the end of Germany’s industrial age.

“Let others take the credit for this new holocaust,” is the modest, implicit editorial policy of *Die Zeit* for this joyous occasion. The plebeians of the weekly’s financial staff—Peter Christ, Richard Gaul, Karl-Heinz Janssen, Michael Jungblut, and Heinz Michaels—are exuberant. Yet, they make no claims to have caused this new depression; they merely gloat over its occurrence.

More to the point, these writers join forces to ridicule the folly of the world’s bankers, governments, and major political parties. The march into this new depression—and its probable consequences—has been entirely foreseeable, and yet those bankers, governments and parties have done nothing but cling to the policies leading the world to this new economic apocalypse. **Whom the gods were wont to destroy, they first drove mad.**

Funniest of all, ringing across the Atlantic, are the fateful, recently televised words of poor, tragic, President Ronald Reagan: the recession has bottomed-out.

The second great, worldwide economic depression is here. The leading bankers of London and Switzerland have been saying so to their clients, and in background-briefings discussions with the *Executive Intelligence Review* (among other specialist publications) for months. Now, poor President Reagan has been induced to swallow—and regurgitate publicly—the lies of his economic advisers. Now, the London press, especially the London financial press, is loudly proclaiming the new depression, not only openly, but with satiric euphoria.

Worse, or funnier still—depending upon your point of view—President Reagan has turned U.S. monetary policy-making over to George Shultz, the man whose 1978 book claims, in effect, that he, Shultz, is chiefly responsible for organizing the present, global financial collapse. Shultz has brought in his sidekick of 1975, former Secretary of State Henry A. Kissinger, and Kissinger’s old mentor, Helmut Sonnenfeldt: the old Nixon-Ford gang, centered around the deeds of John Connally (1971-72), George Shultz (1972-75), and Henry Kissinger, the trio that did more than any other free to bullwhip Western Europe into accepting the gold-free monetary policies which have caused this new depression.

Once again, Kissinger et al., are slugging politically toe-to-toe against this writer, as they were back during the period from April 1975 through the Colombo, Sri Lanka, Non-Aligned Nations conference of August 1976. Now, Kissinger et al. are aided against LaRouche by the notorious gangster, Roy M. Cohn, and Cohn’s partner, Tom Bolan, both from the Cohn front-organization of big-name crime-figures and

fascists, New York's East Side Conservative Club.

The question of the moment is: Will some of the nations of Ibero-America form a "common market," and use their "debt-bomb," to force rescheduling of otherwise defaulted debts? Or, will Kissinger, Gen. Vernon Walters, and others, succeed in crushing, and dismembering those nations, one by one?

Will Kissinger et al. succeed in establishing a worldwide, supranational dictatorship of the forces behind the Bank for International Settlements, or will the world turn, at the last moment, to the depression-reversing monetary reforms LaRouche first proposed at a Bonn press-conference of April 1975?

If the statesmen, parties, bankers, industrialists, and trade-union leaders prefer Kissinger to LaRouche, let them all revel in the apocalypse they have chosen for themselves! They will then enjoy the consequences of their preference for Kissinger, Shultz, and so forth, very soon.

Then, Marion Countess Dönhoff's *Die Zeit*, can mock the doomed bankers, governments, parties, industrialists, and trade-unions at greater length; these respectable gentlemen will have proven themselves to have learned absolutely nothing of importance from the experience of 1931.

What of you, dear influential reader? Are you also partly responsible for causing this new worldwide depression? Where did you stand on the writer's proposals for international debt-rescheduling back in 1975, when the present debt-problem was far more manageable? Did you support Kissinger and Shultz at the 1975 Rambouillet conference, or the opposing policies of LaRouche—the latter policies then accepted by governments of some key developing nations? Have you blindly supported the governments and parties which opposed both LaRouche and the August 1976 resolution of the Non-Aligned Nations' group? What was your excuse? Did you excuse yourself, that Kissinger and his cronies had told wild lies against LaRouche, declared LaRouche to be "controversial"?

Tell me, sweet little citizen, what have you done to prevent this repetition of the follies leading into 1931, and perhaps, a new Hitler's coming-to-power?

Perhaps such matters were too complicated for you? You were busy with family-matters? The family of three children perhaps: one now dead of drug-overdose, the daughter off with the Baghwan, and the third now in the middle of a sex-change operation? You were busy securing your career—on the burgeoning unemployment-lines of today, no doubt? You were busy preparing to enjoy your pension?—Alas, the government budget demands certain cuts, and the private pension-fund may go bankrupt during October. You were too busy with such "practical matters" of personal life, to examine the policies of bankers, governments, and parties?

Of such "little people" as you, the greatest political thinker of the recent 200 years, Friedrich Schiller, wrote: This century (the 18th) has produced a great moment, but that moment has found a little people. Yes, we insist upon Schiller! This age is but an age of epic tragedy, and you

"little people"—like poor, misadvised President Reagan playing Philip II in a parody of Schiller's *Don Carlos*—are merely actors, reading your script, proceeding like sheep to your doom.

Is this European civilization still morally fit to survive? Will you, will your family, survive?

### First, the plain facts

In February 1958, this writer first compiled the long-range economic forecast which has chiefly governed his policy ever since. That forecast, narrowly circulated during the 1958-59 period, has received increasing United States and international circulation beginning 1966, and since 1971-75, has been widely circulated among governments, as well as before nationwide television audiences in the United States, and in widely circulated publications.

That 1958 forecast, in its updated 1959 form, has been this writer's consistent view over the intervening 23 years to date. This is the most accurate long-range forecast produced by any economist—as present events demonstrate.

In the revised, 1959 version, I stated that, **unless a profound change occurred in international monetary policies and institutions**, the following sequence of major developments was almost inevitable:

1. That the United States would recover from the 1957-59 "recession," chiefly because of economic growth in Western continental Europe and Japan.
2. That general economic growth would be interrupted approximately the middle of the 1960s.
3. During, or following slowing of growth about the middle of the 1960s, the first of a succession of worsening international monetary crises would erupt.
4. Unless institutional changes in the monetary order reversed this trend, the succession of monetary crises would lead into a new, general economic depression, worse than that of the period between the preceding two World Wars.
5. That the attempt to preserve existing monetary policies and institutions, would cause the introduction of the kind of austerity policies associated with those which Nazi Finance Minister Hjalmar Schacht imposed upon Weimar Germany (under direction of Britain's Montagu Norman), and under the first period (circa 1933-38) of the Third Reich.

More recently, beginning the final quarter of 1979, this writer and his associates have published a regular, quarterly forecast for the U.S. economy: the quarterly LaRouche-Riemann forecast, published by the international political-intelligence newsweekly, the *Executive Intelligence Review*. By measure of performance, this quarterly forecast has been the only competent forecast produced by a governmental or private agency during the entire period up to the present quarter. It has been consistently accurate, whereas every competing governmental and private forecast has been consistently absurd by measure of performance.

This quarterly forecast has been available to every government and leading industrial, financial, and political institution of the world. Many governments have studied it closely.

Yet, most among those governments, and banking, industrial, and political circles have continued to support economic and monetary policies consistent with those quarterly forecasts which have been proven absurd.

So much for the wisdom of governments, bankers, industrialists, and so forth. So much for those government officials, bankers, industrialists, and so forth, who seek to persuade us that their policy-making is variously rational, professionally informed, and based on facts of experience.

### The 'free market economy' cult

The argument from some influential quarters is that, although the LaRouche-Riemann analysis may be scientifically superior, it is **politically unacceptable**. This objection is not a rational objection; it is in the form of an arbitrary, "religious" objection. Not the Christian religion, but a heathen variety: the pagan, hedonistic, cult of "free market economy."

The Christian religion's bearing upon economic policy centers entirely upon two central principles. The first is from the Book of Genesis, that man must "Be fruitful and multiply, and fill the earth and subdue it," a Christian policy which can not be satisfied except by means of what we name, since Leibniz, technological progress. The second is the principle of the potential divinity of the human personality, the principle of developing those creative-rational potentialities (as Wilhelm von Humboldt proposed in his educational reforms), and of providing fruitful expression for the individual's development of such potentialities.

The policies of Adam Smith, Thomas Malthus, David Ricardo, John S. Mill, William Jevons, Alfred Marshall, John M. Keynes, Hjalmar Schacht, the Fabian Society's reactionary ideologue, Friedrich von Hayek, and rabid hedonist Milton Friedman, are all virulently anti-Christian on precisely these two points.

Smith, Malthus, Ricardo, and Mill were all in the employ of the colonialist British East India Company. The famines which the British organized in India under their rule are, like the Victorian bestialities of 1857, adequate measures of the British "Christianity" of Smith et al.

During the latter part of the 19th century, it became worse. Mill and Jevons explicitly based their economic doctrine on what the British East India Company's Jeremy Bentham described as his "hedonistic calculus." The doctrine of Bentham, Mill, Jevons and Marshall, is the so-called utilitarian doctrine. This is the hedonistic doctrine, that the only proper measure of economic value is the hedonistic measure of individually perceived pleasure and pain, associated with buying and selling oneself or particular products and services.

The British political economists all deny that there are any higher values, purposes for economy as a whole. They deny the injunction of the Book of Genesis: they are therefore, anti-Jewish, anti-Christian. They reject the development of the divine potentialities of the individual for creative reason, and for such practice. They reject such moral purpose

of existence of society and its economy.

The British "free trade" doctrine is the hedonistic, heathen dogma of "blood and soil," the Epicurean dogma of the ancient Roman imperial cults. It rejects the policy of reinvestments of profits to improve the scale and quality of production. It demands world supremacy by the feudalistic landlord and the renter-of-money-at-a-usury. For free market economists, the price of money in usury is the only permitted morality in political economy.

This hedonistic dogma is the central dogma of "free market economy." It is by embracing or tolerating that heathen, anti-Judeo-Christian dogma, that European civilization has destroyed itself once again, has expressed in a new depression the moral unfitness of nations and peoples to survive.

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*Tell me, what have you done to prevent this repetition of the follies leading into 1931, and perhaps, a new Hitler's coming to power? Perhaps such matters were too complicated for you? You were too busy with 'practical matters' of personal life, to examine the policies of bankers, governments, and parties?*

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Listen to what these wretches say! One says to them, "Millions are dying of famine and epidemics in Africa," because of the policies Henry A. Kissinger demanded at Rambouillet in 1975, and Shultz at the Azores conference, earlier. They shrug: "There are too many people, anyway. Unfortunately, the free market economy demands that the less successful must die."

It comes home. The U.S.'s Midwest is dying. The German industrial giant, AEG may also be dying. The productivity of Dortmund is dying. Kissinger is determined to murder Ibero-American nations one at a time: killing Europe's exports, so that Europe may die, too.

Moscow will not interfere, except with malicious pleasure, in encouraging its avowed NATO-nation adversaries to destroy themselves with aid of such "conservative's" policies.

In short, the nations of European civilization are dying



because of, chiefly, an immoral monetary and economic policy. They are dying because they have preferred those “free market economy policies” to the bedrock of fundamental Judeo-Christian principles.

Such people of these nations may have become already morally unfit to survive, because they have accepted the heathen bestiality of “social Darwinism.” Human life is no longer sacred for them; and, so they shall discover soon enough that their own lives are not sacred in the policies of practice of their own nations.

There is no recognizable Judeo-Christian morality in the “free market” dogma. There is no earthly, “materialistic” variety of rationality, either.

Modern economy’s successes were the outgrowth of three successive accomplishments. The first, was the establishment of the new form of sovereign nation-state committed to scientific and technological progress, by the Augustinians, the followers of Dante Alighieri and Cardinal Nicholas of Cusa, during the 15th-century Golden Renaissance. The second was the discovery of economic science by Gottfried Leibniz, beginning with his 1671 *Society & Economy*. The third was the worldwide impact of the republican mobilization of 1766-83 on behalf of the American republican conspiracy led by Benjamin Franklin. It was Leibniz’s economic science, especially as incorporated in the American System of U.S. Treasury Secretary Alexander Hamilton. This American System launched the successful 19th-century industrialization and agricultural development, of not only the United States, but France (1794-1814), von Cotta’s and Friedrich List’s Germany, Cavour’s northern Italy, and Meiji Restoration Japan.

True, Britain became powerful during the 19th century, but solely by looting of colonial peoples and, more broadly, through practice of usury by the powerful City of London. No modern nation successfully developed modern agriculture and industry, except either by the British method, of looting other nations, or the “dirigist” methods of Leibniz and the American System.

Only by aid of methods of national banking, by state-supported, large-scale infrastructural projects, by funnelling credit preferentially to development of agriculture and basic industry, and by protecting those farmers and industries with a climate of fair prices and fair wages, can any nation develop by means other than looting its neighbors.

Neither morality nor experience stands in support of the “free market economy” advocates. Their beliefs are arbitrary sorts of religious intuitions: not a Judeo-Christian religion, but a heathen, theosophical cult.

So, led by blinded political figures, the nations march toward the imminent brink of the precipice of financial collapse. They are not being pushed. They are marching to destruction of their own collective free will, slaves to nothing but their own governing delusions, their ideologies.

Show the people, as *Die Zeit* mocks the Germans: “See, you are doing today as you did during the last days of Wei-

mar.” The people are irritated with this threatened interference. The people are resolved to march over the cliff. *Die Zeit* calls out, “Hey, you silly people. You are marching over the cliff again, like the last time.” The people march stubbornly ahead, and the writers of *Die Zeit* are so gripped with amusement at the sight of such foolish people marching to self-destruction, that they fall, rolling with laughter, upon the Olympian fields of higher Hamburg society.

Germans are amusing in their folly, but foolish Germans are empyreal geniuses compared to the mass-lunacy of the United States. Do not mention the United States to the financial writers of *Die Zeit*; you might provoke them to kill themselves with their own laughter.

Ask almost any spokesman for the Republican Party in the United States, “Aren’t you supposed to be pro-capitalist?”

He is insulted even by the question itself. “Then, why is the ghost of Nikita Khrushchev splitting its sides with laughter, over the way your Republican ‘free-market economy’ policies are wiping-out U.S. farms and industries?”

The Democrats, on the other hand, inform us that they are dedicated to the little people. Ask Lane Kirkland of the Trilateral Commission: “Why are you and that California banker, Charles T. Manatt, defending Volcker’s policies? You are causing mass unemployment and misery with your policies.”

Manatt leers his reply: “The depression will ensure a landslide victory for Democrats in the November elections.”

A leading economist rebukes us: “Computers and communications are the new industries.” What are we going to count: bankruptcy and unemployment data? What are we going to communicate, but misery? Shall the masses of unemployed play video-games, as the grey, rotting flesh of famine drops from their skeletons?

Another economist says: “The old, energy-intensive industries must go. They are obsolete. We need labor-intensive employment, using soft, alternative energy-sources.” What obscene lunacy that argument is!

The number of persons who can be sustained per average square mile of the world’s habitable land is, in fact, determined by the amount of usable energy produced for human consumption per square mile. A European level of population-density requires approximately 35,000 kilowatt-hours per year per person of either electricity or process-heat generated.

You say, “solar” and “biomass” energy-sources? Will you be consistent, at least, and draw up a list of names of the neighbors you propose to kill to make your energy policy feasible?

It is worse. Solar-energy technology requires a greater investment of energy in producing the equipment, than the total energy produced by that equipment in its entire lifetime of use. You call that “energy conservation”? My friend, you are insane!

Ah, you suggest “biomass” as an alternative? Just how many kilowatt-hours per year can you retrieve from your own

garbage and dung? Oh! You propose to use wood-chips, bagasse, and special crops? Let us calculate the hectares of solar-energy consumed to produce one kilowatt-hour of energy for your consumption. Let us multiply that by the number of people to be served. Sir! You have just proposed to turn Europe into a desert! Sir! I believe that you are insane!

“Never fear,” he responds. “I shall live quite happily on a vegetarian diet.” At least, until you have popped your last neighbor into your kitchen-pot, on condition that your neighbors are all citizen-like turnips.

Now, that citizen feels backed into a corner. “You are a fanatic,” he spits at us. “You have no sensitivity to my feelings!” Then, he reminds us of his leaders; who are we to cast doubts on the mysterious wisdom of such leaders? He refers us to the “scientific authorities,” whose books and lectures have articulated the policies we have just proven to be insane; who are we to insult such Olympian authorities?

He will resort to the ultimate argument: He is a loyal supporter of either the left-wing or the right-wing of this or that movement, or, at least, a devoutly concerned “environmentalist,” filled with unquenchable admiration for the great scientist-actress Jane Fonda.

In the final last-ditch defense of his policies, he will spit at us: “You are like fascists! You have no respect for our inner, psychological needs! You are trying to oppress those who share widely-held, sincere beliefs!” With that, he breaks off his discourse with us. “I should never have wasted time talking with you, anyway!” He lurches to overtake his companions. He stops a moment, to shout one last yell of defiance against us: “Besides, I like the depression! It will force the world to accept a post-industrial society!”

With that last gesture of defiance, he resumes his place as one of the steadfast throng marching forward to the world of its dreams. His identity is soon lost from our sights, as he prepares for that glorious moment of gregarious ecstasy, that soaring moment of consuming belief, when, like lemmings, all plunge into the abyss together.

“Tell the Reverend Jim Jones; they are coming!”

## The eyes of Shakespeare and Schiller

In the bygone years, when public schools were still places of education, U.S. youth who did not consider themselves failures studied Shakespeare’s tragedies, and, in Germany, those of Friedrich Schiller. In the case of the United States, almost no public-school teacher or university instructor of the present century actually has the slightest understanding of what Shakespeare’s principles of dramatic composition represented, but at least most such teachers made an honest effort to make the student familiar with the plays. In those days, in the United States and Germany, before 1968, the graduate had at least a sense that history existed.

Not today’s youth. “Who needs history? Who wastes his time, thinking about history? With amphetamines, I can destroy my mind biologically; then, we shall watch you attempting to indoctrinate me in this thing called ‘history.’

With this needle filled with heroin, what do I care for history?”

Look back to 1603. William Shakespeare’s circle of friends had been decimated during the bloody coup d’état of the 1589-1603 period. Kit Marlowe was murdered. Robert Dudley dead. The Cecils’ dog, Francis Bacon, had hounded John Bull out of England, and then destroyed every musical composition and other writing of Bull’s on which he could lay hands. All the hopes for an Erasmian form of monarchical republic in England had been smashed, as the Genoese puppet, James I, ascended the newly created throne of Britain. Genoese tax-farmers, some speaking the dialect of the Orange Niedergängländer, looted the defeated nation of England.

In this moment, Shakespeare presented his great tragedy, *Hamlet*: Hamlet, part Robert Dudley, partly Queen Elizabeth I. This play was an account of the ruin of England by the Genoese-financed, Cecil-led plot, which brought the descendants of the Genoese puppet, Robert Bruce, to the throne and financial centers of London. On the stage, replete with incidents taken directly from life, was placed the consciousness of England—Tudor England’s erstwhile leaders and the popular consciousness. To those seated in the audience, witnessing that drama, it was their own tragedy that was enacted upon that stage.

How are nations destroyed? By invaders? Sometimes. More often by their own follies. In our European civilization, beginning with the great Aeschylus, it has been the great classical dramatists, typified by Shakespeare and Schiller, who have most efficiently placed before a people the proofs for the causes of its own tragedy.

Nations are destroyed, it first appears, by bad decisions of statesmen, or the popular folly of parties which place bad statesmen in power, or the folly of people which gives power to morally weak or corrupted mass-parties.

Yet, it is never a single decision which destroys a nation from within. A nation is destroyed as the Aug. 27 issue of *Die Zeit* implies. It is destroyed by the flaws in its prevailing culture and ideology, which cause a nation—its government, its parties, its people—to make that succession of fateful decisions leading toward its own destruction.

It is the function of classical drama—whether comedy or tragedy—to show the audience its own consciousness upon the stage, and to demonstrate by the play, that it is that consciousness itself which leads the people (the audience) either to simply folly (comedy) or to the self-destruction of a nation and its people (tragedy).

To see one’s own consciousness placed so upon a stage, is to become conscious of that consciousness, and, at best, to acquire so the willful power to change oneself.

We have had no good dramatists in European civilization in more than a hundred years. If only one had existed, to show the people of the United States the tragic consequences of those beliefs they today hold as self-evident truths! The truth about Hitler’s rise to power was never put upon the German—or, any other—stage: only the fairy-tales concocted by Wilton Park. So, with Shakespeare almost banned

and Schiller almost vanished from our schools, and no competent dramatist in more than a hundred years: who has worked to hold up the mirror of classical drama, the mirror of comedy and tragedy, to the popular audiences of European civilization? Who has shown them how and why they marched into the Great Depression (unnecessarily), how and why they marched into two World Wars (and perhaps a third), or how they march, committing the same senseless, irrational follies, once again, today?

Will no dramatist show the titan Franklin orchestrating the strategic forces ensuring the victory of the young republic of the United States against the evil British monarchy? Will no dramatist remember Valley Forge? Will no one remember the battle of Fort McHenry, where the United States was saved from British conquest? And will no dramatist put beside that memory, some smirking, probably homosexual, British diplomat, joking today about his assignment to the capital of the "unofficial colony," in Washington, D.C.?

Will no dramatist resurrect the memory of Central Europe of 1648-53? The Hapsburgs and their accomplices had reduced Germany to a nightmare, a festering, impotent collection of petty, feudalistic pigsties. Can no dramatist portray how the work of the Great Elector, Leibniz, Lessing, the Weimar-classic circles, and the Humboldts and List, worked to create a great civilization out of that miserable hodge-podge of feudalistic relics? Can no dramatist portray literacy of classical culture, the world's leadership in science, and great industries and revolutions in agriculture, rising in central Europe, aided by the inspiration of the American Revolution? Can no dramatist portray, then, how all this work of centuries is now being destroyed? Can no dramatist evoke on stage, the consciousness of those statesmen, those ordinary people, and others, which connives to effect its own destruction?

Can we not see ourselves, and see how our prejudices, our silly ideologies ruling our minds, lead us to the brink of the precipice, to be mocked for our tragic folly in the pages of *Die Zeit*?

This writer has been mocked, by certain leading strata among his enemies: "You are very clever, very resourceful, but we shall beat you. You are a tragic figure, you see."

Am I, then, a tragic figure, or a figure in a tragedy? Do they deceive themselves, that I am "Posa," from Schiller's *Don Carlos*?

Two things of special importance we learn from the successive work of Aeschylus, Shakespeare, and Schiller. That described summarily now, I situate the concluding observation to be offered to those of you who would not cheerfully march to the greater amusement of *Die Zeit*.

All classical tragedy poses to us three distinct levels of consciousness.

On the first level, there is simple consciousness. This is the kind of consciousness which blindly stumbles into our awareness, and causes us to speak and act without our reflecting on what fools we make ourselves by means of such

sincere, blind adherence to those habituated values which seem "natural" and "right-thinking" to all of us gathered at the family meeting or the local saloon.

That is the level of consciousness of simple fools.

There is a second level of consciousness, the consciousness of the audience watching such simple fools upon a stage. At the moment the audience is made aware that it is its own day-to-day way of thinking which produces such folly and tragedy upon the stage, the audience resolves to change its mind for the better.

Then, the dramatist produces a character, such as the better moment of Don Carlos in Schiller's drama, or Hamlet in his play. A character in the play resolves to change himself or a few others. Yet, this self-improved character is swept to destruction by the pervasive follies of the culture, within which he struggles to change his own direction.

It is not sufficient to change oneself or a few others. One must change the controlling direction of thought of one's society, as Schiller resolved to attempt by means of his tragedies. To see the whole culture as the sickness, upon the stage, is to see that it is not sufficient to be virtuous oneself, or among a few friends, in society. A few can not save themselves, unless they transform the doomed culture of which they themselves are an imprisoned part.

This brings us to the challenge of the final, the third available level of consciousness.

Can enough of us go directly against the prevailing ideology of our culture, to challenge that ideology on those points of prevailing delusions which are most dangerous to its own existence? Can we challenge relatives, friends, and persons of putative authority alike: "You are behaving as suicidal fools!"

Spain can not be saved? The grip of the evil forces of the Inquisition is too strong on the minds of Spaniards? Then, to Flanders. We shall fight the forces of the Inquisition where those forces are being fought. By defeating the Inquisition in Flanders, let us attempt to save Spain.

If you of the United States and Western Europe are so rotted-out morally, that you will not be called to save yourselves, to change your lunatic ways, then I have no recourse but to save civilization as best I can for your grandchildren's sake. I must act just as the republicans of Europe acted in concert, 1766-83, to establish a model, now-betrayed republic, the United States, by the defeat of the evil, oligarchical British monarchy.

I will do all in my power to awaken you to sanity, even at this very late moment. But, if you can not be saved, perhaps civilization can be saved in the colonies, among those people of the developing sector who are still committed to the injunction of the Book of Genesis.

They shall weep for you from there. The United States and the nations of Western Europe died, because their people—like Sodom and Gomorrah earlier, had lost the moral fitness to survive. That is the lesson of Aeschylus, Shakespeare, and Schiller.

## Minnesota congressional candidate is determined to revive agriculture

*Patrick O'Reilly, 41 years old, is running for the Democratic nomination for U.S. Congress in the 6th District of Minnesota, in the Sept. 14 primary. A family farmer from Canby, Minnesota, he was a founding member of the American Agriculture Movement in the late 1970s.*

*His campaign, which has been endorsed by the National Democratic Policy Committee, is committed to the program developed by NDPC Advisory Committee Chairman Lyndon H. LaRouche, for a new gold-based monetary system and long-term, low-interest credit to finance industry, agriculture, and essential infrastructure. Mr. O'Reilly was interviewed by EIR's Mary McCourt on Sept. 6.*

**EIR:** Please describe your district.

**O'Reilly:** My district lies in southwestern Minnesota, on the prairie. The average farm is about 300 acres; the main crops are corn, soybeans, beef cattle, and hogs. The cities in the area run about 20,000 population. Most of the communities rely heavily on agriculture for their income. The area leans more toward the Republican Party than the Democrats.

Farmers are facing a serious financial problem now because the farm income has dropped so significantly. A year ago, corn was \$3.30 a bushel; now, it is going for \$1.38. Soybeans were running \$8 a bushel, but now are \$4.57; oats were \$1.90; they are now 90¢ a bushel. Two years ago, we were getting 75¢-85¢ a pound for our lambs and sheep. Sheep have dropped down now to 37¢. Only the hog and cattle industry seem to be holding their own. Dairy, of course, has stayed the same because it is tied in to parity. Dairy prices used to be set at about 80 percent of parity, and now have been dropped to 70 percent. But the rest of the farm products have dropped to about 47 percent of parity.

In the 1930s, parity was held to 74 percent. Now, for most agriculture, parity has dropped to 40 to 50 percent.

Foreclosure auctions are happening all the time here. Two weeks ago, a woman from Westbrook, Minnesota called me. The Farmers Home Administration (FmHA) was going to foreclose on her farm in three days, and she needed help. She has contacted other members of the American Agriculture Movement, who also got in touch with me. I spoke before the National Farm Organization convention for the second district in this area of Minnesota, and I appealed to the farmers at that meeting to come and support the family.

During the depression in the 1930s, farmers used to organize these penny auctions in the same way. We would designate bidders among friends and family members, and would bid up by pennies to one dollar—and then stop. That way, no farms or equipment would be sold from the families that owned them. Over 200 farmers in all came to this auction, and all were supporting the penny sale. When the sheriff and the FmHA auctioneer met, they knew that something was up, so they stopped the sale.

**EIR:** What is the state government doing about this?

**O'Reilly:** After the penny auction, I was able to meet with Gov. Al Quie. I explained to him what happened at the auction, and asked him to call the FmHA director for the state. The Governor promised that he would. I ran into Sen. David Durenberger [R], to whom I explained the whole situation. I asked him also to go to the FmHA, and ask that they not foreclose on these people, until they could reorganize their debt; now they have a chance to continue operating for another year. But that is only temporary, because the whole financial system is about to collapse.

Early this spring, 16 farm leaders met with Secretary of Agriculture John Block. Block told us the figures on farm debt from 1970 to 1981. In ten years it grew from \$13 billion to \$200 billion. Farmers borrowed against their equity in their land to subsidize their income at 15 percent interest. In 1981 it cost farmers \$30 billion to pay the interest.

These are the figures for the recent period that I think are most important: in 1948, farm income was \$17.3 billion; in 1973, it was \$26.4 billion; in 1979, \$31.6 billion, and we had enough money in the state to run our schools and keep our businesses going, and to provide some services. But in 1981, farm income dropped to \$17.1 billion: less than 1978, even with inflation. Block projected that this net income will drop to \$14.5 billion this year.

With a net income that is only one-third of the debt payments, farmers just cannot make it.

In Minnesota, even farmers who have been financially secure now concede that they cannot make even the cost of production. For the first time in their lives, they are having to borrow money against their equity, just to operate. These are farmers who had everything paid for: they are conceding that there is a possibility that they will not make it. All the

farmers in this area are seeing some kind of problems; about one third are facing foreclosure.

Farmers have continued to produce food when their income is *less than* the cost of production. They stayed in business by borrowing against their equity. What has happened is that this debt, plus the 15 percent interest, has been pulled out of the farm sector for 10 years, and now, beginning in late 1981, no credit is being made available to farmers. But the debt and principal payments still must be made, and they are coming out of farmers' ability to produce food.

Many of the farmers around here have shut down their whole beef cattle operation. In just a three- to five-mile radius of my farm, there are at least 25 farms that have been shut down, and the land has been rented out. Other farmers had rented the land, but this year they are not going to be able even to pay the rent.

In Minnesota, the agricultural transportation system is being torn up; the railroads are being torn up right and left; no money is being spent on the roads, and the highways are now deteriorating fast because all the grain has to be shipped that way. Fuel is so high the truckers cannot afford to haul the grain. This destruction of transportation seems deliberate: as soon as service on a rail line stops, like scavengers, the companies immediately tear up the train beds, and scalpers come in and tear up the railroad ties, and they can never be utilized again. Hundreds of small lines in the state have gone out of business. There are only a few main lines left; 10 years ago there were over 100 lines branching off from the Twin Cities [St. Paul and Minneapolis].

This state used to be so advanced. Now, it is going back to the 19th century. It's terrible to think that this nation, which can feed itself and half the world, should be broke. Farmers are willing to produce, labor and industry are willing to develop. Our monetary system is all that is out of whack.

**EIR:** What has happened to the Minnesota schools?

**O'Reilly:** I was a teacher in the public school system seven years ago. At that time the National Education Association (NEA) came out with resolutions they wanted Minnesota to adopt. The first one was a resolution to support an amendment for legalizing abortion in the state; resolutions followed to support gay rights. The vote in my district was 40 in favor, and four against. Whatever the MEA, the state branch of the NEA, proposed, was automatically passed, and then the MEA promoted these policies. One was a stand in favor of gun control, which is against the Constitution. The last one I heard was a resolution to re-write the U.S. Constitution because the Constitution was no longer "relevant."

During one mathematics class, I taught my students about the Federal Reserve System, and quoted the Constitution, Article I, Section 8, where it states that only Congress shall have the right to print money. I explained how the British monetary system had taken over the Federal Reserve. Then I quoted the Biblical injunctions against the immorality of usury. The next day, the School Board was in the Superin-

tendent's office, wanting my resignation for mentioning the Bible in school. . . .

**EIR:** Why is the Democratic Party in Minnesota so liberal?

**O'Reilly:** It was built by Hubert Humphrey, on a Farmer-Labor Association base. This is what Walter Mondale took over from. My campaign has worked to distinguish itself from this faction in the Democratic Party. That's why our slogan is that "You don't have to be gay and kill babies to be a Democrat." . . . The Republican Party here is different from the Democrats. They are opposed to drug legalization, but they still support the policies of the Federal Reserve, which is actually immoral.

I ran for U.S. Congress two years ago. I had not been involved in politics at the time, other than working to set up the American Agriculture Movement. No one in this area was challenging either Carter or Mondale within the Democratic Party, and their farm policy was disastrous. I forced a primary, and got one-third of the vote in the 6th District, after spending only \$529. But this time, the party machine is trying to stop my campaign altogether.

In 1981, a state senator from the area resigned, and there was a special nominating convention. I went to the convention and announced my candidacy. Usually it takes 50 to 60 delegate votes to get the nomination for state senate; I had 100 delegates. But the convention was deadlocked. On the seventh ballot, they came up with an extra 34 votes to defeat me. That meant that there were 240 votes, with only 170 people, total, in the auditorium. When I challenged them, they said this happened for one reason: you forced a primary last year, don't force a primary again.

We found when we went with a bill to set a minimum price for agricultural products in Minnesota, that the Republican Party is controlled by the Farm Bureau Insurance Company. The Democrats are controlled by Farmers Union Insurance Company. The Republicans had to call the Farm Bureau company to find out how to vote on the pricing bill, and the Democrats had to call Farmers Union. These two insurance companies were founded as one company, which split in 1947. Since that time they have held the state's farmers 180 degrees apart, so that no policy can get through the state legislature.

A telegram came to the state convention, where I was announcing for the state Senate, from Cy Carpenter of Farmers Union, that "that S.O.B. O'Reilly" must be defeated. They rigged the convention again and stopped my nomination. Two weeks later, I filed for U.S. Congress, to force a primary. This is the first time I know of that this kind of operation was forced out into the open in the Minnesota Democratic Party.

This time the state will probably elect a Democratic governor. There are two candidates: [former Attorney General] Warren Spannaus, a Mondale Democrat, and [former Governor] Rudy Perpich. Many Republicans will cross over to vote to stop Spannaus, and a lot of that vote will go to me.

# Rep. Quentin Burdick challenged by Republican associate of Paul Volcker

by Susan Kokinda, Washington Correspondent

*This week we add an election analysis of the North Dakota senate race to our previous profiles of Montana and Nevada (see EIR, Sept. 7 and Sept. 14). In these three relatively unpopulated Western states, an old-line FDR-heritage Democrat is being challenged by an opponent whose policies are grounded in the economies of speculation (Montana's Larry Williams), resource looting (Nevada's Rep. James Santini) or austerity (North Dakota's Gene Knorr). These candidates represent a top-level international deployment against the few remaining Senators who try to carry on the pro-growth tradition of the Democratic Party. To complete this picture, EIR will look next at the effort to unseat Mississippi's venerable Democratic Senator, John Stennis.*

Like Montana, North Dakota is the site of a Senate race which pits a "prairie populist" incumbent Democrat, Quentin Burdick, against a Republican, Gene Knorr, whose economics are those of the international financial oligarchy which controls Paul Volcker. Unlike the Montana race, however, where incumbent John Melcher is running from a position of strength because of his early and largely solitary attacks on Paul Volcker, Burdick's low (sometimes invisible) profile on most issues, including the Federal Reserve Board, has left him with a tougher race than he should have to run. While Burdick is generally adjudged a good bet for November, his Republican opponent is running an aggressive campaign which has thus far successfully screened out Knorr's career as a high-powered East Coast lawyer and intimate of Paul Volcker and George Shultz behind a campaign image as a native North Dakotan and tiller of the soil.

Two additional factors enter into the North Dakota race. The National Conservative Political Action Committee (NCPAC) is active against the incumbent, mounting \$200,000 of anti-Burdick advertising. As in other states, it is not clear if NCPAC is hurting its target, but the group definitely helps keep the campaign enmeshed in the astrology which passes for economics and politics today. On the other side of the ledger is the National Democratic Policy Committee (NDPC)-backed candidate Annabelle Bourgeois, whose independent Senate campaign may shed enough light on Knorr's real political pedigree to provide an added margin of safety for Burdick. Bourgeois, a leader of the right-to-life movement in the state,

will also probably draw right-to-life votes away from Knorr.

Burdick is the product of a 70-year-old tradition in North Dakota which stretches back to the 1915 founding of the North Dakota Non-Partisan League (NPL)—a political association established to fight the looting of North Dakota farmers by grain companies, railroads, banks, and commodity traders. A strong political force in North Dakota over the decades, the NPL backed Burdick's father, Usher Burdick (a Republican), and sent him to Congress for 20 years. Switching to the Democratic Party, but drawing on the same base, Burdick has been re-elected easily in each race since 1960.

The "prairie populist" tradition of North Dakota runs through Burdick's record. He has a certain visceral understanding of "American System" economics, as reflected in strong support over the years for funding agricultural progress, water development, and nuclear energy. The NDPC gave him a 100 percent rating on key water votes and a 90 percent rating on key nuclear votes. Burdick says the issues of the 1982 campaign are ensuring growth and development for North Dakota and protecting the farm economy. He supported Senator Melcher's initiative against Paul Volcker (S.J.R.104), but has not taken the kind of out-front role that Melcher has. And therein lies Burdick's major weakness. North Dakotans are not happy with his passivity during a time of economic calamity.

It is expected that nonetheless voters will prefer Burdick's low-keyed, but basically healthy policies to those of the alternative—Gene Knorr, former employee of the Washington consulting firm of tax specialist Charls Walker and, before that, a Treasury official who counted Paul Volcker, John Connally, and George Shultz as his economic confrères. Knorr's previous service to this financial elite has already been substantial. He recalls jetting around the world with fellow treasury official, Paul Volcker, during 1973-74, the last phase of international financial crisis management. At the Walker firm, Knorr helped develop the tax-leasing provisions which were to become part of the 1981 tax bill. Those provisions allow major corporations and holding companies to milk unprofitable heavy industry subsidiaries in favor of speculative and "post-industrial" enterprises. North Dakota is already on the receiving end of those kinds of tax maneuvers, as the Burlington Northern holding company, whose

rail lines are vital to the North Dakota economy, is maneuvering (under the direction of executives recently brought in from Robert O. Anderson's Atlantic Richfield) to diversify out of rail.

Knorr was dispatched back into North Dakota earlier this year to buy the Republican nomination out from under a stunned State Senator who had been patiently expecting the nod. Knorr outspent him \$40,000 to \$8,000, with initial seed money coming from, among others, George Shultz and Charls Walker. He is trying to wrap himself in his North Dakota roots and is taking all of the obligatory positions—against high interest rates, for the Garrison Diversion Water Project, against the abandonment of Burlington Northern Rail lines, and so on.

Below we find that Knorr doesn't blame Volcker or the Fed for the current collapse, but rather the "budget-busting" Congress. Knorr's campaign advocacy of water projects and farm-support programs has a hollow ring when contrasted to his passionate defense of fiscal austerity. With North Dakotans' wariness about commodity speculators, banks and railroads, one has to marvel at the audacity of the international Malthusians in throwing Gene Knorr, who has spent a lifetime in service to the banks, the big railroads, and the speculators, up against Burdick.

## Gene Knorr talks about the Fed and Treasury

*From an interview with Gene Knorr, GOP candidate for Senate in North Dakota, conducted by Freyda Greenberg on Sept. 9:*

**EIR:** You say you oppose high interest rates. Do you see it necessary to curb spending, or do you see a need for measures to curb the Fed?

**Knorr:** I don't know all the proposals that will be coming up in the Congress to curb the Fed. To me, in part, what the Fed has accomplished is they in fact have done what they're supposed to do to monetary policy in pulling that rate of inflation far down. . . . My reaction is that there is a prime responsibility on the part of the Congress to go ahead and get its fiscal house in order. . . . I think that's got to be A-number one top priority. I think the Fed has probably made a few mistakes, but I don't think they have the degree of control that some people believe that they have. . . .

**EIR:** Did you support the '81 tax bill?

**Knorr:** I sure did. I helped design part of it. . . .

**EIR:** We are concerned about de-industrialization of the U.S. economy. Take U.S. Steel: over especially the last ten years you see them increasingly getting out of steel. I wonder

to what extent you can recommend legislation to deal with this phenomenon.

**Knorr:** Well, I'm not sure where your question is leading. If you're saying that so much industrial capacity is leaving the basic sectors of the economy, and that government intervention is required, I don't think we're even close to that.

**EIR:** I noticed in your December 1981 contribution list, there is a George Shultz from Stanford, California who gave \$200—is that the Secretary of State?

**Knorr:** That's the same one. I worked for him when he was Treasury Secretary and as a matter of fact another former Secretary, John Connally, is coming into the state to do some fundraising for me tonight and tomorrow. I worked for both Connally and Shultz, and I have very high regard for them.

**EIR:** What was your capacity at Treasury?

**Knorr:** I was Deputy Special Assistant for Congressional Relations. I was the guy who got a message one Sunday night that said, "Your job tomorrow morning is to get John Connally confirmed. You meet him at 7:00 tomorrow morning and go over the details, so he's confirmed as the new Secretary." I also had the responsibility to take part in the revenue-sharing, and I worked on all of those new changes that took place in 1971. I handled U.S. contributions to the World Bank, Asia Bank, and Inter-American Development Bank. I handled a lot of banking legislation, and then of course all the tax bills from '69 to '74 I also worked on. I also did all the Secret Service legislation.

**EIR:** Where did you get your economics background?

**Knorr:** Well . . . you're talking to a real-life kid from a one-room country school. . . .

I got almost a minor in Economics, and a history major, at St. Olaf's in Northfield, Minnesota. Then I went to Northwestern University Law School and didn't really study economics there. . . . Here at Minot State I literally had a minor in that, economics and accounting. Then I started to get into it heavily on the Hill and particularly heavily at Treasury. . . .

I've gotten strong direction from people like Connally and Shultz; they guided my thinking, obviously. I suspect Connally and Shultz and [Reagan tax adviser] Charlie Walker had a great deal to do in terms of the practical political side of economics and tax planning. . . .

**EIR:** Were you involved in some of the important decisions that were made in the 1973-74 period as far as international monetary policy?

**Knorr:** Yes, yes, I worked with Paul Volcker, he was Undersecretary at that time, I worked with Paul all through that stuff.

**EIR:** Did you attend any of the [summit] meetings, the Azores, Rambouillet?

**Knorr:** We attended some of the meetings around the world.



## Amicus brief filed in nuclear power suit

The Fusion Energy Foundation filed a brief amicus curiae in the U.S. Supreme Court Sept. 2 in a suit expected to be a landmark judgment on the power of a state to contravene the "constitutional mandate of scientific, technological, and industrial progress" as elaborated in the Atomic Energy Act of 1954.

The case, *Pacific Gas and Electric and Southern California Edison vs. California State Energy Resources Commission*, arises from a law enacted under the California Gov. Jerry Brown administration forbidding construction of additional nuclear power plants. According to the brief, Congress has not delegated such power to the states, and could not constitutionally do so.

The Supreme Court will hear in the same term an appeal by the Department of Justice of a Pennsylvania ruling requiring an assessment of psychological stress before the Three Mile Island I nuclear power plant can be restarted. This suit is also crucial in testing the nation's constitutional commitment to progress under natural law, according to the Fusion Energy Foundation.

## FEF holds seminar on polarized fusion

The Fusion Energy Foundation held a seminar in Baltimore Sept. 2, on the new technique to double the reaction rate in existing fusion energy reactors and accelerate the commercial development of fusion energy by 8 to 10 years as the International Atomic Energy Agency (IAEA) conference was held in the city.

Dr. Steven Bardwell, editor of the FEF's *Fusion* magazine, discussed the new technique, known as polarized fusion, before a group of 60 persons, including the head of the European fusion program, several prominent international plasma physicists from Europe, the Mideast, and the United States, a representative of the U.S. Department of Energy, and area scientists and Foundation members.

Dr. Bardwell explained that new theoretical calculations done by physicists at the Princeton Plasma Physics Laboratory showed that specially polarized fusion fuel could enhance the rate of fusion reactions occurring in a reactor by a factor of 1.5 to 2.5. By using polarized fuels, temperature and energy densities already attained in experimental reactors would be sufficient to drive commercial fusion reactors.

"At the IAEA conferences in 1974 and 1976, only a small group of people was saying that fusion could be demonstrated by the turn of the century. . . . Today there is one delegation planning to demonstrate fusion feasibility by 1995, and has the government funding . . . to do it, and that is the Japanese delegation," Bardwell said. Although the pull-back in the U.S. fusion timetable over the past 18 months has led to doubts that this nation will demonstrate fusion feasibility by the end of the century, the polarized fuel breakthrough could "give us a second chance."

Edwin Kintner, the former director of the Department of Energy's magnetic fusion program, who resigned this January because he considered the Reagan administration's fusion policy would turn the program into a "science and research" project, spoke next. Kintner stressed that science and engineering breakthroughs, such as polarized fuels, are not predictable, and "obstacles" are not absolute, and reviewed a series of breakthroughs in the development of both fission and fusion energy made during his career since the late 1940s.

## Terrorist support groups target LaRouche

Terrorist supporters from the National Committee to Defend the New Afrikan Freedom Fighters and the May 19th Communist Organization made statements at a Sept. 3 press conference in New York City that confirm that *EIR* founder and internationally noted economist Lyndon H. LaRouche may be the target of terrorist attacks.

The two cited organizations run support operations for the terrorist Black Liberation Army, the Republic of New Africa, and the Weatherunderground. At the press conference, Dr. Barbara Zeller of the May 19th

Organization charged that the National Caucus of Labor Committees, the political intelligence organization founded by LaRouche, had led armed attacks against the Lincoln Hospital Detoxification Center in the South Bronx, New York, in 1974. In fact, the Labor Committees mounted a non-violent demonstration against the center at the time, in which one NCLC member was shot by a Lincoln staff member.

Security specialists believe that Zeller's charge may be the pretext for possible violent attacks by terrorist groups against the NCLC and LaRouche.

The NCLC had determined in 1974 that Lincoln Detox, a methadone maintenance center forced to close in 1978, was a brainwashing "training center" for the BLA, FALN, and the Maoist Revolutionary Union, among other groups. Law-enforcement officials have evidence that the Black Acupuncture Association of North America, the group that took up the terrorist training function when Lincoln Detox was closed, was used as a command center for the BLA robbery attempt on a Brinks armored truck in Nyack, New York last October.

## AFL boots politics out of New York's Labor Day

New York City's Central Labor Council, controlled by the Lane Kirkland leadership of the AFL-CIO in Washington, D.C. organized a 400,000-person parade in New York Sept. 6 on the 100th anniversary of Labor Day. Labor leaders assembled in the reviewing stand at 42nd Street termed the rally "a great show of force and the strength of the American labor movement." But an *EIR* journalist found that most of the participants knew otherwise. "This is worse than a waste of time," a local New York building trades leader stated. "We are in the middle of a depression, and we put more than a quarter of a million people in the street. But we have nothing to say except the same tired garbage we have been saying for years."

According to participants, the New York Labor Council had told unionists to keep the rally an "unpolitical celebration" with only approved, innocuous slogans on the placards. Most unionists carried no signs at all.

"Last year we were all mobilized," an

Ironworkers shop steward stated. "We were ready to kick Volcker out. But then we never got any marching orders. We were never told by Washington to be anything but anti-Reagan."

## Federal court upholds Abscam convictions

Ignoring the unconstitutional use of entrapment by the Department of Justice to secure convictions against members of the U.S. legislature, the Second U.S. Circuit Court of Appeals on Sept. 3 upheld the convictions of four former Congressmen and three others during the Abscam inquisition.

Claiming that there was nothing in the investigation that violated the rights of the defendants, who were arbitrarily selected for entrapment, Judge Jon O. Newman said, "The four Congressmen were caught on videotape in the very act of committing federal crimes. . . . The conduct of the investigation, though subject to some criticism, affords no basis for rejecting the convictions."

The court reaffirmed the convictions of Democratic Reps. Frank Thompson (N.J.), Raymond Lederer (Pa.), Michael Myers (Pa.), and John Murphy (N.Y.).

## Reagan tinkering with Constitution

In a move that was ridiculed privately by liberal White House reporters for its very "un-conservative" approach to the U.S. Constitution, President Reagan has made public his support for no less than three separate constitutional amendments.

Having already jumped onto the bandwagon for the "Balanced Budget Amendment," at the beginning of September, the President invited to the White House 20 Congressmen who had co-sponsored the legislation but not yet joined the fight to force it to a vote (it is currently bottled up in a House Judiciary subcommittee). He announced that despite Justice Department misgivings about its constitutionality, the White House would not oppose the proposed constitutional amendment to allow prayer in public schools—a move read by

supporters and opponents alike as tacit approval.

And finally, the President for the first time the same week took a public stand in support of specific anti-abortion legislation—in fact conferring presidential endorsement on both the controversial anti-abortion measures under consideration on the Hill: the Helms Amendment attached to vital legislation for raising the federal government debt ceiling, and the Hatch Amendment. Each would limit accessibility of abortion. Despite Reagan's excellent statement that "We must never become a society in which an individual has the right to do away with an inconvenient life," included in his letter of support for the Helms Amendment, his sudden visibility on "social issues" was universally viewed as an attempt to appease his traditional conservative base, which has been clamoring for presidential action on these fronts. However, at the same briefing where Reagan's support for the anti-abortion measures was announced with fanfare, the administration was forced to state with rather less gusto, its support for once more hiking the national debt ceiling.

## Mondale to keynote 'gay' political dinner

Former Vice-President Walter Mondale will keynote a Sept. 29 dinner to be held, according to the invitation mailed to 10,000 citizens, as a forum for homosexual New Yorkers to mount "for the first time . . . an extraordinary display of political and economic strength which will transform our community and transfix the entire city."

Brooklyn District Attorney Elizabeth Holtzman and Meade H. Esposito, leader of the Brooklyn Democratic organization, are also scheduled to be on the dais. Sens. Daniel Patrick Moynihan of New York, Edward Kennedy of Massachusetts and Alan Cranston of California are members of the honorary dinner committee.

After the dinner, for which guests will pay \$150 per person, the celebration will continue at Studio 54, the New York discotheque whose owners were given jail terms for tax evasion. Mob lawyer Roy Cohn, a frequent patron of Studio 54, was a top lawyer for the defense in the case.

## Briefly

● **FLORIDA** law enforcement authorities sprayed a 100,000-plant marijuana crop near the town of Red Bay Aug. 28 and 29 with the herbicide paraquat. This was the first time that this highly effective weed killer, which wiped out the Mexican marijuana crop in the mid-1970s, has been used for drug eradication in the United States. The Federal District Court in Washington, D.C. had dismissed a suit by the National Organization for the Reform of Marijuana Laws (NORML) to prevent the state from using paraquat on marijuana crops Aug. 17.

● **CLEMENT J. ZABLOCKI** (D-Wis.), the old-line moderate Democrat who chairs the House Foreign Affairs Committee, and has used his position to hold in check the pro-"national liberation" movement subcommittee chairmen under him, may be greatly weakened politically by a primary challenge he faces in his newly redrawn Milwaukee district. Washington sources first said months ago that Foreign Affairs "Third World" subcommittee chairmen Solarz (D-N.Y.), Wolpe (D-Mich.), Barnes (D-Md.), and Bonker (D-Wash.) hoped to see Zablocki defeated for reelection or replaced as Foreign Affairs Committee chairman after a close primary fight that discredits his standing among Democrats. Were this to happen, the crucial Foreign Affairs chairmanship would pass to liberal Rep. Dante Fascell (D-Fla.).

● **MICHAEL J. PUPENTHAL**, an employee of the Federal Election Commission, bilked the agency out of \$546,000 in a "checkwriting plot," according to an Associated Press wire Sept. 9. Pupenthal, a financial assistant, is accused of preparing fraudulent vouchers and mailing them to an address in his home town. The FEC has sanctimoniously harassed political candidates and campaigns for even the most picayune accounting discrepancies.

## Editorial

# President LaRouche in 1985

According to some of the highest-ranking enemies of Democratic Party figure Lyndon H. LaRouche, LaRouche might become President of the U.S.A. in January 1985—if he lives long enough to run. The present level of international operations against the prospective Democratic presidential candidate can be compared with those deployed against President Charles de Gaulle during the 1960s.

The issue is the same which caused Secretary of State Henry A. Kissinger to mobilize the resources of the Ford Foundation and NATO against LaRouche—according to released official documents—during 1975. The issue is international monetary reform. This is the same issue which prompted Kissinger's owners to attempt repeated assassinations of President de Gaulle, and which prompted Kissinger to order the overthrow and death of Pakistan's President Bhutto.

Undercover interviews with high-level adversaries of LaRouche discovered the following most common argument. Under conditions of economic depression, they argue, LaRouche could explode into a leading position within the Democratic Party. It is not impossible he could win the 1984 presidential nomination. The conclusion offered: LaRouche must be stopped dead cold right now.

These are levels much, much, higher than Democratic National Chairman Charles T. Manatt, much higher than the Trilateral Commission's AFL-CIO President, Lane Kirkland, much higher than Henry A. Kissinger. These are powerful financial circles in London and Switzerland, who fear that LaRouche could mobilize a depression-panicked majority in the U.S.A. into supporting the general monetary reforms he first announced at an April 1975 press-conference in Bonn, West Germany.

Their argument is, that if LaRouche-backed candidates make significant showings in the fall 1982 primaries, comparable to candidate Steven Douglas' 20 percent showing in the Pennsylvania gubernatorial primary-campaign, "drastic measures" must be taken to eliminate LaRouche immediately.

Various legal frame-ups, using corrupted judges and prosecutorial agencies, are already being pushed by gangster Roy M. Cohn and others. Two known, professional-assassination teams are being watched very closely.

One is a Los Angeles-based professional-assassination capability recently deployed into New York City. Another is the number-two man of the "Carlos network," relaxing on a reported \$50,000 retainer, waiting to receive his assignment from gangland forces based in Frankfurt, West Germany.

The preparations for an assassination are already most visible in both Washington, D.C. and European circles. There is a general effort to isolate LaRouche for potential assassination efforts by distancing him from his friends in influential circles. The most commonplace form of this psychological warfare campaign is circulation of the argument: "Yes, LaRouche says many good things, but most of the other things he says are 'wildly incredible.'"

Leading assets of the British-intelligence component of the operations against LaRouche argue that LaRouche seemed to be pretty well bottled-up by containment during the 1969-70 period. However, with the collapse of the Bretton Woods monetary order in August 1971, his relative influence zoomed, and has been accelerating ever since, despite the largest containment operation ever run against any public personality since de Gaulle. With a new major financial collapse, LaRouche's popular influence will probably explode. Their conclusion: he must be stopped cold, immediately.

With the recent developments in Mexico, this determination to "stop LaRouche" has become frenzied. Although LaRouche was not involved in discussions between President López Portillo and President Reagan on the preparation of the Mexican measures, he is widely viewed as helping to shape the policy-influencing climate in which those actions were adopted. If other Ibero-American nations take a similar course of action, as the recent Latin American Parliamentary meeting indicates will occur, LaRouche's proposed monetary reforms will become the only option remaining to IMF member-nations.

If he lives, LaRouche's enemies fear he might be inaugurated President of the U.S.A. in January 1985, preferred by a nation seeking a "new Franklin D. Roosevelt" to lead the way out of a "new Hoover depression." The only question in the minds of a growing number of leading financial circles internationally is, "Will he live to be a candidate?"

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