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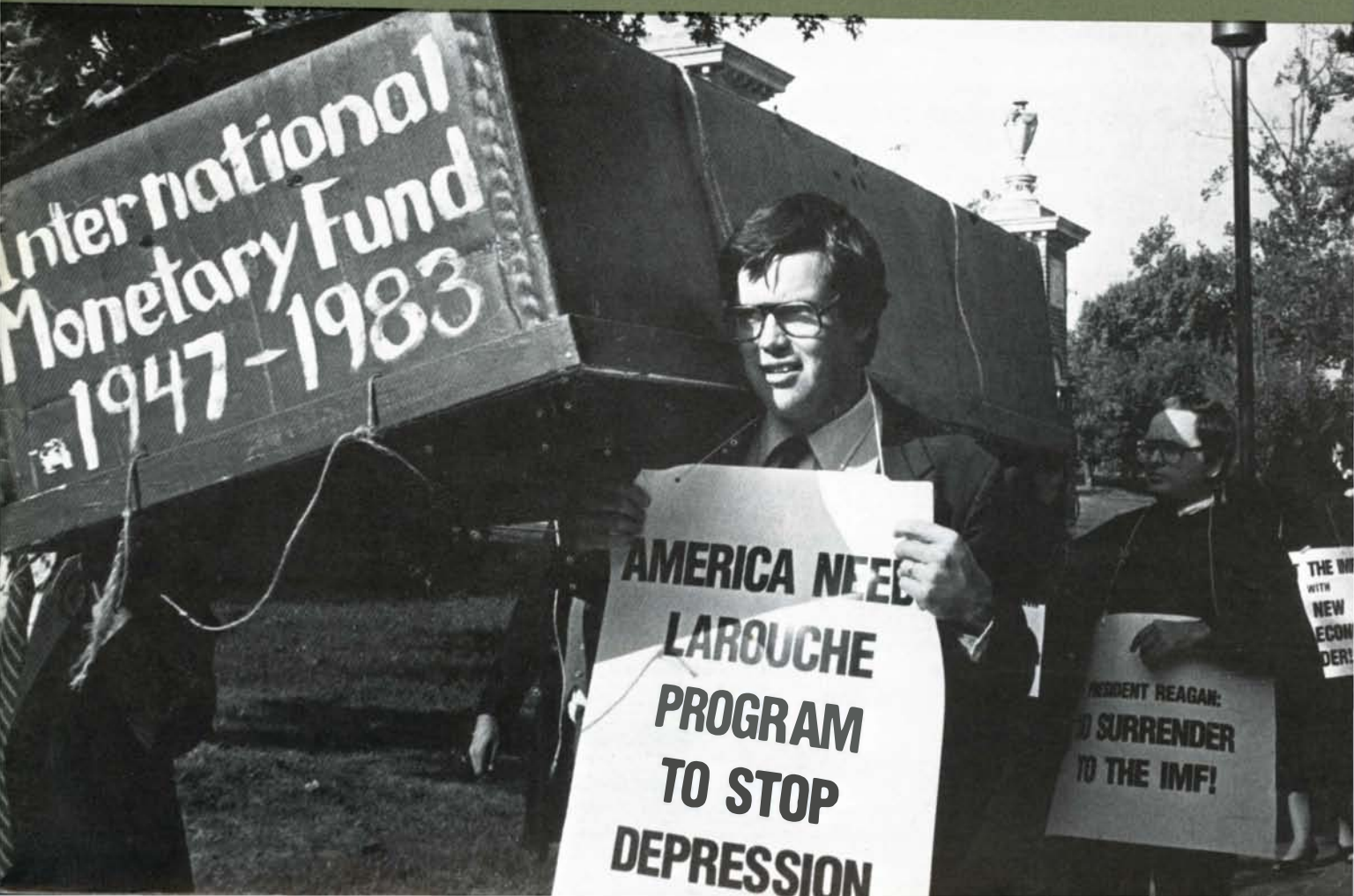
Executive Intelligence Review

October 11, 1983

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**IMF: more loot from Third World,
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From the Managing Editor

Bankers descending on Washington, D.C. last month to discuss the ailments of the International Monetary Fund were shocked to find that the institution had already expired. As our cover photograph shows, members of the National Democratic Policy Committee and the Club of Life were gathering at the Washington Sheraton to bury the vile institution once and for all.

Parallel demonstrations took place in Boston, Seattle, San Francisco, and Los Angeles. *Le Matin de Paris* published a picture of a European Labor Party demonstration against the IMF near the Paris Stock Exchange; two thousand leaflets were distributed accusing the IMF of being the best ally of Moscow in the West. In Rome, Milan, Stockholm, Cologne, Düsseldorf, Hamburg, and Munich parallel demonstrations took place. One of the slogans at the ELP's demonstration in Frankfurt: "In comparison with the IMF, Hitler was an amateur!"

Inside the Washington sessions were Economics Editor David Goldman and *EIR* banking specialist Kathy Burdman, who provide a full report on how the IMF's thuggery was directed against the United States as well as the underdeveloped nations. Citing a shortage of "available savings," Jacques de Larosière, the Fund's managing director, demanded "a credible plan for reducing fiscal deficits": to wit, slashes in U.S. military outlays. Industry associations say that Federal Reserve chairman Paul Volcker and Council of Economic Advisers chairman Martin Feldstein have told them point-blank that interest rates will be sent "back up to 1979 levels" unless President Reagan throws out the defense budget.

This is an effort to disarm the West on the part of financial factions who have made a deal with the Russian empire. It is evil, and it is ridiculous! Thank God for the declaration of candidacy for the Democratic presidential nomination issued on Sept. 26 by *EIR* founder Lyndon H. LaRouche, Jr., which we publish below. Mr. LaRouche is regarded by his supporters and his enemies as the one 20th-century economist who has identified the ways and means toward mammoth non-inflationary growth of the world's productive capacities. His candidacy provides those among our readers who not only value *EIR*'s intelligence output, but share that goal, with a wonderful opportunity.

Susan Johnson

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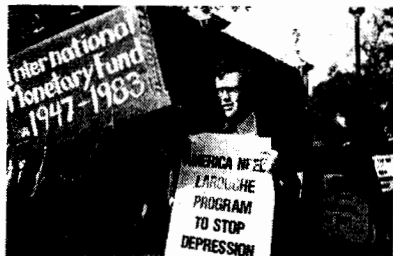
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Correction: Due to a production error, *EIR*'s cover photograph last week was incorrectly attributed to the Princeton Plasma Physics Laboratory. The photograph was courtesy of NASA.

'The whole thing has a smell of Dunkirk'

by David Goldman and Kathy Burdman

Lloyds Bank director Guy Huntrods used these words in a private chat with Brazil's permanent IMF representative Alexandre Kafka during the Ibero-American delegations' reception, hours after IMF managing director Jacques de Larosière announced that government and banks had announced an \$11 billion bailout package for Brazil. Huntrods was speaking about the transparently fraudulent Brazil package, announced in desperation after Brazil told the IMF that it saw no point in accepting the Fund's brutal lending terms when private bankers were refusing to put up money. But the comment applies to the whole of the IMF's annual meeting in Washington Sept. 27-30, which might well represent a point of no return for the Western alliance.

Dunkirk was the nadir of the civilized world's contest with Nazism; the decision of the U.S. administration and its closest allies to hand to the IMF their hopes of forestalling world monetary crisis, and the shattering of Western institutions, may turn out to be worse. Paris in 1940 would have appeared alert and decisive compared to the supreme gathering of the world financial community this year. The world's leading bankers stumbled red-faced between receptions, in a display of Neronic imbecility before the worst crisis they will ever face. Chase Manhattan's Chairman Willard Butcher spoke for most of his colleagues in a comment to *EIR*, saying, "What would I do if the sky falls? The answer is, I'd make a market in sky. I'd sell sky short."

Beginning with de Larosière, every Western finance minister ritually conjured up the "American economic recovery" as the cure for a crisis in which the world's biggest debtors, led by Brazil, have paid nothing to their creditors for months, and the IMF itself can obtain funds from neither the U.S.

Congress, nor the European central banks, nor even the private markets. Yet every Western finance minister and central bank chief knew that the statistics supporting the American "recovery" were fraudulent, and, with the exception of Donald Regan and Paul Volcker, was prepared to admit to knowledge of this fraud in private conversation. Volcker, shaken by the universal credibility of U.S. Presidential candidate Lyndon LaRouche's exposé of the Fed's statistical fraud, widely circulated at the meeting, promised Sept. 28, "We will conduct a full investigation" of the charges.

Zambian Prime Minister Mundia, speaking on behalf of the African delegations, and Venezuelan Planning Minister Izaguirre were the only leaders to publicly cast doubt on the IMF's "recovery" argument. Dr. Izaguirre's speech before the IMF assembly and additional comments to *EIR* concerning Venezuela's attitude toward IMF conditionalities are appended.

Local television news clips began with footage of a National Democratic Policy Committee "funeral for the IMF," complete with a black-shrouded coffin labeled "IMF: 1947-1983," and a brass band playing the Funeral March of Beethoven's *Eroica*. Accompanying the coffin was a "Shylock," holding out a dripping hunk of liver to passing IMF delegates, and screaming, "My pound of flesh!"

DeLarosière, Treasury Secretary Regan, Council of Economic Advisers Chairman Martin Feldstein, and the British and West German finance ministers had little better to say. Their argument boils down to the following: the IMF is in a "dangerous liquidity crisis" (Regan) and must cut back its lending, at the same time private banks are cutting back lending. De Larosière told major borrowers before the meet-

ing began that the IMF could not make any new big loans before the U.S. Congress approved an \$8.4 billion contribution promised by the administration last April. Congressional aides say that legislation is still "going nowhere," despite a public plea from the President.

Meanwhile, European and Saudi central bankers are holding back a requested \$6 billion emergency loan to the IMF until Congress acts, although some European aides say the money might turn up if Congress does not act by year-end. Even if all these funds were made available, West German central bank chief Karl-Otto Poehl warned the *Washington Post* Sept. 29, the IMF would need an additional \$7 billion next year to carry out existing lending programs.

With dwindling paper available to smooth over the debt crisis, the debtor countries must pay their debts by importing less and exporting more, the IMF says, while admitting that they have already cut imports to the bone. Mexico cut imports by 70 percent in the past year, and Brazil has cut imports by 30 percent. So the difference must come from more exports, even though world trade continued to decline during the first half of 1983, despite supposed "recovery." Now the countries must accept more austerity for less loans, and rely on the "recovery" to save them.

The IMF's practice of lending in return for brutal "conditionalities" is now like the Bureau of Labor Statistics' Quality Adjustment Factor for automobiles, which shows more quality and less car every year: the IMF is now all conditionality and no lending.

On top of this, the IMF demands that the United States cut the federal deficit, i.e. the defense budget, or the "recovery"—which no one claims to exist outside of North America—will disappear. President Reagan tried to answer this in his welcoming address to the conference Sept. 27, saying, "Let me make clear that it is caused in part by our determination to provide the military strength and political security to ensure peace in the world. . . . There can be no lasting prosperity without security and freedom." But a senior adviser to the President warned, "If the IMF gets into an international banking crisis, even the defense program may go out the window."

Strategic disaster

Swiss National Bank President Fritz Leutwiler, whose financial support for elements of the Nazi International has been documented by *EIR*, seized the high ground, appearing as the Spenglerian pessimist among the world's financial leaders. "I do not consider the elimination of the debt problem in four or five years as obtainable. I regard it as a realistic appraisal that the causes of the indebtedness problem cannot be eliminated that soon, if at all," Leutwiler told the National Press Club on the eve of the annual meeting. Leutwiler, who also heads the Bank for International Settlements, added that the debt crisis may or may not still be manageable.

Leutwiler does not want to dissolve the IMF. On the contrary, Swiss officials say that Switzerland will join the organization next year, and French Finance Minister Jacques Delors announced that the "Group of 10" industrial nations must now be called the "Group of 11," to include Switzerland as a full member. He wants to use what remains of the bankrupt institution as a club against both the debtor countries of the Third World and Western Europe and the United States itself.

The game is straightforward: the United States is persuaded to cling to a hated, destructive, and nearly bankrupt IMF, and become an object of hatred before the rest of the world. If the United States fails to bankroll an institution whose principal present demand is unilateral American disarmament, America will take the blame for the collapse of the world monetary system; if the United States funds the institution, it will only support further destruction of its export markets and, ultimately, America's capacity to finance its defense-related deficit. When the IMF fails to hold the world monetary system together, the rest of the world will, from the Swiss perspective, feel free to join in a general anti-American rampage.

"Leutwiler's problem is that he has cut a deal with the Russians," said one of the top members of the British delegation. The Bank of England has, for months, been near the point of hysteria over the apparent glee with which the Swiss have watched the dissolution of the Western banking system. The Swiss, along with other "central European" financial interests, have allied with the Soviets' strategic ploy against the Western credit system. "But what alternative do we have to the IMF?" the British official asked despondently.

The London *Economist* laid it all out in a Sept. 24 editorial which warned bluntly that the U.S. would pay for its inability to manage the crisis (and for Congressional refusal to fund the IMF in particular) on every important strategic front:

"Why bother with the Americans, say the irritated, if they cannot make up their minds? Why should Europeans support the United States on foreign-policy issues that the White House rates important—sanctions against Russia, missile deployment, peacekeeping in Lebanon—if the support is not returned on economic matters? How come America is capable of prompt economic action which hurts Europe—like President Reagan's recent restrictions on imports of special steels—yet leads congressional foot-dragging as a convenient excuse for helping little elsewhere?" Mrs. Thatcher's new Chancellor of the Exchequer, Nigel Lawson, was asked by a reporter whether he thought the London *Economist* was alarmist. "Not alarmist," the Chancellor smiled. "Only journalistic."

Swiss-connected French Finance minister Jacques Delors was less Delphic than his British colleague. "If the United States Congress does not pass the IMF quota increase, we

shall have to reassess America's role. Not merely the financial, but the political and psychological effects will have to be considered. Until now, America has had a dominant role in the world economy. But if it fails to support the International Monetary Fund, we shall call an emergency meeting of the Interim Committee [the IMF's steering group] to reassess this."

Delors refused to answer questions concerning his attitude toward proposals by the British Commonwealth to invite the Soviet Union to join whatever monetary arrangements might replace the present, American-centered monetary arrangements. This proposal has been made by Commonwealth General Secretary Sidrith Ramphal. However, a source close to Greek Finance Minister Gerassimos Arsenis, said that if the IMF's present efforts failed, "we shall have to consider what alternative monetary arrangements might be made," adding that these arrangements would indeed include the Soviet Union. Arsenis delivered the European Community's address to the IMF meeting, reflecting Greek chairmanship of the EC during 1983. In his capacity as EC Chairman, Greek Prime Minister Andreas Papandreu earlier this month blocked a European resolution to denounce the Soviet Union for the killing of KAL Flight 007.

Delors' remarks to the Group of 10 press conference Sept. 24 preceded French President Mitterrand's denunciation of the American beam-weapons proposals, before the United Nations General Assembly Sept. 28. Mitterrand was echoed by Indian Prime Minister Indira Gandhi.

Although certain British policy circles understand the trap, they are impotent to avoid it, not least because British Prime Minister Thatcher and her monetary adviser, Sir Alan Walters, think that a few big bankruptcies would be good for monetary discipline and the free market, according to London press reports. President Reagan, for all his annoyance at the IMF's suggestion that the United States reduce defense spending to meet IMF economic criteria, nonetheless devoted his speech before that body to the "magic of the marketplace," repeating the often-ridiculed phrase he first used before the same meeting in Washington two years earlier. Treasury Secretary Donald Regan, cast as the meeting's chief villain, uttered threats to the developing nations which no U.S. official had yet dared to. Asked his response to Ibero-American motion towards collective renegotiation of foreign debt, Regan said, "*Any nation that repudiated its debts would literally cause its own death.*"

His deputy secretary, Tim McNamar, commenting to *EIR* on opposition to the IMF's austerity terms in the Brazilian Congress, snapped, "Let's see how they feel when their oil runs out in a few weeks!"

Whatever Regan's motivation, the effect is the same. The opprobrium inevitably sticks to the United States and her chief executive.

Regan made matters worse, at least in perception, by

demanding that the IMF lend less of the money it hopes to get (but doesn't yet have) to each borrower. Starting in 1981, the IMF began lending 150 percent of each member's holding, or quota, in the IMF, as a maximum loan package; Regan demanded that the IMF "husband its resources" and cut access by two-thirds. German Finance Minister Gerhard Stoltenberg engineered a compromise at the end of a drawn-out session of the IMF's Interim Committee which kept guidelines similar to those Regan had wanted, but permits the IMF executive board to do whatever it wants by simple majority vote. Although the entire debate was idiotic, or, as Regan put it, "theoretical," since the IMF will be out of funds by next April, the scrap reinforced America's image as the enemy of the Third World.

The developing nations' caucus, the Group of 24, was muted in its response. Last year, the Group of 24 communiqué had blasted the policies of the industrial nations, warning that they would lead to a "breakdown of the world trading and financial system." This year, the same group restricted itself to complaints that the developing nations had not gotten their fair share of the recovery.

While de Larosière singled out the United States in his public remarks, other industrial nations were put on the line in private discussions with their bankers.

"Don't imagine that you people can continue to run a balance of payments deficit," a banker barked to members of the Swedish delegation in an alcove of the Sheraton Washington Hotel, the conference site. "You're lucky that Denmark is in between you and Germany, and took all the heat so far. But if the Danes had had black hair and spoke Spanish, they would have been thrown into bankruptcy a year ago. Don't think you won't be next."

The Swedes quietly asked upon what terms they might obtain new loans, and left. A member of the Irish delegation arrived and sat down in their place.

De Larosière's global policy demands are even more dangerous than his specific prescriptions for individual developing countries. "Rates of growth of monetary aggregates must be, and must be seen to be, consistent with a further deceleration in price increases," he told the meeting's opening session. "Fiscal responsibility is part of this climate. So is the development of wage-setting procedures that allow the cost of labor to respond in a timely way to changes in the demand for it. The high cost of labor has been a factor inhibiting the growth in employment opportunities, especially in Europe."

In the weeks before the meeting, all the major European nations joined the Federal Reserve in a general squeeze on credit availability, while all the European governments undertook sharp cutbacks in public spending—swallowing de Larosière's prescription before it was delivered. "Of course, they all discuss these things at the Bank for International Settlements, so in a sense it is coordinated. But the simple

fact is that they are all doing this because they have no other choice," said J. J. Polak, the Dutch delegate to the IMF who formerly ran the IMF's economic research department.

The West German Bundesbank, closely allied to Leutwiler's Swiss National Bank, announced the money crunch in a report issued a week before the conference opened, under the headline, "Against Too Much International Liquidity." Even Dr. Otmar Emminger, the Bundesbank's former president, registered private objections to the Swiss policy now emanating from Frankfurt. The coordinated reduction of credit availability, more than any particular situation in Ibero-America, sets the stage for a world crash: the central banks have eliminated what maneuvering room remained to the hard-pressed banking structure. At this point, not only the Brazilian debt but bankruptcies of American airlines or financial companies, secondary Eurodollar market banks, or even some of the European debtor countries could trigger a crisis.

The Brazil bailout hoax

If the bankers' response to the Sept. 26 announcement of an \$11 billion bailout scheme for Brazil betrays what the next months will bring, an LSD dispensary might well replace Jacques de Larosière in the managing directors office at the IMF. To admit the package was phony would be to admit that many of the largest institutions are already bankrupt. Pressed on the point, Chase Manhattan Chairman Willard Butcher told *EIR*, "Well, if the sky falls, I'll sell sky."

In fact, the banking consortia which de Larosière pledged would raise the \$6.5 billion private-sector share of the rescue package have already cracked apart. One of the top American banks told the press during the conference that lower interest rates and longer maturities are essential to make it possible for Brazil to pay its debts. A senior Belgian banker scoffed at the de Larosière package, saying, "The only solution is for the Brazilians to issue long-term low-interest bonds to replace their debt. Then there is no debt crisis. Brazil's Itaipu Dam alone produces as much electricity as all of Belgium. Belgian electricity is produced by five nuclear reactors, whose combined capital value is \$100 billion, the same as Brazil's external debt. If that much electricity can support \$100 billion in capital in Belgium, then the Itaipu project alone can pay back Brazil's debt. They simply need time."

Japanese banks, meanwhile, have formed the Center for International Finance, as a counter to the American banks' Ditchley Group in Washington, the Morgan-led "creditors' cartel." The Japanese are "proceeding from the standpoint that the situation is now unmanageable, and they must find some way to manage the debt crisis," said one American official familiar with the Japanese plans. "They have decided that the Ditchley group is worthless, as have the Europeans, and the American banks seem to be coming to the same conclusion."

However, the leading German banks, whose Ibero-

American debt exposure is relatively small, have rejected the proposed \$6.5 billion loan for another reason: bankers like Deutsche Bank's Wilfrid Guth oppose additional lending to the Third World, in line with Fritz Leutwiler's dicta. "We will only propose an interest capitalization," i. e., the conversion of unpaid interest into loans, rather than the new credits the Brazilians need to keep importing, Guth told *EIR*. At a press conference Sept. 28, Brazilian finance minister Ernane Galvêas described this proposal as totally unacceptable.

The question is not whether the Brazil plan will fall apart; it never existed in the first place. Rather, the Brazil crisis later this month will test the ability of the U.S. government to recover from the disastrous policy which sunk to new lows in Washington. Some U.S. officials, who see a long-term stretchout of the debt as the only hope of avoiding a monetary as well as strategic disaster, believe that the Japanese initiative may bear fruit. "But nothing will happen before a crisis breaks out," one official said. "It is impossible to tell who will pull it together. That is the \$64 billion question."

Documentation

The benchmark statements at the IMF meeting

Dr. Fritz Leutwiler, president of the Swiss National Bank, before the National Press Club, Sept. 26:

I do not consider the elimination of the debt problem in four or five years as obtainable. I regard it as a realistic appraisal that the causes of the indebtedness problem cannot be eliminated that soon, if at all.

The origin of the debt problem is overboard government spending . . . not only in Latin America, but also in the industrialized countries. . . . For many countries, it was for too long made too easy, to push ahead with economic development at an exaggerated speed. Part of that euphoric growth phase was the financing of prestige projects with doubtful economic prospects.

The IMF is the only institution with the power to force reluctant governments of indebted countries to stiffen their economic policies. . . . Those people who prefer to think with their hearts rather than their heads claim that the conditions of the IMF are too severe. I am convinced that the Fund knows very well that its conditions have to be realistic. They have to be stiff enough to reassure the creditors.

IMF Managing Director Jacques de Larosière, opening the IMF's 38th annual conference Sept. 27:

Mr. Chairman . . . we must not allow the debt problems to unravel. We have certainly made progress on this front, but the danger is not past and if we do not act the situation could well get out of hand. . . .

Led by North America, the industrial world has begun to recover from the most severe and prolonged recession of the postwar period. . . . Despite this improved outlook, however, there are aspects of the recovery that must continue to give policy makers cause for concern. To begin with, the recovery thus far is confined to relatively few countries. . . . Demand has been fed so far by interest-sensitive consumers' expenditure and stock building. Fixed investment—which is the decisive element in boosting productivity and growth over the longer term—remains weak. . . .

If interest rates today are high—and they are—they reflect largely the fear that competition for funds in capital markets is likely to intensify in the period ahead. The way to deal with this situation is not to loosen the reins on monetary expansion but to reduce inflationary expectations and improve the balance between available savings and the demands that are placed on them. . . .

This brings me to . . . the need for a credible plan for reducing fiscal deficits in those several countries—including the United States—where structural budget deficits are high in relation to available savings. . . . Fiscal responsibility is part of this climate. So is the development of wage-setting procedures that allow the cost of labor to respond in a timely way to changes in the demand for it. The high cost of labor has been a factor inhibiting the growth in employment opportunities, especially in Europe. . . .

The argument has been made that the adjustment measures required of debtor countries have the effect of slowing down their growth and thereby adding to recessionary influences in the world economy. . . . [But] as soon as a country's external deficit begins to outstrip the availability of foreign financing, that country has no alternative but to retrench, and to bring its external deficit within the bounds that are dictated by the availability of foreign financing.

From the statement by Zambian Prime Minister Nalumino Mundia on behalf of the African members of the IMF, Sept. 28:

The continued slowdown of economic activity in the industrial countries, with the attendant decline in the volume of world trade and intensification of protectionist pressures, has seriously affected the economic performance of most developing countries. . . .

Compounding the problems of this group of countries is the deterioration in their terms of trade. After five consecutive

years of adverse movements in the terms of trade, the cumulative deterioration in most of these countries was about 20 percent in 1982. . . .

It is necessary to go beyond the generally applied rules in order to ensure that our countries are in a position to pay their debts. Such an approach will entail a rescheduling of all our debts, and an extension of both the maturity and grace periods.

Mexican Finance Minister Jesus Silva Herzog, on behalf of the member countries of Ibero-America, the Caribbean, and Spain, Sept. 28:

Countries can accept belt-tightening for a time, but they must find ways of adjusting which promote greater dynamism in their economies and ensure sustained development in the medium term. Privation is difficult to sustain indefinitely. . . .

There can be no question but that the flow of external credit in the next few years will be smaller than in the recent past. In the absence of other sources of external resources, growth in the developing countries will of necessity decline. But these countries cannot follow this path for too long if they wish to avoid domestic problems which, in turn, will affect the rest of the world.

Council of Economic Advisers Chairman Martin Feldstein, before a Brazilinvest luncheon Sept. 27:

A year ago many feared that the international debt situation would precipitate a collapse of the international financial system . . . but the crisis has been averted [through] a redeployment of resources for international financial balance on the part of the debtors, that is, for less imports and more exports. . . . The debtors must transfer real resources to the creditors.

Venezuelan delegation chief Dr. Maritza Izaguirre, minister of state for planning and coordination, speaking on behalf of the entire 22-nation Ibero-American bloc at the IMF, including Brazil, Spain, and the Philippines:

Venezuela is honored to be making this statement this year, the bicentennial of the birth of liberator Simon Bolívar, a reflection of the liberty and unity of the Latin American countries. First is the need to appraise the current economic situation of Latin America . . . in the framework of the discouraging world economic outlook in the short and medium term. . . . Our countries are concerned that prevailing recessionary tendencies became more pronounced in 1983 because the crisis of the international economy had a severe impact on trade between Latin America and the rest of the world, kept real interest rates at extremely high levels, and led to a pronounced decline in net capital inflows. This. . . provoked an unprecedented economic crisis.

We in Latin America believe that this state of affairs stems from actions or omissions at the global level. . . . Our countries have been absorbing a disproportionate and excessive share of the international economy's adjustment burden, as evidenced in the region by widespread economic stagnation, declining investment, accelerating inflation, deterioration in wages, and increases in unemployment and underemployment.

The cost of adjustment has been exceedingly high. In many countries maximum limits have already been reached as regards domestic tolerance for orthodox adjustment policies, which offer no better prospects for national development. . . . All in all, in the absence of more rapid recovery in the industrial world, and short of obtaining a suitable volume of external resources, the situation in Latin America will continue to deteriorate over the next few years.

The adjustment programs associated with the external debt have so far been focused on the settlement of that debt. In our opinion, it is essential that these programs take into account principally the national interest of the debtor countries, as expressed in their legitimate and urgent requirement to speed up economic growth. . . . Attempting to make sudden adjustments in an excessively short time may not only provoke undesirable economic and social reactions, but may in the short term cause a deterioration and aggravation of the situation it was intended to correct.

The countries I represent feel that, in addition to the adjustment process, intra-regional cooperation and trade opportunities that must be realized. The economic conference of Latin America and the Caribbean that is to be held in Quito, Ecuador early next year will be particularly important, as it will provide an opportunity for major regional initiatives for financial and trade cooperation as well as cooperation in the areas of food production, energy, and transportation.

Caracas planning minister and U.S. spokesmen

The following interview with the Venezuelan minister of state for planning and cooperation, Dr. Maritza Izaguirre, was conducted on Sept. 29 by EIR's Kathy Burdman at the IMF meeting.

EIR: You raised the strongest doubts heard at this meeting about the existence of the so-called recovery.

Dr. Izaguirre: We are the only ones doubting the recovery,

yes. We're talking about the world recovery and we don't see it at all.

EIR: Does *EIR's* exposé here this week of the Federal Reserve's faking of industrial statistics increase your doubts about the U.S. recovery?

Dr. Izaguirre: We haven't made a specific study of the U.S. situation. We don't see major recovery anywhere in the world.

EIR: Do you, for example, see any real evidence of U.S. recovery in rising American imports of Venezuelan oil?

Dr. Izaguirre: Not in oil, certainly. Our oil exports have leveled off.

EIR: Including to the United States?

Dr. Izaguirre: Yes. Oil demand has leveled off. We see no strong return of demand and no strong recovery. If so there would be a rise in our exports of oil. We don't see a boom in the United States.

EIR: You said in your speech that actions or omissions at the global level are to blame for the debt crisis. So you reject the charge that the Third World is to blame for overspending?

Dr. Izaguirre: We certainly do reject that idea. Both parties are to blame. The developing countries have to take part of the blame, but so do especially the banks. The international banks gave loans without ever examining the economics. They were very happy to extend money without examining the capacity of the institutions to pay in the very short term.

EIR: Didn't the banks cause the crisis when they pulled in their loans for political reasons after the Malvinas war last year?

Dr. Izaguirre: They were afraid of the new situation. They changed their policies too precipitously.

EIR: You also said in your speech that "maximum limits of tolerance" of IMF austerity programs has been reached throughout Ibero-America.

Dr. Izaguirre: This is our strongest point, the point we want to make to everyone. We agree that the developing countries have to make adjustments, and we are making adjustments. But you can't forget development when you promote adjustment. We can't have only adjustment. We can't promote adjustment, in the IMF or elsewhere for the sake merely of adjustment, especially when the end [result] of adjustment and more adjustment is millions of starving people. We need to have some reordering and some adjustment, but not only that. Unending adjustment will only lead to social unrest in Latin America. We are trying to get people here to understand this.

The IMF, the U.S. government, the banks, their view is very short-term. Short-term adjustment is not everything;

they must try to look at the long term.

EIR: Venezuela President Herrera Campins, in a Caracas speech yesterday, said Venezuela will never accept tough conditionalities. But bankers here say that's just political rhetoric, and right after the [Dec. 4 presidential] election, the new government will mount a severe IMF program. Is this true?

Dr. Izaguirre: Venezuela admits that we need some adjustment, but some of the conditions demanded by the IMF are quite impossible to accept. For example, they want to put the domestic price of oil for our internal economic consumption up from the current price of \$6 a barrel to the world price of \$29 a barrel. That is five times the price, and would be disastrous for our economy.

Also, the IMF wants to cut our public-sector deficit; by now, however, our 1983 deficit is set, and we don't need any assistance from the IMF in 1983, so we won't have an IMF program this year. As for 1984—we want the IMF to advise us on an adjustment program if we can reach some agreement on the terms. It must be done on our own terms. We need some adjustment, we want their advice, but not as sharp as they have demanded. I told them, "Only on our terms—after all, it is the Venezuelan people who will suffer the consequences of austerity, not the IMF's people!"

But we hope we won't even need IMF money in 1984.

If we have a sharp drop in oil revenue, we can't rule out the need for help. But if the oil price is stable, then we won't need it at all in 1984.

EIR: You emphasized the Quito heads of state conference [scheduled for early January]. Will it form an organization to deal jointly with the Ibero-American debt?

Dr. Izaguirre: The Quito conference will try to specify some kind of measures in trade and in the exchange of financial information. As you know, SELA [the Latin American Economic System] is trying to establish an information bureau to coordinate financial information on the debt between all the countries of Latin America. But Quito will be a conference of the heads of state, so they won't deal with such specifics, but they will work in the same direction.

EIR: They won't come up with specific measures on debt?

Dr. Izaguirre: Concrete steps will be more in the direction of trade coordination.

EIR: What will be the main results of the conference?

Dr. Izaguirre: The main results will be on the political level. Señor Hurtado [President of Ecuador] wants all the Latin American heads of states to be there, so we must find some middle ground upon which all can agree.

EIR: You mean that the debt issue cannot be directly addressed because certain heads of state would not attend?

Dr. Izaguirre: We must find common ground. The message

of the Quito meeting to the rest of the world is the same point we have made here: we will insist that we cannot just continue adjusting and adjusting. We can't adjust any more.

Willard Butcher, chairman of Chase Manhattan, gave the following interview to EIR's Kathy Burdman at the IMF conference on Sept. 26.

EIR: What will the banks do if the IMF quota bill doesn't pass the Congress?

Butcher: The banks are not worried about it a bit. We have plenty of money. We have lots of new deposits. It's the U.S. government that should be worried about it. If Congress withdraws us from the IMF, this will vastly reduce the U.S. role in world affairs. It will be the end of the U.S.-centered postwar financial system. The IMF and the rest of the world will just go on without the United States.

EIR: What will the banks do when the Ibero-American countries declare a debtors' cartel, and demand joint renegotiation of their \$350 billion debt?

Butcher: You ask me what would I do if the sky falls. The answer is, I'd make a market in sky. I'd sell sky short. I can't plan for that sort of contingency. That's a doomsday scenario.

Excerpts from an interview by EIR's Kathy Burdman with Deputy Treasury Secretary Timothy McNamar on Sept. 26 at the IMF meeting:

EIR: What is the Treasury planning to do about the Congress?

McNamar: Which Congress? The Brazilian Congress?

EIR: I meant the U.S. Congress, but okay, let's start with Brazil. What if they don't pass the IMF letter of intent? Are you afraid Brazil might join a debtors' cartel?

McNamar: I don't rule anything out. The Brazilian situation is very touch-and-go. If the Brazilian Congress does not pass the IMF legislation, the government may send it to court. Then the question is, which faction of the military runs the court. Some people in the military are against the IMF program. Maybe Brazil will just try to operate on the basis of a series of 90-day decree laws.

EIR: But you're not ruling out a debtors' cartel.

McNamar: We don't know just what will happen. We'll have to see what happens in Brazil in three weeks, *when their oil stocks run out. Then we'll see how uncooperative they are* [emphasis added].

EIR: What would the Treasury do if a debtors' cartel was formed?

McNamar: I don't know what we could do. It would be terrible. . . .

U.N. General Assembly head on debt crisis

The following are excerpts from an interview with Panamanian Vice-President Jorge Illueca, the newly elected president of the General Assembly of the United Nations, conducted by Fernando Meraz of the Mexican daily Excelsi3r on Sept. 25.

... The developing countries, particularly in Latin America, face a dual crisis, [said Dr. Illueca]. On the one hand, the tremendous pressure exerted on them by the International Monetary Fund and on the other, the tremendous internal destabilization derived from the former, since for governments to reduce social costs, as the IMF demands, unemployment is increased. This creates desperation, and desperation breeds violence.

The months ahead will be dark ones for our people, said Dr. Illueca, with the sad air of an old professor who knows history and its lessons. "We have already had one year since the meeting of the International Monetary Fund announced to our Latin American people that subjecting ourselves to a strict austerity would be sufficient to bring about an economic recovery as if by magic and with it, the solution to our foreign debts. Twelve months later, we see only that our economic problems have worsened despite the painful sacrifices which our people have suffered to pay interest and amortize payments."

Illueca nonetheless feels that recent changes in the political map of the world have increasingly accentuated the responsibilities of the developing countries. In the present [U.N.] sessions, the involvement of Panama and Mexico will be vital, one with the presidency of the General Assembly and the other at the head of the Group of 77, the most important bloc of Third World countries. "Now is the time for the developing countries, which form the majority of the General Assembly, to organize ourselves to impose decisions which correspond to the general interest. And for this the participation of our blocs, such as the Group of 77 and the Non-Aligned Movement, will prove decisive.

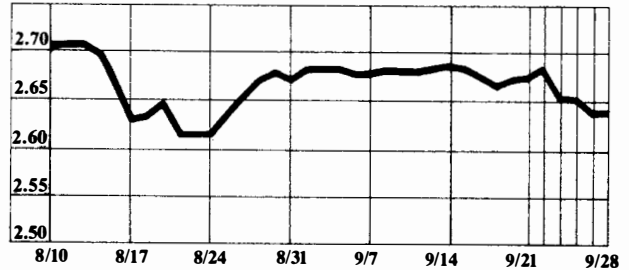
"Only with the joint action of these blocs can a realistic and objective strategy be undertaken. The desperate and worsening situation of the Third World and the international financial system cannot be ignored. Therefore we must try to launch, with great hope, global negotiations for a new international economic order which can effectively advance," he pointed out.

To achieve this it will also be important to establish a system of consultations among the most indebted countries which would allow a negotiating strategy to be established with the world financial centers, without the disadvantages currently implied by bilateral negotiations.

Currency Rates

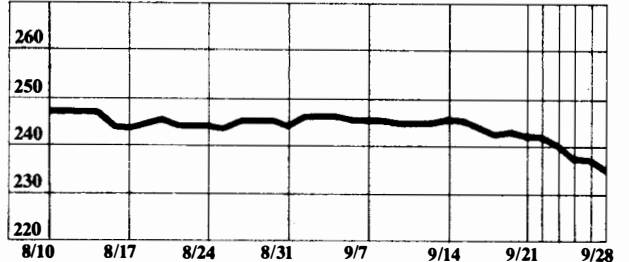
The dollar in deutschmarks

New York late afternoon fixing



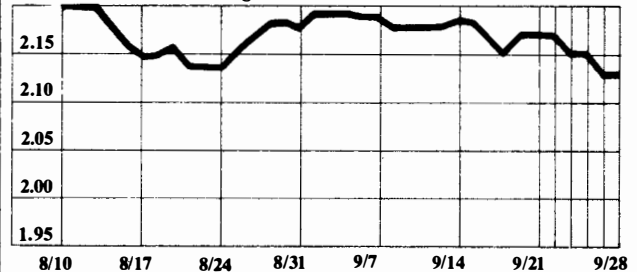
The dollar in yen

New York late afternoon fixing



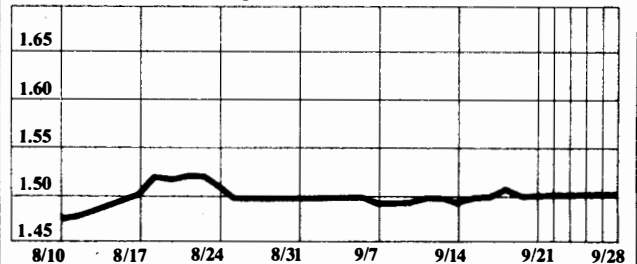
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



How the Federal Reserve rigs its Industrial Production Index

by Leif Johnson

EIR has uncovered sweeping, systematic fakery in the Federal Reserve Board's Industrial Production Index that could produce one of the capital's largest scandals in years.

At the recent International Monetary Fund meeting in Washington, when *EIR* asked Fed chairman Paul Adolph Volcker about the truthfulness of the index, he replied that he would conduct a "full investigation of the matter."

An *EIR* team, working with data assembled by industry associations, has confirmed that much of the "recovery" reported in the Industrial Production Index never occurred, and that the Fed overstated every item of production examined in order to produce the false recovery.

The study, to be produced in full in the October issue of the Quarterly LaRouche-Riemann Economic Forecast, notes that the fraud was designed to ensure Fed chairman Paul Adolph Volcker's renomination, and to induce the President to back the economic policies of Volcker and the International Monetary Fund, on the basis that global austerity is a tolerable stopgap while the U.S. "recovery" begins to "take hold," and there is no need for renegotiation of the underdeveloped nations' debt to foster trade and investment.

The fraud capability is now ready to be used in the other direction, to exaggerate the depth of the U.S. depression in order to destroy the President's re-election prospects and meanwhile wreck his energy-beams strategic defense policy with budget cuts.

Detective work

EIR researchers had discovered internal inconsistencies in the Fed's figures by the early spring. We had found numerous instances in which the Fed claimed an increase in industrial production of a commodity between January and February, but at the same time—in the same press release—showed a drop in electrical consumption in that industry. Specifically, the Fed reported that dairy, beverages, paper, newspapers, basic chemicals, acids and fertilizer materials, plastic materials, and cement output rose but that electrical consumption of those industries fell. The two most glaring inconsistencies were in basic chemicals, for which the Fed reported a 7.7 percent increase, but whose electrical consumption fell by 4.1 percent, and cement, which declined 0.3 percent while its electrical usage slipped 12.6 percent.

In an industry as dependent on electrical input as cement, it was impossible that the same amount of cement could have been produced using a magnitude of 10 percent less power. The Portland Cement Association could offer no explanation for the anomaly, nor would the Fed itself.

EIR has been repeatedly asked by industry associations, trade unionists, and businessmen, particularly in transportation: "Where is the recovery?" Mild improvement in some industries was reported because of the increase in auto and housing units produced, but others, particularly transportation, were reporting conditions in 1983 as bad as or even worse than the previous year's. Businessmen who in early spring believed that the recovery had "not trickled down" to them are now saying that it "never will."

Most important, the March 1983 LaRouche-Riemann econometric report found that if the Volcker economic policy were continued, the basic goods-producing economy of the United States would decline between 3 and 6 percent over the year. We knew then that, regardless of any short-run blip in selected consumer durables, the underlying economic fabric of the nation was deteriorating.

Perforce, we had to conclude that the Federal Reserve Board Industrial Production Index was false. The question was, how and in what magnitude was the index altered to produce a recovery and hide the continued ruin of the nation's basic industry?

We examined the Fed index to determine which figures could be verified by independent industry sources. We found nearly two dozen sectors of industrial production whose actual output numbers could be obtained, and then checked against the Fed index.

Long-term and short-term hoaxes

Our work netted two basic findings: Every industrial series examined had been systematically depressed below actual levels of output in the second half of 1982 and then systematically boosted in the first half of 1983 to produce the appearance of a recovery between last year's "trough" and the rising values of the spring and summer.

Secondly, above and beyond that, we discovered that for certain industrial sectors, primarily consumer goods, there

Figure 1**Auto production**

	Million units produced (Motor Vehicles Manufacturers Association)	Federal Reserve index (1967 = 100)
July-Dec. 1982	2,438	82.4
Jan.-June 1983	3,236	114.3
Percentage change	+ 32.7%	+ 38.7%

Raw steel

	Millions of net tons (American Iron & Steel Institute)	Federal Reserve index (1967 = 100)
July-Dec. 1982	30.8	50.2
Jan.-June 1983	40.1	68.4
Percentage change	+ 30.0%	+ 36.3%

Bituminous coal

	Millions of short tons (U.S. Energy Department)	Federal Reserve index (1967 = 100)
July-Dec. 1982	394.4	135.0
Jan.-June 1983	375.3	135.9
Percentage change	- 4.9%	+ 0.7%

Synthetic rubber

	Thousands of metric tons (Rubber Manufacturers Association)	Federal Reserve index (1967 = 100)
July-Dec. 1982	826.4	75.6
Jan.-June 1983	975.3	103.5
Percentage change	+ 18.0%	+ 36.9%

Refrigerators and freezers

	Thousands of units shipped (Association of Home Appliance Manufacturers)	Federal Reserve index (1967 = 100)
July-Dec. 1982	2,890	94.3
Jan.-June 1983	3,122	112.3
Percentage change	+ 8.0%	+ 19.1%

was a consistent bloating of the index relative to actual output. This exaggeration was a systematic feature of the index traceable back to 1967, when the index was set at a value of 100.

Thus there are two sources of conspicuous cheating in the index: the short-run "business cycle" fraud that produced the non-existent 1983 recovery, and the secular inflation of industrial series to report production which did not occur.

The Fed's depressing of statistics in the "trough" and the inflation of those figures in the "recovery" produced widespread discrepancies. The smallest was in the auto sector, which increased production by 32.7 percent from the second half of 1982 to the first half of 1983. The Fed claims a 38.7 percent increase based on its index numbers. Raw steel output for the same periods increased from about 30 to 40 million tons, an increase of 30 percent. The Fed's index rose 36.3 percent (see **Figure 1**).

Refrigerators and freezers produced went from 2.890 million in the second half of 1982 to 3.122 million in the first half of 1983, an increase of 8.0 percent. The Fed index parlayed that increase into a 19.1 percent upturn. Similarly, in synthetic rubber, the Fed used an actual increase of 18.0 percent to create a reported rise of 36.9 percent, exactly double the actual rise. The Fed even managed to take a 4.9 percent decline in bituminous coal output and create a 0.7 percent upswing.

To examine the second, long-term fraud it is necessary to understand the meaning of an index. When dealing with such disparate items as those in an industrial production index, it is cumbersome to report the actual production figures, especially if several series, a subset of chemical products for example, are subsequently grouped together to produce a larger category, of let us say, chemical products as a whole. Therefore the output numbers are expressed in a ratio tied to a base year.

In the Fed index, the output of each industry in 1967 is 100. Hence, if production of a sector of industry rose by 10 percent, the Index would show 110. If the output rose by 50 percent, the Index would stand at 150. Instead of maintaining the original 1967 ratio of output to Index, the Fed altered the ratio to produce non-existent production.

If the Fed had maintained the original ratio of output to the index (as all indices must), the Index would be corrected as shown in **Figure 2**. The most flagrant example is that of hosiery production, which if corrected would stand at an index number of 130.8. The Fed reports a level of 237.9. The Fed has falsified a 30.8 5 percent increase in hosiery output since 1967 into an increase of 137.9 percent

It is unfortunate that the actual output figures available from independent industry trade association sources comprise less than 10 percent of all industrial output (at least according to Fed figures). Because of their diversified nature, we cannot as yet obtain unit data on such key areas as machine tools, infrastructure, forgings, electrical and electronic equipment, and other machinery. The level of actual fraud could be even larger than we have documented.

Figure 2**The Fed's credibility gap**
(selected categories)

Industrial sector	Federal Reserve index	Corrected Federal Reserve index (Jan.-June 1983)
Cooking stoves	147.2	87.4
Plywood	231.1	163.8
Laundry appliances	140.4	110.6
Hosiery	237.9	130.8
Tires	153.7	116.8

Bankruptcy wave sweeps the U.S.

by Richard Freeman

The largest wave of corporate bankruptcies in this century is engulfing steel, airlines, railroads, and now, according to a recent Comptroller of the Currency statement, threatens to pull down over 600 U.S. banks.

The bankruptcies obviously give the lie to Volcker's claim of an economic recovery. In the eight months through the end of August, Dun & Bradstreet reports, the bankruptcy for corporations with over \$100,000, has skyrocketed to 20,024, or a rate of 589 per week, versus 466 per week for last year. If the rate continues at this level there will be more bankruptcies this year than the previous record year, 1933. Indeed, the weekly bankruptcy rate is up to 640-680 in September.

The bankruptcy wave is one of the results of the double-digit interest rates imposed by Federal Reserve chairman Paul Volcker, which have eaten away at the world's industrial-agricultural base like termites in a wood factory. The timing is the result of recent decisions by the Western government's central bankers, controlled by Fritz Leutwiler, the head of the Bank for International Settlements. On Sept. 26, Leutwiler announced that he and the central bank heads of major Western nations were imposing a credit crunch in the advanced sector, involving budget cuts and the layoff of hundreds of thousands of public workers, as well as a cutoff of credit to most of the Third World.

The most important U.S. victim of the bankruptcy wave is the dilapidated steel industry, which for the past 24 months has produced at only 50 to 60 percent of previous levels of output. Republic, the nation's fourth biggest, and LTV Corp., which owns the third largest steel company, Jones and Laughlin, announced Sept. 27 a joint bankruptcy reorganization, semi-disguised as a merger. Republic Steel chairman E. Bradley Jones had indicated in 1982 that his failing company might file for bankruptcy. The steel companies foresaw sizeable rationalization and layoffs; Republic has already laid off a third of the 41,000 workers it employed in 1981.

In 1982, Republic lost \$239 million and Jones and Laughlin lost \$155 million, as the steel industry plummeted into depression. While 1983 is supposed to show an upturn, at least according to the fraudulent Federal Reserve Board industrial production index (see article, page 12), the reality is

that Republic lost a further \$80 million in the first half of this year, while LTV lost \$138 million.

Steel analysts compared this merger to 1978, when Lykes Corporation, which owned the ailing Youngstown Sheet and Tube, merged with LTV, the parent of Jones and Laughlin. LTV was quick to shut down the Youngstown plants as part of a broader rationalization. Meanwhile, the vice-chairman of U.S. Steel, Thomas C. Graham, declared in Pittsburgh on Sept. 26 that U.S. labor costs are still "noncompetitive" and there must be further wage cuts, indicating more U.S. Steel plant closings despite the \$1.25 per hour pay cut the steelworkers agreed to starting in January 1983. Graham is also threatening to bring in raw steel from British Steel.

The Republic-LTV reorganization followed by one day the announcement by Continental Airlines, the eighth largest airline, that it had filed Chapter 11 bankruptcy proceedings. Continental's nearly half billion in red ink since 1978, when the airline industry was deregulated, is reflected on the balance sheets of every major U.S. air carrier.

However, Continental emerged from bankruptcy court the next day as a "new" corporation and promptly reduced the number of its flights by three-quarters and its workforce by 65 percent, while administering wage cuts of 50 percent to the remaining employees. On Sept. 28, Eastern Airlines, which makes the largest number of domestic flights, also announced plans to file for bankruptcy. Eastern's unions have labeled this an outright union- and wage-busting move.

Continental is going to become a low-fare airline, offering \$49 fares one way between 25 U.S. cities. As *EIR* predicted in 1981, airline deregulation, combined with the high interest rates, has degraded the entire airline industry to attempting to compete with the cutthroat, undermaintained, and undercapitalized New York Air and People's Express companies.

Meanwhile, TransWorld Corp., which owns TransWorld Airlines (TWA) said on Sept. 28, after its board met that it is "considering" divesting itself of TWA. Transworld Corp. will spin off TWA stock to its stockholders. The Sept. 29 *Wall Street Journal* reported that TWA has lost money every year since 1978, and TransWorld Corp. would in fact become a post-industrial company, relying on its earnings from Hilton International and Century 21 Real Estate.

Finally, Republic Airlines, another one of the top ten, announced on Sept. 28 that the Association of Flight Attendants and Air Line Employees Association had approved a 15 percent wage reduction, part of a program to save the carrier \$100 million in the next nine months.

The bankruptcy wave has also spread to the railroads. Southern Railroad and Sante Fe railroad announced on Sept. 27 a \$5.2 billion merger, which will create the third largest railroad in the nation. The companies announced that they have many parallel lines, hinting clearly that rationalizations, and firings, will be the order of the day.

Baldwin-United tied to unsavory Democrats

by Renée Sigerson

On Sept. 26, the Baldwin-United financial services company of Cincinnati, Ohio filed for a Chapter 11 bankruptcy reorganization. An effort to sanitize the company's \$600 million in defaulted debt by selling off viable subsidiaries, launched this past July by its recently appointed chairman, Victor Palmieri, was apparently judged unsuccessful by some of Baldwin's creditors. Now, both Merrill Lynch and Chemical Bank of New York—the two largest holders of Baldwin's unsecured debt—are expected to lose over \$30 million each in writeoffs.

While it will be many months before the true story of who created Baldwin-United and how begins to be made known, it should be expected that the ripple effects of the Baldwin reorganization will be felt not only throughout Wall Street, but in many other locations as well. More important than its far-flung financial activities is the fact that the company since approximately 1979 was becoming an umbrella for transfers of funds into regional Democratic Parties. The friendship during those early years between then-Baldwin chairman Morley Thompson and Caribbean-based financier Daniel K. Ludwig, and the mutual exchange of loans between them, suggest that organized-crime activities were one source of funds for this umbrella. Additionally, if one takes Baldwin's most notorious director, Max Karl, at his word, the people who created Baldwin considered themselves "pro-Israeli Kennedy Democrats."

The shutdown of Baldwin is also related to the obliteration last spring by the Federal Deposit Insurance Corporation of the Butcher family banking network of Tennessee and Kentucky, which was similarly an important conduit for political funding for that area's Democratic Party. While the Butchers and Baldwin were lending each other money, and holding each others' worthless paper until last March, there apparently existed some differences between their international connections: the Butchers were linked to that part of the Democratic Party controlled by Jimmy Carter's friend, Bert Lance, which has become involved with the Pakistani, Kuwaiti, and the Libyan bankers.

Two of Baldwin's subsidiaries have long-term associa-

tions with Democratic Party factions: the National Farmers Union Casualty and Property Company of Cedar Rapids, Iowa and the Mortgage Guaranty Insurance Corporation, of Milwaukee, Wisconsin. In addition, it is noteworthy that its AMBIC bond insurance subsidiary, which is based in New York, is in the middle of a hot political fight in Washington state over nuclear power plant construction. AMBIC is the chief guarantor of bonds issued by the Washington Public Power Supply Service (WPPSS), for nuclear plant construction. Environmentalist court actions are forcing cancellation of the plants, which has resulted in defaults on the bonds. AMBIC, presumably, will now have to mediate the issuance of guarantees for those bonds.

Financial shells

These three entities—MGIC, NFU, and AMBIC—all exist on the same principle. They collect private insurance on home construction, farming and bond issuance, three areas where the federal government is itself conducting a large volume of insurance guarantee business. These corporate entities under Baldwin's control work on the fringes of these markets, where the federal government, for one reason or another, cannot operate.

Last year, during hearings held on the shutdown of the Butcher banks, Federal Deposit Insurance Corporation president William Isaac stated before Congress that the Butcher case proved that private insurance corporations of exactly this type should now be legislated by Congress to help the FDIC insure the banking industry. Currently, no such private sector reinsurance/guarantee companies exist for banking activities.

Isaac, apparently oblivious to the suspicious coincidence of referencing Baldwin-United at hearings on the Butcher banks, cited MGIC by name as the model for such a private banking system insurance corporation.

Other subsidiaries of the Baldwin-United network are insurance companies registered in Arkansas, under the name of National Investors Life Company. Arkansas politics are dominated by a faction in the Democratic Party committed to turning Sen. Dale Bumpers into a Presidential candidate. The Arkansas Insurance Commissioner's office is now the chief arbiter determining the fate of Baldwin's assets.

These elements in the Arkansas Democratic Party want to dominate the Democratic Party throughout the corn belt—an endeavor in which they might be greatly assisted by such institutions as NFU Property and Casualty. Acquired by Baldwin-United in the late 1970s, NFU is an arm of the National Farmers Union, a Denver-based farmers' organization which has an extensive base in the grain belt. It is one of the leading insurance firms now selling government-subsidized multi-peril crop reinsurance, which, because of the role of the government as reinsurer, allows NFU to collect insurance "dues" from farmers at very little risk.

The latest *Executive Intelligence Review* quarterly forecast for the U.S. economy will document the fact that the Federal Reserve Board, the official source for industrial production indices, has been underestimating inflation and overestimating industrial output by as much as 80 percent to show an "economic recovery."

This recovery hoax has been used during the past 12 months by Secretary of State Shultz and the Treasury Department to persuade the President and much of the U.S. business community that the crisis of unpayable international debt would be overcome, and that the man most responsible for forcing the U.S. economy into depression, Paul Adolph Volcker, should be reappointed as Fed chairman.

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A Potemkin village?

Andropov is making a show of rationalizing industrial management to invite greater Western European investment.

Yuri Andropov has devoted much of the past summer to the limping Soviet economy, making three economic policy interventions:

- On July 26, the Communist Party's Central Committee announced that economic experiments would be carried out in two Soviet-wide industries and in single light industry sectors in three western Soviet Republics: Byelorussia, Lithuania, and the Ukraine. Local managers will gain more say-so over allocation of funds, for incentives to personnel, improvement of local housing, and investment.

- On Aug. 7, another Central Committee resolution decreed harsh punishments for drunks, truants, and slackers.

- On Aug. 15, Andropov called a meeting of "party veterans," whom he told there had been insufficient "vigor" applied to "overcome accumulated inertia," and that there would now have to be "changes in planning, management, and the economic mechanism. . . ."

The economic experiments promulgated on July 26 and mentioned by Andropov Aug. 15 were defined in vague formulas, some of them almost identical to plans that failed under Aleksei Kosygin and then Leonid Brezhnev. Only the nearly simultaneous leak to Western reporters of a confidential study by Siberian economists gave a firmer indication of the experiments. It outlined more radical decentralization measures which would enhance the "social aspects" of economic management—an allusion

to problems of motivation—and called for a drastic streamlining of "the outdated . . . system of industrial organization," entailing "reduction of personnel, disbanding of many departments . . . and so forth."

It is true that because of the parochial, petty, anti-progress bureaucracy, and the dead weight of the Soviet economy's peasant agrarian base, productivity rates are lower each the year, and the population is scarcely reproducing itself.

It is also true that administrative reforms such as Andropov's could not revive the Soviet economy today. The unaddressed issue is investment, the vehicle for expanding an economy. In the U.S.S.R., it has slowed to a crawl since 1975. The short-term beneficiary was the defense sector, and the result was to lock the civilian economy into reliance on outdated plant and obsolete technologies. The current Five-Year Plan (1981-85) directs the bulk of investment funds into "reconstruction and modernization" of existing factories.

As against a 41 percent growth of investment in the 1971-75 period, the target for 1976-80 was set at 24-26 percent (29 percent growth occurred in fact) and for 1981-85, at 12-15 percent. In a recent volume of papers on the Soviet economy prepared for the Joint Economic Committee of Congress, Myron Rush observed that, since the drastic 1975 scaledown of investment was coupled with a constant or increased rate of defense spending, "in effect, investment funds

were diverted into defense." The notion of sustaining overall economic growth with reduced investment was enshrined in a 1979 Central Committee resolution and followed in the drafting of the 1981-85 plan.

1975 and 1978 were located in a March 23, 1982 *EIR* LaRouche-Riemann economic study as the points at which there was a large, officially unannounced diversion of resources into military procurement. Non-defense industries were starved. And within the civilian sector, investment was so weighted in favor of the natural gas pipeline system from West Siberia to Russia and Western Europe that the high-technology nuclear power industry, among others, got shortchanged.

With Soviet military spending remaining in the range of 16 percent of national product and the administrative bootstrap too weak to pull the civilian sector up, Andropov is looking to greater economic integration with Eastern and Western Europe.

One of the main preconditions set by West German industrialists, particularly, for further large investment in the U.S.S.R. on their part, has been that the Soviet side show some commitment to straightening out economic "mismanagement," as they put it. Asked some months ago about a plan put forward by Berthold Beitz of Krupp for a continental economic cooperation scheme between the U.S.S.R. and West Germany, sources in West Germany commented that "unless the U.S.S.R. overcomes mismanagement and inefficiency, it wouldn't make much sense to upgrade our investments."

Andropov's campaign for discipline and streamlined administration looks like the famous fake villages thrown up by Prince Potemkin to please Empress Catherine the Great. It's evidently meant to be seen by West Europeans, too.

Business Briefs

Developing Sector

'We aren't talking about a default situation'

The following exchange occurred among reporters and Indian spokesman for the Group of 24 Ram N. Malhotra at a press conference at the International Monetary Fund conference in Washington, D.C. Sept. 24:

Hindustan Times: "I want to know whether you are just a talking shop, if you will do anything except talk if you do not get any of the money you are asking for, which does not appear likely."

Dr. Malhotra: "I can assure you that we are not a talking shop, but I do not think it politic to say in advance what our bargaining position will be."

EIR: "Does this mean that we should not exclude joint renegotiation of the debt, as many of the Ibero-Americans have proposed, as part of this bargaining position?"

Dr. Malhotra: "Oh, no, we are not talking about anything like getting into a default situation. We want to be responsible, we are merely pointing to certain problems and hoping that there is a realistic approach to solving them on the part of the industrial countries."

A seasoned Indian observer commented, "Malhotra is a cynic who thinks that the United States is losing power and the Soviet Union is gaining. If the United States wants to destroy itself, he thinks, well, that is their business, he needn't do anything to stop it."

Agriculture

Swiss are eyeing U.S. drought effects

The shape of the world agriculture market in 1984 will be strongly influenced by the outcome of the current catastrophic drought in the United States, a development which is being carefully scrutinized by private fi-

nancial organizations, including prominent insurance and trading companies which specialize in agricultural commodities. The U.S. agricultural surplus is expected to dwindle to a tiny, precious amount traded under the control of Swiss-based international financial corporations.

The European Management Forum, a global think tank based in Davos, Switzerland, which links Middle Eastern and Central European financial organizations, reports that it is now planning for a spring 1984 international conference on "Food Security, Food Barter and the World Food Shortage."

A spokesman for the Davos group, whose annual conferences bring the world's leading businessmen together with high-level government officials, said Sept. 27 that the Management Forum was now in discussion with government representatives in Saudi Arabia—a food importer—and Argentina and Australia—food exporters—for joint sponsorship of the event.

Currencies

Mexico announces peso devaluation

The Bank of Mexico allowed the "open market" peso to float down at a rate of 13 centavos per day, as of midnight Sept. 22. The rate for the open-market peso had remained fixed at 150 to the dollar throughout 1983.

The "preferential peso," which is used for most debt and import payments, has been allowed to float since the beginning of 1983 at a subsidized rate which had reached 130 pesos to the dollar just before the Sept. 22 announcement.

The central bank's decision indicates that the government had to jettison its policy of setting a single rate for the peso since the beginning of the year. Preemptive action was required to avert the threat of a new run on the peso and a large devaluation that would have discredited Mexico's purportedly successful response to IMF-imposed austerity policies.

It is not clear whether the Sept. 22 action will forestall pressures for a larger devaluation. Banks on the U.S.-Mexico border reported to *EIR* Sept. 23 that they were registering high and increasing levels of Mexican flight capital in their safety deposit vaults.

The devaluation will make it even more difficult for Mexico to import vital industrial goods, while the present economy-stripping level of exports necessary to meet the IMF's conditionalities continue.

Debt Renegotiations

Argentine judge challenges Morgan Guaranty

Argentine federal judge Federico Pinto Kramer issued a ruling Sept. 26 that interferes with foreign creditors' plans to refinance \$6 billion in public-sector debt at the same usurious terms just agreed to with the state-run airline Aerolíneas Argentinas.

Judge Pinto has barred any further renegotiation of the state sector debt until the results of an ongoing investigation by his colleague Judge Anzoategui into the origins of the country's \$40 billion foreign debt are made known.

The judge explained that since there were so many irregularities in the original contracting of the foreign debt, and its exact amount is unknown, refinancing must be halted until the debt investigation is complete.

Although the text of the judge's ruling has not yet been made public, legal sources in Buenos Aires say it nullifies the Aerolíneas refinancing package on the grounds that it is "illegal and unconstitutional." The agreement with Morgan Guaranty Bank, stipulates that New York State courts have jurisdiction over all proceedings relating to the refinancing. Morgan Guaranty had hoped to refinance the debt of all of Argentina's 31 state-sector companies under the same conditions stipulated in the Aerolíneas package, despite across-the-board opposition from

political, labor, and business circles.

The judge's ruling has thrown foreign bankers into a panic, because it calls into question the refinancing of the entirety of the state sector's debt. Creditors have responded by suspending the first \$500 million disbursement of a \$1.5 billion term loan until at least Oct. 5.

European Industry

Temporary compromise on Spanish steel plant

A head-on clash between the Socialist government of Spain and the Communist Party-allied metalworkers' union over the proposed closing of the government-owned Sagunto AHM steel plant was averted by a compromise the week of Sept. 19. Sagunto is to be shut down over time as part of the "industrial reconversion" of Spain's steel sector.

When the INI (the state industrial institute) handed out 80 layoff notices, the town and plant workforce protested and the 80 men refused to leave work. The Socialist government threatened to lock them out, whereupon the CGOO (the Communist Party union federation) said it would pull out the entire metal industry in a national strike.

A compromise was finally reached between workers and the AHM management to reassign the 80 workers to other parts of the plant—pending, of course, its complete shutdown.

Ibero-American Labor

Colombian unions force retraction of service hikes

Across-the-board increases in public service rates by as much as 350 percent in some cases were retracted by the Betancur government in Colombia in the face of strong

opposition by a unified labor movement. The increases were reportedly a result of pressure from the World Bank, which has long upheld a policy of extracting debt repayment from public service facilities through enforcing automatic monthly rate hikes.

The UTC, CGT, and CSTC labor federations put out a joint statement protesting the increases as a threat to the Colombian workers' already diminished living standards and announced plans for a joint strategy session leading to a possible nationwide *paro civico* (civic strike).

In response, the Betancur government announced that the proposed rate increases were "absurd" and "excessive" and could lead to unwanted inflationary pressures. They were "disauthorized." Nonetheless, it remains to be seen how long the Betancur government will be able to withstand the pressures of the international financial community, from which it is currently seeking as much as \$1.5 billion in new credits.

World Trade

Hodel to Japan: 'to get oil, must take coal'

U.S. Energy Secretary Donald Hodel told Japan's *Nihon Keizai Shimbun* Sept. 27 that if Japan wants America to lift its ban on export of Alaskan oil, then it must commit itself to buy large amounts of coal from the western states.

Tokyo and Washington agree that the ban on Alaskan oil should be lifted, a move that would reduce the American trade deficit with Japan by several billion dollars per year, but Congress is currently preparing to extend the ban for three more years. Hodel argues that the administration could convince Congress to compromise if Japan contracts to buy American coal as well, and agrees to invest in the construction of transport facilities for the coal.

Japanese coal importers, however, are reluctant to agree, since American coal is as much as 10 percent more expensive than coal from such other sources as Australia.

Briefly

● **SPAIN** is drafting a national plan for research and development of nuclear fusion for energy production, to be issued in early 1984. A meeting was held the second week of September in the offices of the Junta de Energia Nuclear (JEN) in Madrid, attended by the Consejo Superior de Investigaciones Cientificas and other research departments, as well as industries with technologies related to fusion.

● **DONALD REGAN** went out of his way to play Marie Antoinette against the Third World. When a reporter at the Sept. 27-30 IMF conference in Washington, pointed out that Mexico, the IMF's supposed success story of the past year, would have to cut imports as much next year as this year to maintain \$11 billion in interest payments, Regan insisted that higher oil sales and lower interest rates, courtesy of the economic recovery, would make up the additional funds.

● **DONALD REGAN** apparently finds intellectual inspiration in TV commercials. At the Washington IMF conference, the Treasury Secretary told *EIR*, "To understand what we are doing, you have to watch the latest Merrill Lynch ad on television [Regan was chairman of the stockbroker firm before taking office]. It shows a bull going through a china shop, and the bull doesn't break any of the china. That's exactly what we're going to do!"

● **WALTER MONDALE** is counting on an economic collapse to propel him into the White House, according to one of his aides. "When Reagan is blown away, [Mondale] is the best-qualified candidate to deal with the crisis." The former Vice-President favors a "New Bretton Woods" agreement that would split the Western alliance into separate blocs. He has carefully avoided public support for an increase in U.S. quota payments to the IMF, the aide reported, but if he is challenged directly might be obliged to put himself on the record.

A matter of life or death

by Lyndon H. LaRouche, Jr.

In a recent proposal on the subject of medical civil-defense measures, I proposed that a generalized, international research protocol be adopted, covering all categories of diseases of aging of tissue and closely related matters. The included argument is, that the medical professionals employed in research and related preventive-medical activities represent, in significant part, a reservoir of professional capabilities which can be drawn down temporarily during an emergency, but without damaging the continuity of the longer-term, primary function they perform.

On the matter of the research protocol itself, it was my included duty, in that location, to state the functions and implications of such research programs from the standpoint of economic science. Contrary to the views of certain insurance officials, who would prefer that people die quickly—preferably with unprotesting dignity—at first sign of post-retirement-age illness, increase of longevity is an indispensable correlative of economic progress, and maintenance of function during the so-called post-retirement age-range permits this portion of the population to contribute variously directly and indirectly to national productivity. In economic science, we are concerned principally not only with technology's contributions to increase of the average productive powers of labor, but also with the fact that the longer a person lives, the longer that person continues to contribute a return to society's investment in the education and general experience of that person. We might choose to call this the "President Charles de Gaulle" or "Chancellor Konrad Adenauer" principle of political-economy.

Economic science also bears directly upon certain among the internal features of medical-research practice. Since the work of Luca Pacioli and Leonardo da Vinci at the close of the 15th century, we have known that the process of life is distinguished from non-living processes in an elementary and unique way. All living processes are distinguished in morphological features of growth and function by an harmonic characteristic called the Golden Section. The principle underlying this is also the fundamental principle of economic processes; this may be startling information to the ears of the non-professional at first hearing, but brief



NSIPS/Carlos de Hoyos

An elderly renal dialysis patient.

reflection begins to eliminate incredulity on this point. Societies are organisms defined by the kinds of activities specific to human beings, and economy began with the agricultural revolution's development. It ought not to be astonishing, therefore, that the permeating principle distinguishing successful from failed economies should prove to be a reflection of the same principle distinguishing living from non-living processes.

The specific aspect of economic progress which directly expresses such a connection is the definition of *technology* first provided by Gottfried Leibniz approximately 300 years ago. Through the fundamental discoveries of Karl Gauss at the beginning of the 19th century, and the work of Gauss's leading successor, Bernhard Riemann, the coherence of the underlying principle of technological progress and the central principle of life is most precisely accessed. This connection has direct bearing upon certain elementary features of research into such matters as the aging of living tissue, and diseases such as cancer which are situated within that general category of research.

Since these observations on the principle of life were made in the indicated paper, a number of specialists and others have approached me, requesting restatement and further elaboration on the point. I restate the proposition at this time. I begin with the general background matters, and situate the crucial point within that.

The significance of the Golden Section

The rediscovery of what is known today as the isoperimetric theorem of topology, by Cardinal Nicholas of Cusa

during the 15th century, was the central feature of Cusa's work founding modern European science and setting a rigorous physical science into motion among Cusa's successors. This rediscovery was indispensable for elaborating a rigorous understanding of the contents of Plato's *Timaeus* dialogue, the elaboration on which the entirety of modern European mathematical science's fundamental contributions depends.

The three central features of that *Timaeus* dialogue are, first, the isoperimetric principle, the proof that only five kinds of regular polyhedra can be constructed in visible space, and a principle described by Plato as the *hypothesis of the higher hypothesis*. The formal problem which European science faced in attempting to comprehend the *Timaeus's* contents, until Cusa's work, was that this isoperimetric principle was present in the *Timaeus* only by implication, and that Europeans were burdened by the mistaken view that Plato's principles of geometry were in agreement with the axiomatic, syllogistic structure of the version of *Euclid's Elements* written more than a century after Plato's lifetime, in Egypt. Cusa's rediscovery of the isoperimetric principle led in the direction of the elaboration of a non-Euclidean geometry of the type of Prof. Jacob Steiner's 19th-century elaboration of a synthetic geometry, a geometry without axioms or syllogistic structures, based solely on the principle of construction starting only from the isoperimetric principle.

It is necessary to stress this point, since, beginning the close of the 16th century, a school of mathematical physics contrary to the work of Cusa, da Vinci, Kepler, et al. was developed in England and elsewhere, around the influence of Francis Bacon, Galileo Galilei, René Descartes, Robert Fludd,

and others. This contrary school continues to premise itself upon axiomatic-syllogistic structures like those of the Egyptian versions of *Euclid's Elements*, with increasing emphasis on the assumed primacy of such axiomatic-syllogistic structures, less on geometry, than upon simple arithmetic. The Russell-Whitehead *Principia Mathematica*, modern logical positivism, and the so-called new math introduced to schools approximately at the close of the 1950s, are radically extreme versions of this axiomatic-syllogistic system. The hegemony of this radical, positivist current in universities and among professionals, especially since the middle of the 19th century, and most emphatically since the Versailles Treaty, has caused a general ignorance of the rigorous principles governing fundamental discoveries of European physical science even among otherwise gifted professionals today.

It is the included distinction of my own work in economic science that my original discoveries first established during 1952 are based most immediately upon the work of Karl Gauss's great successor, Bernhard Riemann, such that to develop more adequately my own discoveries in economic science it has been necessary that my associates and I reconstruct the internal history of European science's progress from Cusa's beginnings, through Kepler, Leibniz, Euler, the Ecole Polytechnique, Gauss, and so forth, relying on both neglected primary manuscripts in archives and primary published materials from the leading scientific workers of the period from Cusa through Riemann, Weierstrass, and Cantor during the 19th century. We were obliged to strip away much of the elaborated, syllogistic superstructure of modern, prevailing mathematical physics, and to reexamine the fundamental assumptions of method and ontology underlying present-day scientific inquiry.

The situation today, is that modern scientific workers are unaware that much of the superstructure of mathematical physics today depends upon underlying assumptions which had been demonstrated empirically to have been wrong, even absurd and arbitrary, at the time they were first introduced, beginning with the wildly false assumptions introduced by Bacon, Fludd, Galileo, Descartes, and so forth. Professionals, as well as laymen today, are unaware of the degree to which statements among scientific subject-matters are products not of empirical inquiry into nature, but are products of the methods superimposed upon description of nature, methods which are rooted in provably false underlying assumptions. In ordinary circumstances, the defective mathematical apparatus of modern science does not appear to be faulty in the general practice of engineering, for example. The mathematical apparatus appears adequate as long as application does not venture in practice into areas in which fundamental ontological assumptions play an important part in the work being done.

Hence, when I or others submit certain statements bearing upon fundamental questions, whether in matters of economic science or otherwise, the initial reaction even among

gifted professionals is one of not only incredulity but also anger. The initial reaction is to assert that generally accepted methods of mathematical physics appear to work very well, even to the degree that such methods are not to be considered suspect in any respect. Yet, as we have demonstrated in a number of published locations, there is nothing absurd, even wrong, in our criticisms, if only the professional would shift his attention from the present-day textbooks to the primary manuscripts and published sources contributed by the leading minds of scientific progress over the course of the recent 500 years of the rise of European science.

This difference between two opposing currents of method in modern European science has the most profound practical implications whenever our attention is concentrated on the effort to compose a rigorous ontological definition of life. As the case of the Wiener-Shannon doctrine of "information theory" underlines this fact, the methods for defining living processes today are based axiomatically either upon statistical mechanics or upon opposing, mystical doctrines akin to Bergsonian vitalism. As I shall indicate, before the work of Descartes it had already been proven that the phenomena of life must be defined differently. The empirical basis addressed by Pacioli and da Vinci first, and by Kepler later, had supplied that proof. The contributions of Leibniz, the fundamental discoveries of Gauss, and the work of Riemann, provided the rigorous means for a new, fresh, more profound approach to the empirical matters considered earlier by da Vinci and Kepler.

This, then, situates the controversial element in what I now report.

A contemporary and collaborator of Plato's working at the Temple of Ammon in Cyrenaica had proven that only five kinds of regular polyhedra can be constructed within the geometry of visible space. As Pacioli showed, on the basis provided by Cusa, and as Leonhard Euler provided a fresh, more rigorous proof later, all five solids have a unique, functional interconnection, to the effect that four of them are derived from the construction of one, the one being the 12-sided duodecahedron whose 12 sides are each equal, regular pentagons. In this construction, the Golden Section harmonic arises not only in the construction of the pentagon from the isoperimetrically defined circle; the same Golden Section harmonic characterizes the construction of the duodecahedron itself.

My associates and I have added an important correction to Kepler's treatment of this principle in his derivation of what have been proven to be the only valid derivation of the astronomical laws of our universe. We have proven that the correct laws are based on an harmonic system congruent with the well-tempered musical polyphony of Bishop Zarlino and J. S. Bach. In other words, the principles of Bach's well-tempered system of polyphony actually existed as fundamental laws of the universe before the first musician existed.

The relevance of that correction is summarily this, as

relevant to the point being addressed in this paper.

In first approximation, the apparent significance of the Golden Section for mathematical physics on the surface of this planet of ours, is that it appears only as the characteristic principle of morphology of living processes. This appears to be explained in part as we compare the Golden Section with what is known as the Fibonacci Series. The Fibonacci Series is an idealized representation of simple population-growth. As the Fibonacci Series progresses, its harmonic characteristics converge upon those of the Golden Section. There is nothing mysterious about this convergence; an elementary geometric construction of the Fibonacci Series shows why such a convergence must necessarily occur. If cell-population growth or any similar sort of biological activity is viewed from this standpoint, all mystery vanishes.

If our own correction of Kepler's harmonics is taken into account, a more profound insight appears immediately.

The fact that Kepler's astronomical laws are uniquely correct, with two qualifications, is crucial here. The shortcomings of Kepler's laws is that they should employ well-tempered harmonics instead of simple diatonic harmonies, and that they are inadequate in their given form for treatment of relativistic phenomena. Otherwise, they are valid. These laws are derived from both the isoperimetric principle, and from the principle of the five platonic solids. That is, the fundamental principle underlying Kepler's laws and the principle of gravity derived from those laws is the Golden Section—the same Golden Section which Pacioli, da Vinci, and Kepler insisted to be characteristic of living processes, as opposed to non-living processes. In other words, the laws of astronomy show that the universe as a whole is governed fundamentally by the same principle otherwise characteristic of living processes. In modern language, the fundamental laws of our universe are those of a universally negentropic process.

What does this astronomical fact really signify? The answer was implicit in the work of Plato, but the significance of that answer was not adequately comprehended within mathematical physics until the fundamental discoveries of Gauss and later Riemann.

Plato already recognized and emphasized that the universe as we see it is not exactly the universe as it is. In modern language, we say that the organization of our mental-perceptual apparatus causes our mind to distort the image of the universe in a lawful way, a lawfully consistent way. The business of science is to discover, first, what those principles of lawfully consistent distortion are, and with aid of that discovery to find rigorous, empirical methods for achieving an adequate image of what the universe is apart from that distortion.

The proof of Plato's argument is the demonstration that certain geometric forms which exist in visible space can not be constructed within visible space. An example of this is the case of the regular seven-sided polygon, the heptagon. This

can be constructed only by helping-figures which are means for constructing transcendental functions. In other words, the real universe, as distinct from the distorted images of that universe comprehended by our mental-perceptual apparatus, is based on principles underlying what we call transcendental functions.

All transcendental functions are reduced to their most elementary form as either what we call a self-similar spiral on the outer surface of a cone or on the outer surface of a cylinder. In economic science, the self-similar spiral on the outer surface of a cone represents *work*, and on the outer surface of a cylinder of indefinite length is the normal form of *coherent, radiated energy*.

In the case of the self-similar spiral on the outer surface of a cone, the so-called logarithmic spiral, the projection of the image of that spiral upon the circular base of the cone is a plane spiral whose characteristic features are the Golden Section. Treating this as a projection of the characteristics of a duodecahedron upon the plane, we divide the circular base of the cone into 12 equal sectors, which divides the arms of the spiral into segments whose harmonic relationships of length are those of the well-tempered system of polyphony. The interval of the fifth, the interval corresponding to the Golden Section, defines by a system of complements, all the harmonic relationships of the well-tempered system of polyphony.

The essential meaning of this relationship was discovered by Gauss in his solution to the general notion of elliptic functions, a solution derived from his determination of what is called the arithmetic-geometric mean. This solution is based on the principled features of a self-similar spiral generated upon a cone or some derivative of a conical function. This signifies, to make short of the point, that the laws of the universe are based on the fact that the real universe, which we see only in its lawfully distorted form as the visible universe, is governed by the root-principle of least action in which least-action of work occurs in the form of self-similar spiral conical action, and that what we see as characteristics of behavior in visible space are projections of the higher-order real universe upon the lower-order powers of comprehension of our mental-perceptual apparatus. As the Apostle St. Paul says, "We see only as if in a darkened mirror."

Thus, to focus upon the immediate point at hand, the fact that living processes exhibit the characteristic of the Golden Section in morphology of growth and function, merely reflects the fact that in the real universe the cause of this apparent result is action according to the principle of least action within the complex domain.

It follows, therefore, that the investigation of the physical principles of living processes must shift the choice of empirical materials of investigation, away from particles of matter defined within a Cartesian manifold, to select specific kinds of physical transformations of living processes which display the characteristics of negentropic transformation in a Rie-



NSIPS/Philip Ulanowsky

Ned Rosinsky, M.D., describing the necessity of developing medical civil-defense capabilities at the Sept. 16 Club of Life conference on "Medical Science and the Fight Against Genocide" in Washington, D.C.

mann-Gauss manifold. In that sense, we must employ an adequate comprehension of the mathematical physics of Bernhard Riemann not only in measuring living processes' characteristic features, but also in defining the choice of empirical subject-matter.

In other words, we must expel statistical mechanics from biology.

There are three aspects of Riemann's work which bear upon this sort of inquiry in the most obvious way. First, Riemann's definitions of a new method of mathematical physics provided as a preliminary statement in his 1854 habilitation dissertation, *On The Hypotheses Which Underlie Geometry*. Second, Riemann's approach to electrodynamics, with emphasis upon Riemann's elaboration of the notion of retarded potential. Third, Riemann's application of the principle of electrodynamic retarded potential to the case of the generation of accoustical shock-waves, in his 1859 paper, *On The Propagation of Plane Air Waves of Finite Magnitude*.

In the last of these three items, Riemann revives the argument for hydrodynamics made earlier by Leonardo da Vinci, that the propagation of sound-waves in air occurs in what we would call today a sine-wave form, rather than being propagated through percussive interaction among molecules. Riemann treats such sine-waves as self-similar spiral waves on the outer surface of a cylinder of indefinite length. He treats the cause of the sound-wave as such a self-similar-spiral cylindrical wave, and assumes that this wave is electrodynamic, rather than molecular-percussive. For this wave to propagate through the atmosphere, it must render the atmosphere transparent to the propagation of itself. We call this in laser physics today *induced self-transparency of the medium*. This self-transparency requires a configuration of

the air-molecules. This configuration can not be propagated more rapidly than the average motion of the air-molecules permits. This is a case of retarded propagation of electrodynamic potential. Then, as a piston or some other device accelerates toward and beyond the average velocity of the air-molecules, the rate of propagation of sound-waves overtakes the limiting condition of retarded potential of propagation in air. This generates a singular condition which we recognize as the shock-wave.

As Lord Rayleigh argued strenuously, if Riemann's notion of shock-waves is correct, then the entirety of statistical mechanics is overthrown in respect to its fundamental underlying assumptions. On this premise, Rayleigh pronounced Riemann's 1859 paper absurd. Then, later, the work of the German physicists Ludwig E. Pandtl and Adolf Busemann proved that Riemann was correct and Rayleigh's argument absurd. Erwin Schroedinger used the same point of departure by Riemann for his famous work on the nature of the electron, and the same principle forms the basis for the doctrine of isentropic compression in plasma physics today. Riemann was proven correct on this point repeatedly, and yet the devastating implications for statistical mechanics noted by Rayleigh have not been adequately noted generally even today.

Taking Riemann's method as a whole, we must be led to the same approach in biology, for example, which my associates and I have successfully proven for economic science. In all experimental work bearing upon fundamental questions, we must shift the design of experiments from emphasis upon the assumedly self-evident particular thing, such as the particular molecule, the gene, and so forth, to treat as primary empirical data only those transformations in the process which correspond to something equivalent to a phase-shift in the characteristic of the process as a whole. We must define such transformations in terms of some singular feature of transformation. Transformations subsuming such a singularity must be treated as the data which is ontologically primary.

This is most emphatically required for living processes. We must cease to treat living processes by methods appropriate to study of dead things, must cease to define life as merely non-deadness, as something which defies the statistical laws of dead things. The term "negative entropy" is most unfortunate, for that reason. We treat the universe as axiomatically entropic—even though Kepler already proved conclusively that that assumption was false—and elaborate an axiomatic-syllogistic mathematical apparatus based on the assumption that the universe is primarily a dead thing whose time-direction is assumedly given by entropy. We then attempt to define living processes by such a mathematics of death. This mathematics, which by its nature excludes causation from the equations constructed, obliges us to define the empirical data of living processes as primarily composed of dead things. So, the ideas of living processes derived from such a mathematical approach and experimental designs measure life as death. It is not living processes which bring

investigation to such conclusions; the conclusions are not provided by living processes, but are provided by the death embedded axiomatically in the mathematics superimposed upon the design and description of experiments.

The primary datum, around which biological experiments ought to be constructed, is life. Life is defined mathematically as those forms of work which lift matter to a higher state of organization through a transformation subsuming a singularity. Such data are the irreducible experimental data of biology.

A final set of remarks aids in making this more comprehensible.

How to think about life

To comprehend life, it is indispensable that we devise a mathematics which by its nature can mirror the principle of life. In other words, we must be able to construct geometrical images which, as mirror-images of living processes considered, are topologically congruent with the living quality of such processes. To accomplish this, we must begin with isolation of some principle of human mental life which, by its nature, is congruent with the negentropic feature of living processes.

The problem, the task, here is not that of measuring behavior of living processes statistically. Norbert Wiener et al. were absurd on this point at issue. Wiener's sort of mathematics was not tolerated even by the great Hilbert at Göttingen, *EIR* contributing editor Uwe Parpart-Henke has reported from his researches, to say nothing of the problems of defining a mathematics appropriate to comprehension of living processes. The problem is that of constructing a mental image of living processes, a mental image—a conception—of the active principle of living processes. It must be a practical conception, which, by the nature of its construction and application, points our efforts toward useful operations through which to steer desired phase-shifts within the self-elaboration of living processes.

This task is the central matter of economic science. Even the person who is an ingenué in economic science, but who has general, professional scientific training, can readily grasp this feature of that subject-matter.

The general measure of economic performance by societies is *increase of* what we define as *the potential relative population-density*, such that population-density measures the number of persons which that society's activities sustain per average square-kilometer of habitable area. This increase correlates broadly and necessarily with increases of the number of kilowatt-hours-equivalent of usable energy employed per-capita. In the terms of reference of elementary chemistry, this signifies an increasing of the per-capita "reducing-power" of a society.

The rigorous treatment of this aspect of economic processes was assembled initially by Gottfried Leibniz, in his elaboration of the general principles of the heat-powered

machine. Broadly, in first-approximation, it appears that the relative productive power of labor increases by means of efficient increases in the number of usable kilowatt-hours of energy employed by the machine. However, as Leibniz was first to emphasize, there is a crucial anomaly to be considered. This anomaly is exemplified by the case of two machines consuming the same amount of coal per hour, but enabling the operative to accomplish the same kind of useful work at different rates. This distinction within the organization of the machine is Leibniz's definition of *technology*.

The geometrical-physical content of technology so located and defined, is, in first-approximation, the physical correlative of the isoperimetric principle, which Leibniz defines as *the principle of least action*. The substance of technology in machines is defined by the machine-cycle. This machine-cycle has two elementary features. The first feature is rotational action, or ordered changes in direction, effected through rotation, of the work-effort transmitted by the machine. The second feature is increase of the energy-flux density of action, such that the machine delivers more energy per square-meter of applied effort to production of output than is represented by the concentration of energy powering that machine's actions as a whole—its input-energy. The combining of these two features takes the form of conical rotation, as opposed to simpler, circular rotation.

The most elementary features of this relationship are defined as follows.

Given an elementary form of self-similar conical spiral (an elementary geometrical statement of a complex variable). Consider two successive cycles of this spiral (two successive rotations of the spiral around the cone). Consider the circular cross-sections of the cone located at the beginning of the two cycles, and at the close of each of the two cycles. Let the circular areas measure energy-flux density. (It is useful to think of lasers concentrating input energies of so many kilowatts per square meter into areas of application as low as 10^{-8} meters, for example. In this case, we are most interested in the circumstances in which the original energy-supply, applied to the target at relatively lower energy-flux densities, produces no change in state of the target-system, but in which the more concentrated application of energy does introduce such a phase-shift. Such phase-shifts are paradigmatic of our notion of *work*.)

In this configuration, the elementary complex variable defining the generation of the spiral has the spiral as its first integral, and the volume subtended by such a spiral's cycle as the definite integral of the spiral-action itself. Additionally, the characteristics of the volume subtended are Gaussian: the iterative elliptic division of the volume according to the arithmetic-geometric-mean relationship, and the volume and displacements associated with the smallest of such iterative sub-divisions permitted. That smallest value is treated as equivalent to Leibniz's definition of the smallest division corresponding to the "delta" of differential calculus, and is

also ontologically congruent with the notion of a quantum of action.

We reduce all notions of *work* to this ontological form. We consider, then, the work of producing energy, in which *energy* is defined normally as equivalent to the coherent form of energy radiated in a directed beam: the monochromatic cylindrical self-similar spiral form of action. We then consider the work accomplished as work by application of this energy. The comparison of the work of producing energy with the work obtained by its employment, is the elementary definition of work for the individual case in economic processes.

Such an approach is implicit in Riemann's 1854 habilitation dissertation. Given the principle of least action as self-similar conical-spiral action. The universe so evolved (elaborated) by action of this principle upon itself universally, defines a universe of order N , such that effective work as defined here produces a new state of the universe, $N + 1$. This relationship signifies that action upon the universe is delimited in some way by the order of the universe N . This implicitly defines a limit for the division of the action added, a limit expressed as a limit for iterative elliptic division of the volume of an interval of cyclical action: the quantum of action. The change from order N to order $N + 1$ of that universe, or the phase-space considered, from order N to $N + 1$, is therefore associated with a change in the metrical (quantum) characteristics of that domain. It is such changes in the metrical characteristics of action in phase-space which are the substance of empirical measure of the transformation effected, the substance of work.

In the case of economic processes (societies), this metrical change is reflected as an increase of the potential relative population-density. The only form of work accomplished by society is an increase of that potential. The only work accomplished within a society is activity which is functionally efficient in contributing to such an increase of potential by the society as a whole.

These changes, this work, are accomplished by means of willful advances in technology.

The question posed is, therefore, *what is the nature of the action by which societies produce advances in technology?* This question directs our attention to the principled features of the required mathematical apparatus for comprehension of living processes. *What is the comprehensible principle of creative scientific discovery?*

The answer required is obtained by examining Plato's notion of the *hypothesis of the higher hypothesis*. We restate that notion as simply as possible here. From that described vantage-point, we are able to identify more or less efficiently the state of mind which corresponds to creative-mental life. Those characteristics of creative-mental life, in turn, specify the requirements of a form of mathematics appropriate for comprehension of life.

There are three levels of mental life possible, as mental

life can be defined by the notion of hypothesis.

Simple hypothesis: on the lowest level of rational mental life, we attempt to comprehend a problem by aid of the assumption that prevailing opinion is broadly correct. We seek to define a description of the problem which is credible and acceptable to prevailing assumptions of general opinion. This is what is sometimes described as the "other-directed" state of mind, the state of mind which limits thoughts to those sorts of thoughts of which the proverbial neighbors, some peer-group, or the prevailing authorities are assumed to approve. In scientific work, the peer-group of reference is the relevant body of professional opinion, the prevailing assumptions of scientific work in general, or also those assumptions specific to some specialized aspect of professional work.

Persons in this state of mind will never discover anything of useful importance bearing on the advancement of knowledge in general.

Higher hypothesis: In this approach, the thinker rejects the "other-directedness" of simple hypothesis, and makes the central feature of his inquiry an effort to discover and overturn some relevant sort of prevailing assumption. The creative thinker is inherently an iconoclast, a person of polemical disposition of mind relative to the prevailing scientific and other assumptions of his age. He is "inner-directed," relying on the possibility of proving empirically and conclusively that even the most authoritative opinion of his age might be absurd on some one or more points of prevailing, underlying assumptions.

The higher hypothesis is addressed to some selection of empirical evidence appropriate to prove that certain prevailing, underlying assumptions of his age must be overturned. If he is successful, a greater or lesser scientific revolution—or the equivalent—results. The entire edifice of mathematical knowledge resting upon the flawed assumptions comes toppling down, and a new edifice must be constructed based on the correction effected.

The measure of whether such discoveries are valid or not is ultimately the demonstration of an implied increase of the potential relative population-density of society: Does the discovery produce or fail to produce an increase in mankind's per-capita power of practice over nature as a whole?

Hypothesis of the higher hypothesis: The fact that successful applications of the principle of higher hypothesis leads to increase of potential relative population-density, implies that a succession of scientific revolutions so effected has an ordered character, that the higher hypothesis accounting for this has also an ordered character. The question of empirical proof of such an ordering-principle is also properly the subject of hypothesis, an hypothesis of a generalized notion of higher hypothesis.

Such an hypothesis of the higher hypothesis is, in other words, a principle of ordered successions of creative scientific discovery. It need not, and perhaps can not be perfect,

but its mastery over the course of human progress does describe a process of increasing perfection.

It is in this latter activity—formulating the hypothesis of the higher hypothesis—that true human scientific creativity lies. It is from the standpoint of conscious grasp of this activity that a mathematics susceptible of comprehending life implicitly emerges.

The corrected view of the platonic hypothesis of Plato, St. Augustine, Dante Alighieri, Cusa, Pacioli, Kepler, Leibniz, et al., as accomplished to a large degree through the successive work of Gauss and Riemann, provides us the needed reference-point in practice for the work of today. Riemann's 1854 habilitation dissertation has this exemplary significance and implications.

The discrete object, deemed self-evident in the false view of nature corresponding to the Cartesian manifold, becomes for us relatively a determined ephemeral of a continuing process, a continuing process located for us in reference to the hypothesis of the higher hypothesis. Time, space, and matter, lose for us their naïve self-evident character as sensory data, and only the self-elaboration of processes which adequately subsume the relativistic interdependency of all three as determined aspects of a continuing process have any longer any authority for scientific work. Reality, truth, is located for us in the "in-betweenness" of those transformations which define relativistic phase-shifts in processes. Thus, we direct ourselves to effect a qualitative shift from the naïve, hedonistic outlook. We no longer view discrete sense-objects as irreducible self-evident things, but rather define the irreducible, substantial form of reality as of the form of the verb "to create," "to cause to exist." It is only negentropic transformations in processes which represent the substantiality of the universe, the substantiality of the continuous manifold, of the complex domain of the continuous manifold.

The Judeo-Christian standpoint in science

Scientific progress was generally at a standstill from approximately the 4th century B.C. until the 15th century A.D. in Western Europe. Important work was done during the interval, by the Arab Renaissance, and so forth, but with respect to physical science this work was chiefly a matter of reaffirmation of work accomplished by the time of the combined work of the Cyrenaic temple of Ammon and the Academy of Athens during the 4th century B.C. We must not deprecate such reaffirmations, but we must also not confuse that relative merit with generalized progress in the human mental condition.

The genius of Western Judeo-Christian civilization, exemplified by the influence of Philo of Alexandria for Judaism, and the defense of the work of the Apostles (against Byzantine Gnosticism) by St. Augustine, is the essential force without which the great explosion of scientific progress from the 15th-century work of Cusa (most notably) onward would not have been possible.

In part, this specific genius of Judeo-Christian culture is located in the injunction of the Book of Genesis, that mankind must: "Be fruitful and multiply, and fill the earth and subdue it." This is a commandment which enjoins Jew and Christian to conduct technological progress. The possibility of sustained scientific-technological progress was elaborated by the work of Plato's Academy at Athens—Solon's at Athens—to an effect expressed in the most concentrated manner by Plato's *Timaeus*, in which the principles of creative scientific discovery are shown to cohere with a certain kind of monotheism, the monotheism of Philo and the Christian Apostles.

In Plato, the principle of the hypothesis of the higher hypothesis is defined as the activity through which mankind may perfect the agreement between human knowledge and the universal will of God, the *Logos*, the consubstantiality of Composer and lawful, universal principles of efficient composition of the universe. The correct view of this by St. Augustine, in formulating the *Filioque* principle of the Western Latin liturgy, defines Christ as the perfected state of mortal existence, such that the will of the Composer, the *Logos*, flows efficiently from Christ as from the Composer, and that the primary duty of mankind is to live in imitation of Christ on this account.

Thus, the embedding of this cultural outlook of Judeo-Christian civilization within the republican currents of Western civilization, from St. Augustine onwards, gave to Western European civilization a superior potential for production and assimilation of scientific progress, as this cultural outlook defined mortal man's proper relationship to the Composer to be that of following the pathway of the hypothesis of the higher hypothesis. It was the more fulsome elaboration of this potentiality by Cusa et al. during the Golden Renaissance, which unleashed the potentiality as the genius of Western European civilization's accomplishments during the recent 500 years.

It is the fresh affirmation of this standpoint of the Golden Renaissance, affirming this view of mankind and of the individual within society, in opposition to the hedonistic sort of materialist viewpoint, which directs the passions of the individual in those directions most fruitful for scientific work—away from the sterility of empiricism and positivism, to the standpoint of Cusa, da Vinci, Kepler, Leibniz, Gauss, Riemann, et al.

In that respect, the chief obstacle to scientific progress today is not want of formal education, but lack of adequate moral education, lack of a sense of personal identity consistent with the implications of the hypothesis of the higher hypothesis, lack of such "inner-directedness."

Thus, the choice of combat against diseases of aging as the focal topic of fresh, more vigorous inquiry into the principle of life, affirms the moral view of man which is indispensable for successful scientific inquiry in such directions. There is coherence between the moral choice of work and the quality of the work accomplished.

The Club of Life pursues civil defense and medical research breakthroughs

by Marjorie Hecht

The questions of civil defense potential against the consequences of nuclear attack, and the medical research requirements for prolonging human life, were the subject of the afternoon session of the Club of Life's Sept. 16 conference in Washington, D.C. on "Medical Science and the Fight Against Genocide." The 11-month-old organization was founded by European Labor Party chairman Helga Zepp-LaRouche to counter the anti-technology ethos fostered by the Club of Rome and its backers, which have paved the way for public acceptance of mass murder.

Nancy Spannaus, chairman of the U.S. branch of the Club of Life, stressed that "Whereas the right-to-life groups see themselves as saving lives, we have as our task extending lives and doing everything possible to make sure that those lives are productive," she said. "This means fighting for the cultural development of the population and for industrial development."

Mrs. Spannaus noted that at last year's Club of Life conference in Washington, the National Institute of Health had sent a specialist to discuss its cancer research protocol, but this time the Club of Life has received no cooperation from the federal government; the member of the NIH's Heart, Blood, and Lung Institute who was expected to speak was told that he had better reconsider appearing at an event where Central America commission chairman Henry Kissinger would come under fire. The Club of Life has identified the former Secretary of State as one of the principal executioners of dark-skinned populations in the underdeveloped sector, as well as an architect of the Mutually Assured Destruction (MAD) strategic doctrine that has brought the world to the edge of nuclear war.

'Civil defense is feasible'

Ned Rosinsky, a New York physician who works with the Fusion Energy Foundation and has written widely on medicine and biology, began his conference presentation by citing the recent proposal by Lyndon H. LaRouche, Jr. that the United States institute an emergency medical program to give the nation a civil defense capability as well as an up-

graded research effort in the fight to extend life.

During approximately the next 10 years, defensive anti-missile energy-beam weapons could be developed and deployed in stages, but could not initially provide total protection from an all-out military attack. Civil defense is therefore crucial to protect the population and lessen the destruction from a nuclear attack in this interval. The intrinsic value of human life is the foundation of our society, Dr. Rosinsky said, and a civil defense program would defend life even in the most devastating of circumstances. "We have to see civil defense not in a negative light but as necessary for survival, specifically in the case of a nuclear attack and generally as part of a mobilization of our medical and research resources to prolong life."

The news media have promoted two myths about nuclear war, he continued: first, that if President Reagan institutes a civil defense program it is because he is planning a first strike against the Soviet Union; and second, that in any case nothing can be done to protect ourselves against a nuclear attack. Dr. Rosinsky cited the two-hour ABC-TV program planned for Oct. 23 that purports to show how the population of a U.S. city is inexorably incinerated by a nuclear attack.

The media equation between nuclear war and total disaster, Rosinsky asserted, comes from the Pugwash Conference controllers of the so-called peace movement, who invented the MAD concept that the Soviets would never attack the United States because the counterattack would destroy them, and with Pugwash affiliates like groups like the Physicians for Social Responsibility. The Soviet leadership, for all its promotion of Pugwash, has never bought this argument, Dr. Rosinsky said; the U.S.S.R. has an extensive civil defense program. The American Medical Association and the National Academy of Sciences also reject the "total disaster" argument, and NAS has said that even in an all-out attack with every nuclear bomb dropped, large sections of the population would need to know how to survive. The California Medical Association, Dr. Rosinsky said, has recently advocated civil defense measures, stating that some 60 percent of the population would survive an attack and would have to

prepare to continue the war.

President Reagan's civil defense program is a modest one which has had almost no publicity. It would set up around the country 150 highly mobile teams of specialists, each with about 100 members, including two or three doctors. These would provide first aid and initial casualty clearance, backed up by mobile surgical-hospital units, one for every two teams.

Dr. Rosinsky said that this effort has to be greatly increased, and carried out on a paid, not voluntary basis, with an intensive drilling system. In addition to the challenge of medical care, we would face major tasks such as stockpiling food and purifying drinking water to prevent epidemics. To mount a successful civil defense program, Dr. Rosinsky said, would require upgrading the economy as a whole.

Dr. Rosinsky went on to refute some of the myths about radiation. For example, he said, casualties are greatly reduced by staying indoors during an attack. The Hiroshima bombing occurred in the morning, after an all-clear signal had been given and the population was on its way to work, so many more deaths were inflicted. Another myth is that even if people survive the blast, their genes will be destroyed; the Hiroshima studies show no genetic damage to survivors, and no increase in the cancer rate among their children.

The LaRouche proposal would train as back-up civil defense personnel tens of thousands of medical people, and at the same time put many more doctors into research programs on extending life. "How do we make the breakthroughs to enable people to live to be 100 or 150?" Dr. Rosinsky asked. "This is the question for further research." To this end, he said, we would put every cancer patient under the cancer research protocols program, giving them the highest-quality care and learning systematically which treatments are most effective. Patients are in an environment that is hopeful, not one that glorifies dying; their metabolism improves, and they know that they are contributing to the effort to prolong life.

Dr. Rosinsky outlined the kinds of research in biological science that must be promoted from this point of view. The Fusion Energy Foundation has proposed that the emphasis here be, not on the individual cell—the current direction of molecular biology—but on the functioning of tissue, the higher level of organization in the organism. "How do you get tissue to regenerate cells? Here you have to look at how the embryo develops, the geometry of the whole organism. This approach to biology is similar to the way we look at the economy, from the standpoint of higher-order interactions."

Advances in understanding metabolism

The second speaker on this panel was Demetrio Sodi Pallares, M.D., an eminent cardiologist from Mexico who is an honorary president of the Mexican Association of Cardiologists and the American Heart Association and a founding member of the Club of Life.

Dr. Sodi began by discussing how in his medical practice

as a cardiologist he had combated aging by improving the metabolism of his patients and by preserving their tissue mass, particularly muscle. Most simply put, his innovative treatment for heart patients is a no-sodium, high-potassium diet, which he originated in 1944. His patients' heart metabolism improved, there was a marked reduction in the size of the heart, and diabetic conditions also tended to abate.

To discover why, he studied the electropotential of cells and the interaction of potassium, insulin, and sodium in the cell. He compared the way he looked at increasing the energy of the body to the way LaRouche looked at the economy: you have to make energy in the most efficient way. In the body, the first step is to make ATP, adenosine triphosphate, the source of energy for metabolic reactions.

He first presented his theory of metabolism in detail in 1962; now, he said, it is the accepted theory. He described some of the recent research on metabolism showing that the ratio of glucose to fats in the body has to be at an invariant level of 1.5 in order to maximize production of ATP. The normal heart gets 60 percent of its energy through the oxidation of fats, he said, and 28 percent from glucose; in the diet he has been prescribing, this ratio is about 1.49. Returning to the language of economics, Dr. Sodi concluded that the role of fats in metabolism was negentropic, while glucose produced entropy.

In the conference's morning session, John Grauerholtz, M.D., FEF health policy director and deputy chief medical examiner for Passaic County, New Jersey, described the Acquired Immune Deficiency Syndrome (AIDS) epidemic as part of a larger picture: rampant malnutrition and unsanitary conditions in large parts of the world, weakening of the immune cell system, the spread of virus-borne malignancies, the return of malaria, and the spread of refugee concentration camps with "conditions like a culture medium for growing disease"—the gift of the environmentalists and population reducers to Africa and eventually the rest of humanity. (See *EIR*, Oct. 4.) Billy Davis, a nationally known farm spokesman from Mississippi, followed up on the relation of disease to protein unavailability, describing the gigantic shortfalls in U.S. food production relative to world needs, and the huge numbers of U.S. farmers who are being driven bankrupt, contrary to Agriculture Department statistics.

"You see pictures of 'surpluses'—big piles of grain in the Midwest. It's a lie. The fact is that there are no rail cars, no rail lines to transport the grain!" America must increase vegetable protein output threefold and animal protein output fivefold to meet daily maintenance requirements for the world population. We've got to plant fencerow to fencerow!" Davis declared, and upgrade meat and grain production with genetic engineering. "America must be the moral rock from which to turn the world situation around."

In future issues, EIR will report on additional presentations at the Club of Life conference and its counterpart conferences in Western Europe.

Strategic parameters of Pacific Basin development

by Uwe Parpart-Henke

With the exception of the China policy issue and preoccupation with alleged unfair Japanese trade practices, Asian policy questions have commanded little public attention in the United States since the dramatic U.S. withdrawal from Vietnam in 1975.

The seemingly intractable Central America problem has moved to center stage and blocked out all else. High economic growth rates, partly sustained even during the current world economic depression and concomitant relative political stability have made it easy to forget that, less than 20 years ago, virtually the entire Asian theater was in the kind of political turmoil that makes the present Central America situation look almost benign by comparison.

Asia in the mid-1960s

By 1965, under the "able" policy guidance of McGeorge Bundy and Robert McNamara, the Vietnam War had moved into its hottest phase; after the Chinese attack on India in 1962, the first Indo-Pakistani War delivered a second major shock to the Indian subcontinent; a Chinese communist-inspired insurrection in Indonesia cost the lives of several hundreds of thousands; Chinese communist-led insurgencies seriously destabilized Malaysia; and the Philippines had only recently come under control. Yet to come was the most brutal phase of the Vietnam War, the virtual destruction of Cambodia, the Indo-Pakistani War of 1971, and the Bangladesh secession.

The founding of the five-nation Association of South East Asian Nations (ASEAN) in 1967 and the extraordinary economic progress of these nations—Indonesia, the Philippines, Malaysia, Thailand, and Singapore—as well as of Taiwan and South Korea, greatly assisted by the successful Japanese

foreign economic policy in the area, and the less spectacular economic progress of India, which finally solved its age-old food problem in the late 1970s, helped convert a dangerous war zone into a zone of stability and high economic growth with higher expectations in the future.

On the eve of President Reagan's visit to the area—he will visit Japan, Korea, the Philippines, Thailand, and Indonesia in early November—this relative stability is now again seriously threatened. Unrest in Pakistan, Sri Lanka, and the Philippines are only the highly visible outward signs of trouble. The root causes of this—much as in the 1960s—lie largely outside of Asia itself. There are few, if any, economic or security issues, which, *from the standpoint of the mutual sovereign nation-states' interests in the area*, could not be readily settled. The difficulty, as analyzed in depth in a major recent policy paper by Lyndon H. LaRouche, Jr., "A 50-year development policy for the Indian-Pacific Oceans Basin," lies in the policies extraneous to the region pursued by contending *imperial* political factions and establishments in the United States, Western Europe, the Soviet Union, and China. The sovereign nations of Asia outside of the Soviet Union and the People's Republic of China (P.R.C.) find themselves in the unique world political circumstance of having to develop their own policies and of defending their very existence as integral nation-states in the center of a force triangle defined by two and a half imperialisms, as LaRouche has called them. These two and a half imperialisms are represented by first, the European oligarchy, its United States Eastern Establishment admirers, and the supranational financial institutions (International Monetary Fund [IMF], World Bank, and Bank for International Settlements [BIS] they control); second, the Great Russia imperial policies of the

present Soviet leadership; and third, the People's Republic of China, the junior ("one-half") imperial partner and sometime adversary of the former two. All problems arising for the Asian nations out of this constellation are greatly exacerbated by the total lack of a coherent grand strategy framework on the part of the Reagan administration for this part of the world, which by the end of the century will be inhabited by close to two-thirds of the world's population.

As a result of this strategic policy vacuum, two things are happening by default. First, since the present U.S. administration, specifically the White House, puts forward no coherent policy of its own, U.S. Asia policy becomes identified with the imperial policy designs of the Eastern Establishment, firmly entrenched in the State Department, and with IMF and World Bank policies. The resulting dissatisfaction and resentment in Asia, much as in other parts of the world, to such essentially neo-colonial policies then create immediate openings and opportunities for rival Soviet imperial moves.

Correlation of military forces

Ever since the 1979 invasion of Cambodia by forces of the Socialist Republic of Vietnam, the ouster of the murderous Pol Pot Khmer Rouge regime, and the subsequent Vietnamese occupation of Cambodia, issues of military security, which had receded into the background after 1975, have again dominated policy discussion in the region. The subsequent allegedly retaliatory Chinese incursion into Vietnam exacerbated the situation. A difficult two-front military problem under desperate economic conditions has forced Vietnam to rely increasingly on Soviet military and economic assistance and to make greater concession to Soviet demands for the use of Vietnamese air and naval bases at Haiphong, Danang, Bien Hoa, and Cam Ranh Bay.

The resultant present military situation in Southeast Asia is as follows:

Out of 1.1 million Vietnamese troops, about 60 percent are now deployed between Hanoi and the Chinese border, and 20 Vietnamese divisions totalling approximately 180,000 troops are engaged in the occupation of Cambodia. Soviet fleet force levels in the area, including fleet-based aircraft, have increased dramatically in the last four years (see chart), though very recent exact figures are not available. Against this, on the ground, stand a total of less than 700,000 armed forces for the five ASEAN states combined, including elements of the U.S. Seventh Fleet operating in the region. And while the Soviet Pacific Fleet is still no real match for the U.S. Seventh Fleet, the regional ground force balance is so lopsided in Vietnam's favor that from the standpoint of actual military capabilities, ASEAN security, in particular the security of Thailand, the most exposed member nation, is virtually non-existent. Total Thai armed forces number less than 250,000 and are unit-by-unit no match for the battle-hardened Vietnamese army. Estimates given this writer by informed individuals in Thailand of how long Thai forces could hold off a concentrated Vietnamese attack ranged from 72

hours to six days, and the best protection for Bangkok was generally held to be the impenetrable late afternoon Bangkok traffic jam. Support from other ASEAN members would either come late or, more likely, not at all.

All ASEAN troops, including the great majority of Thai troops, have been equipped and trained primarily for counterinsurgency tasks, and the only battle experience which they have lies exclusively in that area. Large increases in military spending during the last four years by most ASEAN nations have done little to change the 1979-80 correlation of forces. The most immediate danger for direct military confrontation between Thai and Vietnamese forces is created by the massive post-1979 refugee problem along almost the entire length of the eastern Thai border. Several hundreds of thousands of refugees from Laos and Cambodia are crowded into camps near the border and Vietnam has claimed that they are used as recruiting grounds, staging areas, and sanctuaries for Khmer Rouge units. In 1980 a sizeable Vietnamese force crossed the Thai border in hot pursuit of such units and, given the outspoken Thai government support for the anti-Heng Samrin coalition of guerrilla forces which includes the Khmer Rouge, a replay or worse of 1980 is always a possibility.

These military realities, including the greatly increased Soviet presence in the region, define the boundary conditions which any responsible proposal for a resolution of the Indochina conflict must take into account; politically, of course, the Cambodian question is the central item. I will now briefly review the chronology of some of the most important Cambodia related events of the last decade and a half to provide a basis for judgment of present policy—U.S. policy in particular—with regard to Cambodia and of alternative policy proposals.

Cambodia 1970-83

In 1970 the United States, acting through various agencies, was at least complicit in the ouster of the neutralist Sihanouk regime and the installation of the pro-U.S. Lon Nol

U.S.-Soviet naval balance in the Pacific

	1978		November 1982	
	U.S.	U.S.S.R.	U.S.	U.S.S.R.
Submarines	43	120	52	124
Carriers	6	0	6	1
Surface combatants	85	67	92	88
Amphibious craft	31	9	31	10
Mine warfare craft	0	75	0	90
Support craft	55	420	42	440
Fighter/attack aircraft (includes land and carrier based aircraft)*	836	1350	982	2000

*Soviet aircraft presently confined to bases in Soviet Far East except for 20 aboard the recently deployed aircraft carrier. Non-carrier based U.S. aircraft distributed throughout bases in Japan, Guam, and Philippines.

Source: U.S. Navy.

government. The same well-known chain of events, which then, five years later, led to the forced final withdrawal of the United States from Vietnam, also, in the same month of April 1975, brought the Khmer Rouge and Pol Pot to power in Phnom Penh. North Vietnamese and Chinese assistance were equally essential to the Pol Pot victory.

However, in short order, and certainly no later than by the end of 1976, Cambodia had been turned into an almost wholly dependent P.R.C. client state. Down to the battalion level, Khmer Rouge forces were advised and guided by Chinese military advisers, and a similar penetration occurred in the civilian administration, especially in the economic policy field. In 1975-76, a first wave of purges physically eliminated virtually all high- and intermediate-level civilian and military officials that had served the Lon Nol regime.

In 1977-78, this was followed by the full-scale implementation of the murderous Pol Pot-Chinese communalization, de-urbanization and "return to the countryside" policies. Virtually the country's entire intelligentsia was liquidated, and the most conservative existing estimates show that by late 1978 no less than 40 percent of the entire Cambodian population had fallen victim to a combination of deliberate massacres and mass-starvation induced by the Khmer Rouge policies. Simultaneously, in the second half of 1978, the great majority of Khmer Rouge military forces, under top-down Chinese military control, was shifted to the northern part of the country in the immediate proximity of the border with Vietnam. Some estimates hold that as many as 18 out of a total of 20 Khmer divisions were deployed in this fashion. Subsequent military developments provide high credibility for such estimates. In late December 1978, when Vietnamese troops, faced with an imminent two-front attack by Khmer Rouge and Chinese forces, pushed south into Cambodia, they faced little or no opposition on their march toward Phnom Penh after breaking through the initial *close-to-the-border* Cambodia deployment. By Jan. 7, Phnom Penh had fallen to Vietnamese troops.

The much broader strategic implications of the Vietnamese march into Cambodia are indicated by two events directly following the seizure of Phnom Penh—the late January 1979 visit of Vice-Premier Deng Xiaoping to Washington, and the Feb. 19 Chinese invasion of Vietnam.

The Chinese dimension of the Cambodia issue

It was pointed out above that no Asian policy or military conflict can be adequately analyzed without full consideration of the U.S.-Soviet-China force triangle. It must be recalled, therefore, that by 1978 the Carter administration under Zbigniew Brzezinski's policy guidance had elevated the process of normalization of U.S.-P.R.C. relations to the status of a new geopolitical strategic principle: the magical "China Card." A general scaling-down of U.S. forces in the Pacific and Indian Ocean regions, in particular the intended withdrawal of U.S. forces from South Korea, must be viewed in the same context. Brzezinski's and Cyrus Vance's illusions, in combination with Harold Brown's incompetence in

the military strategic area, had in fact by 1978 set into motion a second major U.S. strategic withdrawal from Asia and the Pacific Ocean after the 1973-75 Vietnam disengagement.

As Ray S. Cline argues convincingly in a recent essay contributed to the 1982 Hoover International Study "A U.S. Foreign Policy for Asia," the Carter/Brzezinski "China Card" ploy was based on three debilitating myths. First, that the U.S. tilt toward China would strengthen the U.S. strategic posture in Asia and inhibit Soviet advances; second, that China is a loyal friend, virtually an ally of the United States; and third, that Deng Xiaoping has firm control over a stable regime in Peking, capable of lifting China promptly out of poverty and backwardness. On page 7, Cline quotes some candid statements by Hua Guofeng that rather precisely explain the Chinese interest in playing along with the "China Card" game: "The Soviet Union and the United States are the source of a new world war, and Soviet social imperialism presents the greatest danger. . . . [However], the more powerful enemy can be vanquished by taking advantage of every, even the smallest opportunity of gaining a mass ally, even though this ally is temporary, vacillating, unstable, unreliable, and conditional." Such, Cline remarks correctly, is the friendship that Carter was so proud to have won.

Now look at the effect of the Carter China policy for Indochina and Southeast Asia. From the standpoint of Chinese interests and ambitions, the matter was quite straightforward: Once the seriousness of the promise to give China a free hand in Asia had been verified through such real life consequences as the initiation of U.S. withdrawal from Korea, the breaking off of all attempts to normalize U.S.-Vietnam relations, and a potentially disastrous dilution of Seventh Fleet strength by mid-1978, the P.R.C. leadership shifted the implementation of the economic and military policy measures in Cambodia described above into high gear. Attainment of a dominant policy position in Indochina and Southeast Asia is an age-old Chinese objective, and after the failure of the early 1960s policy to achieve it through subversion and insurrection (Indonesia, Malaysia), a new opportunity now presented itself and was exploited in every way possible. The hope of curbing Soviet policy influence in the area was an included policy feature, and some analysts have gone so far as to suggest that the deliberate massacres in Cambodia were simply a prelude to a planned resettlement of parts of Cambodia with a Chinese population.

None of this came to pass, and, in fact, in almost every respect the exact opposite of the Chinese and Carter administration policy objectives was realized. Soviet influence in the region, rather than being reduced, was enhanced dramatically, culminating in the 1979 Vietnam-U.S.S.R. security treaty. Whatever Soviet intentions may have been, there is no question that the "China Card" delusions created the essential opening which the Soviets had only to capitalize on in an almost routine matter. Simultaneously, U.S. influence not only was not enhanced, but a serious crisis of confidence sprang up among ASEAN nations concerning U.S. determination to maintain a strong strategic presence in the Pacific

theatre. Thailand, of course, was the principally affected ASEAN member, and then-Prime Minister Kriangsak made an urgent trip to Washington to seek at least minimal reassurances.

But the situation was far more serious than consideration of the Thai predicament alone would indicate. Thailand, virtually within days of the fall of Saigon, initiated secret negotiations with Peking—more out of desperation than out of conviction—to seek security assistance in case Vietnamese divisions, now poised all along its eastern border, would simply not stop there, but continue their drive west into Bangkok. Malaysia and Indonesia, however, perceived a different kind of threat. To them the entire “China Card” game, putting their traditional enemy the Chinese in charge of Asia policy, was a gross and incomprehensible strategic blunder.

In sum, four years after the traumatic and highly public Vietnam debacle, the Carter administration had incurred or rather helped produce a less publicized but equally serious strategic defeat, whose consequences are the parameters defining the present situation and clearly beg for radically different policy approaches of the kind specified by Lyndon LaRouche in his above-mentioned policy document on Indian and Pacific Oceans Basin economic development. But before turning to the explication of some detailed proposals for implementation following the LaRouche approach, two other matters must be discussed to clear the deck. First, was there a continuity in U.S., or rather Eastern Establishment Asia policy, that led to the Carter disaster. Second, was there any point of inflection in the past decade’s developments at which an entirely different policy was possible and deliberately ignored?

What might have been

While up to this point I have stressed Carter-Brzezinski policy responsibility for the decline of the U.S. strategic position in the Pacific, this point of view is clearly too limited in historical scope. In 1977 the Carter administration inherited a strategic doctrine, which had been formulated eight years earlier by Henry Kissinger and enunciated in Richard Nixon’s 1969 Guam Declaration (“Nixon Doctrine”). The declaration ruled out any future U.S. ground troop involvement in East Asia, stressed “self-reliance” of U.S. allies, and limited U.S. military action to the use of air and naval power against any potential aggressor. The message, reinforced by actual deployment decision, which over the next 10 years reduced U.S. military personnel deployed forward of Guam to less than 140,000, the lowest level since before World War II, came across loud and clear to U.S. allies in Northeast, East, and Southeast Asia: Don’t count on us, we are pulling out. The Japanese Defense Agency, noting U.S. Seventh Fleet strength decline between 1973 and 1977 from three carriers and 29 surface combatants to two carriers and 18 surface ships, carefully formulated that by 1979 the United States had only a limited capability to defend Asian sea lanes against the rapidly growing Soviet Pacific fleet. ASEAN

spokesmen were more blunt: The best ASEAN countries can hope for in the case of Soviet or Soviet-inspired aggression would be moral exhortations, the mobilization of world opinion, and, if the Congress permits, an increase in military aid and credit sales!

It is the continuity of the combined Kissinger-Brzezinski policy—Kissinger’s Metternich-imitating attempt at an Asian “balance of power” scheme centered on China—which by 1979 had created a dead end for U.S. Asia strategy. This perception could be reinforced in many ways, if in this policy review there were room enough to recount even just the most glaringly disastrous consequences of Kissinger policy misdirection in South and Southwest Asia.

That positive policy alternatives, especially after 1975, were available at just about every step of the way, goes almost without saying. Some of the relevant facts are as follows.

Just a few months after the fall of Saigon, a joint Malaysian-Thai initiative was developed to approach Hanoi to suggest a sequence of concrete steps, which would reduce ASEAN-Indochina tensions and lead in due time to Vietnam’s membership in ASEAN. The Thai government made clear that this would presuppose U.S. willingness to normalize relations with Vietnam and at least possible joint ASEAN/Japanese steps to aid in Vietnamese reconstruction. Thai sources have stated that Kissinger personally, hinting at Chinese objections, torpedoed the project.

The next opportunity to draw Vietnam closer to ASEAN arose in late 1977 with Vietnamese foreign minister Nguyen Duy Trinh’s visit to four ASEAN capitals and his endorsement of a neutral zone of economic cooperation in Southeast Asia, an idea put forward by ASEAN on several earlier occasions and still strongly demanded by Vietnam at the 1976 Colombo Non-Aligned Conference. Now it was Brzezinski who opposed, on behalf of his putative new-found Chinese allies, even tentative steps in that direction. A final Vietnamese initiative came only a few months before the move into Cambodia, during a September 1978 visit of Premier Pham Van Dong to Thailand and the Philippines. There can be little doubt that in the entire 1975-78 period Vietnam was anything but anxious to be fully drawn into the Soviet orbit. The need for reconstruction assistance, the perception that this could be effectively granted only with U.S. concurrence and that it required a stable security environment in Southeast Asia, were views which, according to all reliable accounts this writer could gather in several ASEAN capitals, were shared by a majority of the Vietnamese leadership.

The Kissinger-Brzezinski policy approach of subordinating ASEAN policy to the China Card continued under Alexander Haig. In February 1981 two Carter holdovers in the Reagan administration, Acting Assistant Secretary of State Michael Armacost and Deputy Assistant Secretary John Negroponte—both of whom were former Kissinger aides—wrote a memo proposing to use the Cambodia crisis to further the China Card. They proposed to provide American support for the Khmer Rouge by pressuring the forces of Sihanouk and Son Sann to join in a united front with the Chinese proxies.

The two men wrote that keeping the Cambodian fighting going would keep ASEAN polarized from Vietnam; moreover, they wrote, ASEAN nations normally suspicious of China would be forced to align with China on an issue of common interest, thus aiding the creation of a China-centered political lineup.

Through three administrations, pursuit of the illusory "China Card" let all opportunities for a constructive strategic alternative in Southeast Asia come to naught. Instead, we are now facing a Vietnam whose economic and military policies have become even more firmly embedded in the Soviet strategic framework. Comecon membership and the 1979 Vietnam-U.S.S.R. security pact are only the outwardly visible signs of this development.

Present U.S. policy alternatives

Since early 1983 Vietnamese foreign minister Nguyen Co Thach and several ASEAN leaders have resumed rounds of diplomatic activity reminiscent of the 1975-78 initiatives, culminating in Thach's recent trip to several ASEAN capitals. But this, of course, is not 1977, and walls of suspicion have been built up on all sides. Still, the United States must not simply dismiss or ignore what has been set in motion. The crucial point of method is to develop a new strategic framework within which such tentative steps can be given a chance to succeed.

Precisely this is the thrust of the LaRouche long-term economic development perspective for the Pacific and Indian Oceans Basin. A commonality of purpose is to be defined which shifts the policy debate away from narrowly defined security issues and changes the agenda at least initially to establish broad points of agreement and common interest, which then allow a fresh approach to otherwise intractable and divisive items. Suppose that instead of the Thai demand for a 30-kilometer withdrawal of Vietnamese forces from the Thai border, an entirely different border issue—the development of the Mekong River as an issue of vital economic interest to Thailand, Laos, Cambodia, and Vietnam—was put at the head of the agenda. An agreement in principle to proceed with such a project could then readily become the basis for establishing minimal ground rules, including security safeguards for all sides, without which execution of such a project would, of course, be unthinkable. The LaRouche policy proposal contains a whole sequence of similar economic development proposals, which are addressed not only to the development needs of Indochina and Thailand, but would define a common bond for the majority of the nations of the Asian Pacific and Indian Ocean rim. A high-level policy conference could be usefully convened to establish a well-defined list of priority projects with the necessary financial and credit arrangements suited to their speedy execution.

In the meantime, for the immediate purpose of this policy review, it must suffice to list the number of policy steps the United States must take preliminarily and, if need be unilaterally, to reassure its Asian allies, while simultaneously laying the groundwork for future action of the kind just indicated:

Military bases: In the face of the aggressive Soviet military build-up in the entire Pacific and Indian Oceans theater (see chart, p.31), existing U.S. bases must be maintained and reinforced; the most urgent need exists to modernize and bring back to full strength all Seventh Fleet capabilities. This writer, however, sees no need for new Pacific or Indian Ocean rim bases, whether in Pakistan or in Thailand. A reopening of bases in Thailand would simply provide a further pretext for reinforcement of Soviet bases in Vietnam, possibly provoking Vietnam into officially converting, for example, Cam Ranh Bay, now legally still only a "port of call" for the Soviet Pacific Fleet, into a full-fledged base under Soviet control. The security benefit for Thailand and the United States would be negative.

The refugee issue: U.S. inaction with regard to the refugee problem is scandalous. The United States must take immediate steps to at least relieve the economic pressure on Thailand. More broadly, a first constructive step for negotiations with Vietnam could aim at a mutually agreed upon policy for systematic resettlement of Cambodian refugees in Cambodia. This requires recognition by the Thai and U.S. governments that the atrocities committed by the Pol Pot regime have created a situation in Cambodia, which has made it physically impossible for that country to survive on its own under present conditions. Cambodia now has a 60 to 65 percent female population and virtually no trained administrators at almost any level. A cataloguing of actual needs, even if only involving rudimentary rebuilding of industry and administration, could provide the basis for a rational refugee resettlement policy. Direct or indirect U.S. aid in the process could create the context for future normalization of U.S.-Vietnamese relations and simultaneously lay the groundwork for Vietnamese withdrawal from Cambodian territory.

Strategic policy vectors: The most important long-term strategic policy question involves the internal stability of China. This can be promoted only through resumption of those modernization policies associated with Sun Yat-Sen's "New China" efforts of 1911, efforts later drowned in political chaos. The United States unilaterally, and without interference in internal Chinese affairs, can nonetheless make major contributions in this direction. Two types of approach are most promising. First, the LaRouche policy document takes note of Chinese plans for a major upgrading of the south-north Hangzhou-Peking Canal, originally built during the Sui (581-618) and Yuan (1271-1368) dynasties. U.S. assistance for such a large-scale infrastructure undertaking is feasible and would advance the in-depth modernization process. Second, assistance in the crucial areas of scientific research, most notably in such advanced fields as plasma physics and fusion research, to give just one example, also coincides with expressed Chinese wishes and proposals. Other areas of collaboration should be readily identifiable.

This presentation was made by Uwe Parpart-Henke at the Sept. 15 EIR conference on "The Development of the Indian and Pacific Oceans Basin" in Washington, D.C.

Harsh credit cutbacks aid Marcos opponents

by Richard Katz

New York bankers and Japanese press report an escalating cutoff of credit to the Philippines since the Aug. 21 assassination of opposition leader Benigno Aquino. The cutoff is spurring business circles to join other groups in opposing the continued rule of President Ferdinand Marcos, adding to the possibility of the ailing leader's early downfall. If, in addition, the U.S. President cancels the Philippines stop on his mid-November Asia tour—a growing possibility—then it is difficult to see how Marcos can survive. Philippines First Lady Imelda Marcos linked the financial and political pressures in a Sept. 28 talk to reporters when she said that if Reagan does not come, the government will “lose credibility” and the economy will collapse. “If our economy is ruined,” she pleaded, “we will fall.”

The opposition to Marcos in this former Spanish colony is led by plantation-owning oligarchical families, and their relatives in the Society of Jesus and among certain business strata. They, along with the International Monetary Fund and World Bank, have derided Marcos' significant, albeit flawed, industrialization efforts as mere boondoggles. As in Ibero-America, political instability in the Philippines is being heightened by the World Bank-State Department policy of forcing currency devaluations (including a 20 percent peso devaluation earlier this year), sharp cutbacks in industrialization projects, and increasingly harsh austerity measures.

In the wake of the turbulence after Aquino's assassination, austerity has been compounded by a credit cutoff. It has become practically impossible for Philippines governmental or private institutions to get any medium- or long-term funds in either the Eurodollar or the yen market, according to Japan's *Nihon Keizai Shimbun*. A Philippines desk officer at a leading New York bank confirmed the cutback: “Our view of the Philippines has changed. We're being much more cautious. Prior to the Aquino assassination, we were even thinking of expanding our lending to certain very secure areas now. Now, even for some of our existing customers, we're taking a second look at extending credit lines. There has been some cutback. Most of the major banks are not cutting back

drastically, but I don't know about the regional banks. They get more skittish.”

The credit restriction did not begin with the Aquino assassination and subsequent mass demonstrations, another banker cautioned: “People began looking askance at the Philippines because of the Mexico and Brazil crises. Philippines also has a very bad debt service to export ratio. But the current political instability has made it worse. People aren't sure if they can get their money back.”

Just as with the Shah of Iran, the U.S. State Department and international financial community are at best damning Marcos with faint praise. In fact, these factions publicly argue the United States can never again be caught without good relations with the opposition “just in case” Marcos also falls. Thus, Reagan is being urged by some State Department officials to cancel his Philippines trip. If he does go, they say, he should see Cardinal Jaime Sin, at present the most prestigious opposition leader. This, it is argued, will show “even-handedness.” Apparently, these officials want to follow up their successes in Iran and Central America with an equal success in the Philippines.

This international political and financial vote of no confidence in Marcos has encouraged many of Manila's businessmen to add their voices to the calls for Marcos's resignation. On Sept. 20, the day before a 100,000-person demonstration against Marcos, office workers swarmed out of buildings to break up a pro-Marcos rally in the heart of the business district. The next day, executives of some of the Philippines' largest corporations, such as the San Miguel Corporation, allowed their workers time off to attend the anti-Marcos rallies. The Philippines Chamber of Commerce and Industry, though it did not call for Marcos to step down, wrote an open letter to complain that business has been hurt severely by political instability, citing a plunge in tourist revenues and the cutback in international credit. They requested that Marcos respond by “maintaining restraint” against the demonstrators, and that he “refurbish” the commission assigned to investigate the Aquino murder by appointing new members of “unquestioned lack of bias.”

Marcos took to the airwaves on Sept. 24 to warn business participants in the demonstrations: “There will be men assigned to track you down, and we will meet you incourt. . . . The policy of maximum tolerance has been discarded. We have pictures of everything that happened; there are videotapes where the faces of men are very clear. We will look for these men. . . . Whether they are members of big institutions like the Ayala Foundation, the Bank of the Philippine Islands, or the Development Bank of the Philippines, Security Bank and other banks, you can rest assured we will look for you.”

The immediate determinant of Marcos' survivability will be whether Reagan cancels his visit. On Sept. 26, he hinted in an interview with the *New York Post* that he might not go, using the pretext that the current congressional session might last longer than expected. This excuse will not wash; should Reagan change his plans, it will be interpreted everywhere as Washington's sentence of death for Marcos.

The Lebanon 'ceasefire': a new humiliation for the United States in the Mideast?

by Judith Wyer

The sudden announcement of a Sept. 25 ceasefire in Lebanon, negotiated by U.S. Special Envoy Robert MacFarlane, sets up the potential for a strategic humiliation of the United States, which the U.S.S.R. and its Middle Eastern allies are ready to exploit.

The ceasefire agreement in total represents a treasonous appeasement of the aggressors in the Lebanese war, the Druze Muslims, the Syrians, and their Soviet patron, and smells of the kind of "crisis management" operations run by Henry Kissinger, the mentor of MacFarlane and Secretary of State George Shultz.

The terms of the ceasefire more than satisfy Syria's long-standing "Greater Syria" policy to gobble up all of Lebanon not already occupied by Israel, and ominously conforms to the 10-year-old policy of Henry Kissinger to partition Lebanon. By recognizing Syria's right to dominate most of Lebanon, the United States will be hard-pressed to engage in future military intervention against Syrian-backed forces, should the fighting renew, without admitting its own policy failure. As a result, Kissinger's boys have gone out of their way to checkmate President Reagan's stated policy of defending the sovereignty of Lebanon even if it meant using military force.

The two critical aspects of the ceasefire accord are the establishment of a national reconciliation conference of the chieftains of Lebanon's 16 ethnic and religious groupings to negotiate a new constitutional power-sharing agreement, and the use of a United Nations-connected force to oversee the truce.

From all indications, Shultz and his counterparts in the European participants in the multinational force—France, Italy, and Britain—designed this accord to appease the Soviet Union. It is thought that the Europeans might have agreed to back President Reagan's stance on arms negotiations with the U.S.S.R. if the United States backed off from a full-scale military intervention in Lebanon, as Reagan had let it be known he was prepared to do. The same week the State Department and the three European countries were putting together the ceasefire agreement, Italian Prime Minister Bettino Craxi visited West Germany, Britain, and Holland. Craxi also conferred with Paul Nitze, the chief of the U.S. arms

negotiating team in Geneva. Craxi then made a dramatic turnaround and announced his support for the deployment of the Pershing II and cruise missiles, scheduled to be stationed in continental Europe in December. Previously Craxi was promoting a proposal to put off emplacement of the Euro-missiles for six months beyond the December deadline, even if there was no progress in arms control talks with Moscow. The next day the ceasefire in Lebanon was agreed to and the fighting stopped.

Neville Chamberlain tactics

The terms of the ceasefire represent the same kind of dangerous appeasement as that of British Prime Minister Neville Chamberlain, the architect of the Munich "compromise" of 1938 that handed over the Sudetenland to Adolf Hitler, based on the the argument that the Nazis' landlust would be satisfied and war averted. The tragic results of that appeasement are a matter of historical record.

Two days before the ceasefire agreement, French Foreign Minister Claude Cheysson was quoted in *Le Monde* declaring that the U.S.S.R. had a role to play in the resolution of the Lebanese crisis. On Sept. 19, Cheysson issued a harsh attack on the United States for its military intervention in Lebanon. Italian Prime Minister Craxi earlier in September had already gone on the record asking that Soviet troops be included in a "neutral" peacekeeping force in the Chouf Mountains, a proposal seconded by the *Financial Times* of London which represents the thinking of the British Foreign Ministry.

On Sept. 27 Shultz met with the foreign ministers of the three European countries to discuss a "neutral observer" force for the volatile Lebanese Chouf area, which would include forces from the United Nations Truce Supervisory Organization, which already has 50 troops including Soviet participants in Beirut.

Now both Damascus and Moscow have let it be known that they have no intention of being satisfied by the ploys of Shultz et al. They have forcefully indicated they do not intend to share Lebanon, and diplomatic observers say that the current ceasefire will be only a respite contending forces will use to rearm.

Speaking before the United Nations General Assembly

Sept. 28, Syrian Foreign Minister Abdul Khalim Khaddam excoriated the United States for its role in Lebanon. He declared that the multinational force "reminds us of the colonialist expeditions through previous stages of the history of the region." Walid Jumblatt, the clan leader of the Druze Muslims, stated that the Druze were prepared to fight against the French forces again, as they had when they defeated the French—with the help of the British colonialists—in the "anti-colonialist struggle" in the last century.

Soviet Foreign Minister Andrei Gromyko praised the ceasefire within 48 hours of its announcement, but declared that the U.S. and Israeli troops had to leave Lebanon. Gromyko failed to mention the 40,000-man Syrian force occupying well over half of Lebanon. On Sept. 28 the Soviet news agency Tass said that Moscow had "positively assessed" the ceasefire but concluded that Lebanon's problems would only be settled if Israel withdrew and the United States halted "its crude interference" there. From all appearances, the Shultz-MacFarlane appeasement will lead to the Soviet-Syrian demand being met through a bloody renewal of fighting far worse than what has occurred over the past month.

Setting up the Marines

If Syria and the U.S.S.R. are serious about their demand for the U.S.-led multinational force to leave Lebanon, the question arises: Why are they opposing an alternative U.N.-connected force?

Moscow's actions indicate that it prefers to humiliate the United States when the U.S. forces are caught in a new wave of ethnic fighting, which will probably start up again in the southern suburbs of Beirut that surround the U.S. Marine headquarters.

Within hours of the ceasefire, Lebanese Prime Minister Shafiq Wazzan announced the resignation of the 10-man cabinet, fulfilling the Syrian demand for his ouster and that of the speaker of the Lebanese Parliament, Kamal Assad, both of them Muslims. The likelihood of the Lebanese chiefs peacefully sitting down and agreeing to a power-sharing arrangement is remote. The rivalry between these leaders is so intense that for nearly a decade they have not been able to sit in a cabinet together, and Lebanon has only had cabinets of neutral technocrats. Now that there is no government in Lebanon, the danger is that the longstanding ethnic rivalries will erupt even more wildly in a powerplay which will catch U.S.-led multinational forces in the cross fire.

Camille Chamoun, the old Maronite Christian warlord with British and Soviet connections, was the first to pull out of the reconciliation talks Sept. 28. It is reliably reported that Chamoun is active in mobilizing Shi'ite Muslims to defend Shi'ite Speaker of the Lebanese Parliament Kamal Assad against Syria's bid to oust him. With this comes the prospect that the Shi'ites will be mobilized to fight in the densely populated south Beirut area where they number about 300,000. The United States would be hard-pressed to intervene utilizing its massive naval fire power for fear of causing civilian casualties.

The growing fear is that this ceasefire, like so many others in Lebanon, will offer a period for rearming. The Lebanese Army is warning that the Syrian-backed Druze militia are already rearming. The military wing of the Lebanese Falange, the blood rivals of the Syrians and their Muslim allies, is also expected to fight.

There is also increasing danger that the head of the mass-based Shi'ah Muslim Al Amal organization, Nabi Berri, will lose control of his forces. Since mid-September Khomeini-allied renegades from Al Amal have provoked fighting in the area surrounding the Marines. On Sept. 29 two U.S. Army officers were kidnapped by radical Shi'ites, and rescued by forces of Al Amal close to Berri, a moderate who remains publicly allied to Gemayel.

The Lebanon dilemma is the fulfillment of a longstanding British-Soviet deal, with complicity from Sharon-linked forces in Israel, to finish off U.S. influence in the area. Exactly one year ago, Israeli Defense Minister Ariel Sharon and a group of British officials associated with a Kissinger enterprise to illegally buy up land on the Israeli-occupied West Bank, met at the Chamoun estate in Lebanon to plot the division of Lebanon between Israel and Syria, excluding the United States from what has been its Middle East intelligence center. About the same time, as *EIR* reported, Sharon had a secret rendezvous on Cyprus with a high-level official of the Soviet military intelligence service GRU, on a scheme to draw the United States into Lebanon, and humiliate it to break U.S. influence in the region.

A balkanized Muslim Lebanon

A Swiss-based Muslim convert with close contacts with the Khomeini regime boasted to a reporter the week of Sept. 26 that Lebanon is now well on the way to becoming an Islamic state. During his meetings with Syrian President Assad in September MacFarlane is reported by the Sept. 27 *Washington Post* to have pledged that Syria could regain its previous political and economic influence in Lebanon by accepting MacFarlane's ceasefire agreement. MacFarlane reportedly promised that this would be accomplished by bringing pro-Syrian Muslim groupings into a dominant position. Syria is determined to reconstitute its empire which included Lebanon and was destroyed during the early 20th-century Sykes-Picot agreement.

If Lebanese President Amin Gemayel, who prior to being elected to the presidency was known for his close ties to Syria, is not able to meet Syria's demand to give Syrian-backed Muslim minorities dominant political power in Lebanon, then it is expected that Syria will make good on its repeated threat of installing a puppet government of its own, probably centered around former Lebanese President Suleiman Franjeh, and Prime Minister Rashid Karami, both members of the Syrian-controlled National Salvation Party. A coup against Gemayel will come through renewed fighting as indicated in an interview with Franjeh in the Soviet Communist Party daily *Pravda*, Sept. 28, where he warned that the U.S.-negotiated ceasefire solves nothing.

Fast trigger on a new Persian Gulf oil crisis

by Judith Wyer

Over the past three months the fanatical Ayatollah Khomeini's Iranian government has repeatedly stated its intentions to block the Straits of Hormuz, the outlet for about 50 percent of Western Europe and Japan's oil, should Iraq use Super Etendard fighter jets against Iran's oil installations. With the Iran-Iraq war entering a critical phase and Henry Kissinger's smelly footprints all over the Middle East, the threat of such a Persian Gulf crisis and new oil cut-off is imminent.

On Sept. 28, the U.S. State Department put out a warning in response to a statement made the day before by Ali Khamenei, the president of Iran's Islamic Republic, who said that Iran will attack any ship carrying weapons or other imports to Iraq. Though the State Department did not mention Iran, it stressed that the United States "viewed with grave concern attempts by any party to interfere with the right of passage of non-belligerent ships through international water, principally . . . in the Persian Gulf."

A congressional source reported that the United States has detailed military contingencies in the event of a "blow-up" in the Gulf, noting: "Don't be surprised to see a task force directed towards the Arabian Sea." The Islamic Revolutionary Guards, equipped with heavy artillery, have taken positions on Larak Island in the Straits of Hormuz, which Khomeini has threatened to mine.

A critical factor in whether Khomeini carries out his threats is whether France finally delivers the five Super Etendards and Exocet missiles, and whether Iraq, desperate to end the three-year war with Iran, is left no recourse but to use them. To a large extent, this is up to Washington.

When Iraqi Foreign Minister Tariq Aziz meets Secretary of State George Shultz during the United Nations General Assembly, Arab diplomats say that Aziz will plead that Iraq must hit Iran's oil installations, unless Shultz assures him that the United States will shut down numerous U.S. illegal arms channels to Iran and force Iran to negotiate peace.

But in view of Shultz and his State Department's strong pro-Syrian tilt in managing the Lebanese crisis, Aziz's request might be read as a tall order. Syrian President Hafez al Assad, who has always maintained a warm relationship with

Shultz's top adviser Henry Kissinger, met Shultz in July and insisted that any cooperation he would give on Lebanon would be contingent upon an end to the U.S. overtures to Iraq. It is the White House, not the Kissinger-dominated State Department with its notorious softness on Khomeini, that has favored moving towards formal relations with Iraq (the two countries do not have official diplomatic relations). Besides Lebanon, U.S.-Iraq ties are considered a likely topic at Shultz's meeting with Syrian Foreign Minister Abdul Khalim Khaddam Sept. 30.

France agreed to meet Iraq's bid for the Super Etendards in April, but has stalled on delivery because of pressure from the White House, which fears an expanded Gulf war. On Sept. 20 Paris announced another delay, but a few days later Foreign Minister Claude Cheysson, a critic of the United States in Lebanon, told the press that "when we make a contract, we usually honor these contracts." France is said to be waiting until after the Aziz-Shultz meeting before deciding on if or when to deliver.

The Sept. 27 Iranian threat to attack cargo ships was interpreted in Washington as menacing Kuwait and Saudi Arabia, two major transshipment points for Iraqi imports. According to a former ambassador to Saudi Arabia, even if the Super Etendards are not delivered, Iran will find another excuse to "raise hell with oil exports." He warned that Iran will attack Saudi or Kuwaiti oil installations either by an air assault, or by terrorism using Iranian-backed Muslim fanatics.

On Aug. 20 Ayatollah Khoini, the Soviet-trained ring-leader of the 1979 hostage affair, formed an Assembly of United Islamic Movements from various terrorist gangs in the Muslim world for just this purpose.

The Soviet angle

Well timed with a possible oil crisis, the Soviet Union's Oil Minister announced Sept. 25 that the natural gas pipeline has been completed ahead of schedule and is ready to deliver gas to European customers. Because the compressor stations are unfinished the U.S.S.R. cannot yet deliver the full volume of gas. Instability of the Middle East has served Moscow's interests in making Western Europe dependent upon it for fuel. Last year the Soviet Union captured 15 percent of Europe's oil market, not including gas sales. Over the same period U.S. imports of oil from Saudi Arabia dropped from over 1 million barrels a day to just over 100,000 barrels per day.

Should Khomeini move to shut down Gulf oil he will be doing Moscow a big favor. Khomeini himself and his closest circle known as the Imamis, including Khoini, maintain their own little-publicized ties to Moscow.

Not only would Iran advance Moscow's bid to make Europe economically dependent, but an oil crisis may be used by Moscow to weaken Western Europe's support of Washington on arms talks, as the countdown to deployment of Pershing and cruise missiles in December begins.

Kohl government's wavering leads to setbacks in the state elections

by Rainer Apel

Radio Moscow, in its first commentary on the Sept. 25 election results in the West German states of Hesse and Bremen, hailed them as "a vote of the people against NATO rearmament and for the party which opposes the stationing of the American missiles, the Social Democratic Party," a sentiment echoed by the official Swiss daily, *Neue Züricher Zeitung*. Leaving aside the issue of what "the people" of the Federal Republic of Germany really think, the unexpectedly poor showing by Chancellor Helmut Kohl's Christian Democratic Union—a 6.5 percent vote loss in Hesse and 0.5 percent loss in Bremen—testifies to the failure of political institutions in the country to formulate a foreign policy in the national interest, a policy which could prevent a "hot autumn" of Weimar-style destabilization and chaos.

The Christian Democrats are teetering between propitiation of the Americans one day and of the Russians the next. The Social Democratic Party (SPD) has dissolved itself into the Soviet-backed "peace movement," as high-level party officials call publicly for the ouster of American influence from Europe. The Catholic Church is enmeshed in intrigues with the Russian Orthodox Church, aimed at creating a *Mitteleuropa* buffer zone between the two superpowers. The protestant Evangelical Church in Germany (EKD) is the principal "back channel" to the East and the brains behind the peace movement.

In both Hesse and Bremen, the Social Democratic Party gained 3 percent, capitalizing on popular anger at the Kohl government's austerity policies. As *EIR* predicted when Kohl was elected chancellor March 6, his "Brüning-style" budget cuts have made him one of the most unpopular politicians in Germany, and the vote showed it. Kohl acknowledged this in a television statement as the election returns came in, but vowed that the austerity would continue: "the CDU is in a difficult situation because of this government's rationalization policy, which has hit 30 million voters. . . . But in spite of this we will continue our austerity policy because it is the right policy."

In foreign policy, Kohl's precarious balancing act between Germany's principal occupying powers has led him to reaffirm his loyalty to the NATO alliance, while keeping his Eastern options open by playing footsie with Andropov under the table. In a radio interview Sept. 17, the chancellor as-

serted unequivocally that his government would not break its promise to deploy U.S. Pershing and cruise missiles if Geneva arms talks fail, since to do so "would plant the seed for the destruction of NATO. . . . When NATO does not hold its shield and umbrella over us, this would naturally also be the beginning of the neutralization of West Germany."

Yet just days later Kohl gave his consent for a Sept. 21 meeting between the head of the chancellor's office, Cabinet Minister Jenninger, and top members of the notorious Communist Party-dominated Krefeld Initiative. The group was one of the organizers of a mass anti-American demonstration against U.S. Vice-President George Bush in May, during which his motorcade was violently attacked by extremists. It was only a last-minute intervention from conservative Christian Democrats around Bavarian Minister President Franz-Josef Strauss that forced Kohl to cancel that strange encounter. But other, sometimes clandestine, contacts are being cultivated between the CDU and the "peace movement," including the formation this month of a new group called "60 Christian Democrats Against Rearmament."

SPD demands unilateral disarmament

The Social Democratic Party, since Kohl's election last spring, has come under full leftist domination. Egon Bahr, the party's disarmament strategist, recently blamed the United States for holding up progress at the Geneva talks by rejecting Andropov's proposal for a nuclear test-ban. "If Andropov's proposals were realized, the world would become a bit more secure," he said. Bahr is a member of the Palme Commission on Disarmament, which advocates the creation of a nuclear-free zone in Europe and a one-year postponement of the stationing of the Euromissiles.

Party chairman and former chancellor Willy Brandt, who at one time would have given plenty of lip-service to the defense of the NATO alliance, now speaks of "the vision of a future European peace order under which the successor [postwar] generation is no longer the victim of the situation between the two blocs . . . a Europe with the Russians out and the others, too."

At a series of regional SPD conferences in September, six party organizations voted up resolutions against the Eu-

romissiles. The most radical one was passed by the SPD of the north German state of Schleswig-Holstein, which called for unilateral disarmament measures by the West and a nuclear-free Europe. Delegates called for SPD support for anti-missile protests in October, including for "symbolic civil disobedience."

The keynote address delivered by the chairman of that SPD district, Guenther Jansen, termed Andropov's proposal for balancing Soviet against British and French nuclear missiles "favorable to Europe's interests." He said that the SPD's aim was to weaken the existing military blocs and have both the Soviet and American troops move out of Europe. "It was an American administration which, against all human reason, deployed atomic bombs against human beings in Japan," he demagogically cried.

It takes plenty of *chutzpah* for a left-wing Social Democrat like Jansen to talk about "human reason," when the political climate created by his party around the missile issue is fostering mass irrationality and jacobinism. Security officials in the Federal Republic are continuing to warn of Soviet-sponsored violence during the coming fall demonstrations, and particularly of the threat to U.S. Army bases.

The "Revolutionary Cells" on Sept. 20 bombed a computer-center of the MAN company in Gustavburg (near Frankfurt) in what they termed "a punitive exemplary action against a company working for rearmament." The "Autonomous Groups" are planning violent blockades of U.S. Army transportation routes such as the vital port of Nordenham. Their stated aim is "to disrupt the daily functioning of a central military control point for a short period of time." The Nordenham "Autonomous Groups" outline their sabotage plans: "Resistance against the military infrastructure creates a chance for spoiling war plans efficiently."

A leaflet distributed by "anti-imperialistic and anti-militaristic groups" in the Nordenham region says that "with guerrilla actions and with continuous militant resistance we have the chance of preparing the break—against the Federal German state, against the U.S.-NATO military strategy." Could these marching orders be taken out of a manual for Warsaw Pact sabotage squads to be deployed against NATO in case of war?

West German Interior Minister Friedrich Zimmerman, in a speech in Cologne Sept. 22, warned that "the threat of terrorism is far from over." Zimmerman repeated the charges of German security chief Heribert Hellenbroich, who created a furor during the summer by announcing that the peace movement gets money from Eastern intelligence services. Hellenbroich's statements were blacked out of the news media, and the secret government report proving his charges was suppressed, reportedly on orders from the U.S. Embassy and the German Foreign Ministry.

Entering the fray for the first time, Zimmerman denounced "the campaign against the NATO counterarmament that is being orchestrated by the Moscow-oriented communists." The Communist Party of Germany (DKP) is a "Trojan horse of Soviet long-term strategy," he said, and its growing

role in organizing demonstrations against the NATO missile deployment is "a threat to the stability of our democracy."

The role of the EKD

The Evangelical Church of Germany (EKD) plays a special role in this destabilization of the country, through its extensive role in the peace movement and its influence in the political parties. The EKD has maintained close working relations with the Lutheran Church in East Germany, even during the worst years of the Cold War when hardly any other channels of communication existed. The churches today coordinate their activities so closely that they are for all intents and purposes one church, and one transmission belt for Soviet disinformation into the West.

The influence of the EKD on West Germany's domestic political scene is immense, and undoubtedly helped determine the outcome of the Hesse and Bremen elections. Its think tank, the Evangelical Student Associations' Research Center (FEST) in Heidelberg, provides the SPD's Egon Bahr with his ammunition against the United States and NATO. The Church also has leverage in the Christian Democratic Union via that party's Protestant wing. Georgetown University's Norman Birnbaum, a leftist friend of Egon Bahr, recently said that "if Chancellor Kohl tried to move against the peace movement, the EKD would show him his limits. The CDU would be able to feel the power of the EKD already in the next elections—the Church could draw voters away from Kohl."

Birnbaum invited one of the EKD's principal military strategists, Klaus von Schubert, to the United States for a series of discussions with American critics of the Reagan administration. Von Schubert headed the FEST's "working group on disarmament" and serves as a personal advisor to Egon Bahr. Another of the EKD's main string-pullers is south German nobleman and peace movement *éminence grise* Carl Friedrich von Weizsäcker. He recently met U.S. arms negotiator Paul Nitze "for a lengthy discussion about nuclear disarmament," and sources inside the EKD say that "this might have some dampening effect on the Reagan administration, since Nitze has some maneuvering room and influence in Washington."

Richard von Weizsäcker, brother of Carl Friedrich and the Christian Democratic Mayor of West Berlin, is a member of the EKD Board who is also playing a key role in East-West negotiations, making use of the extensive networks of SPD contacts with East Germany organized by the leader of the Berlin SPD's left wing, Harry Ristock. Ristock is said to have reported regularly to von Weizsäcker on his numerous trips to East Germany since at least the end of 1981. Von Weizsäcker met at the end of September with East German party chief Erich Honecker and attended the Martin Luther 500th anniversary celebrations in Wittenberg, East Germany. In his speech there von Weizsäcker stressed that "in spite of the partition of our nation, we must always be aware that we belong to a special community of Evangelical Christians in East and West Germany."

Swedish Peace Research Institute pushes treaty to stop U.S. beam weapons program

by Clifford Gaddy in Stockholm

Ending a three-day closed symposium in Stockholm, a group of international arms control specialists announced on Sept. 23 a plan to push for rapid negotiation of a treaty to ban anti-satellite (ASAT) weapons as perhaps the only effective way to stop the otherwise inevitable development of beam weapon missile defense systems.

The symposium, entitled "Outer Space—Can Militarization Be Checked?" was arranged by the Stockholm International Peace Research Institute (SIPRI) and brought together 15 experts from the United States and Western Europe. No Soviet representatives attended the symposium.

As explained by SIPRI director Frank Blackaby, the official conclusion of the Stockholm gathering will be a drive to persuade the international arms control community of the necessity of speedy negotiation of an ASAT treaty. However, comments by symposium participants at the press conference and in private made it clear that the real target of the SIPRI campaign will not be ASATs so much as the American administration's planned program to develop beam weapons for anti-missile defense.

One participant, Walter B. Slocombe, a former U.S. Defense Department official under Jimmy Carter, explained that the technologies involved in antiballistic-missile (ABM) defense and anti-satellite warfare are essentially the same, and "you can't ban one without banning the other."

Since its founding in 1966, SIPRI has actively opposed all ABM systems, insisting that nuclear deterrence—the doctrine of Mutually Assured Destruction (MAD)—must not be undermined. The author of the MAD doctrine, Henry Kissinger, was one of SIPRI's founding members.

The U.S. administration's decision to develop directed energy beam technologies for ABM purposes has, however, made SIPRI's anti-ABM efforts considerably more difficult. The SIPRI staff is notorious, even among international arms control advocates, for its lack of competence in science and technology. With very few exceptions, SIPRI personnel are social scientists and journalists; SIPRI head Blackaby himself is an economist.

This scientific ignorance has put SIPRI to some extent at the mercy of its own in-house expert on space weapons and beam technologies, Bhupendra Jasani, who has repeatedly irritated his SIPRI colleagues by insisting that the institute listen to competent scientific experts on beam weapons be-

fore launching a public campaign against them.

Earlier this year, Jasani caused a minor scandal at SIPRI when he arranged for the institute staff to be briefed on beam weapons by Uwe Parpart-Henke, director of research for the Fusion Energy Foundation and an expert on beam-weapons defense. The inability of anyone at SIPRI to refute Parpart's pro-beam arguments reportedly led to demoralization among SIPRI staff regarding the institute's capacity to mount an effective anti-ABM campaign.

According to some sources, the Parpart affair may have been repeated during the just-concluded symposium at SIPRI. Apparently, the select 15-person group of participants included one firm advocate of beam weapons, Dr. Paul Nahin of the University of New Hampshire and the U.S. Naval Research Laboratory. Although Nahin himself privately expressed surprise at the violent opposition his straightforward defense of beam weapons had provoked—"I was mauled by everybody as soon as I even hinted that beam weapons might be a good thing," he said—rumors at SIPRI indicate that Nahin's stubborn refusal to back down made it difficult to work out a concerted anti-beam line.

The question is whether the entire symposium was not doomed to failure from the beginning, owing to the absence of Soviet representatives. One of SIPRI's main functions has always been to serve as a "back channel" for arms-control circles in East and West. The Soviets had been invited to take part in the symposium, but they declined at the last minute.

SIPRI's Blackaby volunteered the explanation that "the Soviets were apparently not prepared to answer some of the questions they thought would be asked of them." Symposium participant Kurt Gottfried of the Union of Concerned Scientists identified one of those questions when he referred to the fact that the Soviets themselves have had a functioning ASAT system for 15 years, while the Soviets' draft treaty for banning weapons in space does not provide for the dismantling of that system. "The Soviet ASAT system is one of the most serious obstacles to arms control in space," Gottfried commented.

The other "unanswerable" question for the Soviets, of course, is why they have condemned the United States for its intentions to develop beam weapons when the U.S.S.R. has an even more advanced system which it is developing in secret.

The Vatican and *Mittleuropa*

There was a very specific flavor in the Pope's remarks in Vienna on theology, ecumenicism, and politics.

Could there be an agreement between the ideologues of "Moscow as the Third and Final Roman Empire" currently running the Soviet Union, and the Vatican circles that prepared Pope John Paul II's trip to Vienna in September? At this point it would be hard to answer no.

The timing was apt: the Pope's visit to Austria, the country which hosted the Congress of Vienna, coincided with the 300th anniversary of the victory of Christendom over the Turks, just as a *Mittleuropa* conference was beginning Sept. 19 at Duino castle near Trieste.

Vienna's Franz Cardinal Koenig had worked hard. He had put off the Pope's visit to Austria twice, and finally the right moment had arrived.

The speeches by the Pope in Austria give an alarming picture of the confusion and manipulation which the Roman Curia is exercising over him. Praise of Pope Pius II (Enea Silvio Piccolomini), the great humanist of the 15th century, was mixed in with exaltations of the Congress of Vienna of 1815, which ended the creative upsurge represented by the Italian Renaissance, and brought back the banned Jesuit order.

The Pope's speeches stressed the "danger of industrialization," a line of thought promoted by the Jesuits and the Club of Rome, as well as the Kremlin, which fears the prospect of a real economic recovery in the West. "No project, even the most technically perfect and industrially sound can be justified if it jeopardizes human dignity and the rights of peoples," said

John Paul II. The Pope invited "Western Christians to re-discover their Oriental soul." He celebrated a mass together with the Metropolitan of the Orthodox Church, Chrisostomos Tsister, under the approving eyes of Cardinal Koenig.

But the characteristic element, and in a certain sense the only consistent note, in the pontiff's speeches was his repeated expounding of the concept of *Mittleuropa*, Central Europe, a Europe, as *Panorama* aptly put it, "of the cathedrals, with one origin and substance, with its autonomous and unified cultural tradition, to East and to West, without any more barriers." That is, a Europe of a separate peace with Yuri Andropov, regionalized into ethnic pockets controlled by the old Austro-Hungarian nobility.

We can imagine with how much cynical determination the functionaries of the Vatican Secretariat of State penning the Pope's speeches wanted to underline their desire to forge an alliance with the Russian Orthodox Church when they wrote: "The unity of the Church has its absolute foundation in the mystery of the Trinity of God," to be read in the sense given to it "by the Christians who met in Vancouver at the General Assembly of the Ecumenical Council of the Churches." That was the World Council of Churches, where the Russian Orthodox delegation led a savage attack on the Judeo-Christian tradition of morality based on man's increasing dominion over nature!

The Pope's speeches were echoed by the statements of the Austrian jour-

nalist Dalma at the Duino gathering on the "European Significance of *Mittleuropa*," staged at the castle of the Torre e Tasso, the Italian branch of one of Europe's most evil and powerful oligarchies, the Thurn und Taxis. Dalma boasted, "We are not making an error of judgment. *Mittleuropa* is not just the old Austro-Hungarian empire, but it is the idea of John Paul II. *Mittleuropa* is open to the East and to the West. The Pope offers the Russians a unified, stable central Europe."

A dossier titled "The Pope on Trial" sheds light on what is being readied as the new image of John Paul II's pontificate. The Vatican daily *L'Osservatore Romano* dedicated only a few lines of feeble protest on its back page Sept. 22 to the *Panorama* article, which was patiently cooked up between Monsignor Silvestrini of the Vatican State Secretariat, Cardinal Koenig, and the Roman Curia. The article claims that Koenig was responsible for the Pope's election, and insinuates that he is therefore entitled to run the Vatican.

One significant detail: the guest list at Duino included Aurelio Peccei, the founder of the Club of Rome. Of course, the Club of Rome is a major promoter of the "Europe of the Regions" project of Count Coudenhove-Kalergi, founder of the racist Pan-European Union, which in turn was a major organizer of the Duino gathering. But the Club of Rome has also recently declared its homicidal hatred for the Pope and his defense of the principle of life.

Club of Rome co-founder Alexander King bragged in a June 1981 *EIR* interview: "The Club of Rome has excellent contacts with the Vatican through Cardinal Koenig of Vienna; he has participated in various of our meetings, and has spoken for us to the Pope."

'A frustrated fascist'

The battle between key unions and the education minister has reached a new intensity.

The people have a mistaken notion about the personality of Jesús Reyes Heróles. At bottom, he is no liberal but a frustrated fascist. It is unimportant to him whether workers die as long as he achieves his perverse aims. He tried to take over the oil workers' union when he was director of Pemex . . . to use it as an instrument of influence in the presidential succession fight . . . but as disciplined militants we opposed him and since then he has had an irrational hatred [toward us]."

This view of the present minister of public education was expressed by one of the most influential leaders of the powerful oil workers' union, Joaquín Hernández Galicia, alias "La Quina," in an interview granted to the weekly magazine *Por Esto*.

The sentiments of the oil workers' leadership come in response to the resurgence of a campaign to destroy the union under the banner of "ending corruption," a campaign headed up by Reyes Heróles. Reyes Heróles, who served for a period in powerful cabinet posts in both the previous administrations, also targeted the teachers' union and the CTM, the large confederation which is the backbone of the ruling PRI party, for elimination.

In previous columns I have documented the role Reyes Heróles has played in distorting Mexican history and in trying to manipulate two Presidents (Luis Echeverría and José López Portillo) into installing a Malthusian clique in government, for which he was thrown out. Today, taking advantage of a succession debate over

the post of secretary general of the oil workers' union, Reyes Heróles is once again attempting to create a schism within the union. But his shots may boomerang.

The attacks against Reyes Heróles are not only coming from "La Quina." The union's current secretary general, Salvador Barragán Camacho, took the occasion of the annual commemoration of Mexico's oil nationalization on March 18 to protest to President de la Madrid that the government was afflicted with officials who did not share de la Madrid's own ideals of the Mexican Revolution.

Nor are the oil workers the only powerful union which has run into Reyes Heróles' vendetta. On Sept. 22, the Revolutionary Vanguard Group of the national teachers' union (SNTE) celebrated its 10th anniversary in Mexico City. The event featured the entire national leadership of the union, some 6,000 (the union itself is one of the largest in Ibero-America, with several hundred thousand members), breakfasting with President de la Madrid, Reyes Heróles and other government officials. In the afternoon a street festival was held in the Zócalo, Mexico's central plaza, where the union's teachers gathered, 100,000 strong.

Upon Reyes Heróles's arrival at the auditorium, the union leaders began to hiss and boo, quieting down only when President de la Madrid entered the room. The speeches of both the secretary general of the SNTE and de la Madrid were warmly applauded, but not a single person clapped after the short presentation by Reyes

Heróles.

At the end of the meeting, a group from the Mexican Labor Party (PLM)—which has been in the forefront of attempts to rebuild a republican education program in the country—began distributing leaflets to the union leaders explaining that Reyes Heróles' resignation was imperative if the education of the Mexican people were to advance. Hundreds of teachers surrounded the PLM organizers to request bundles of the leaflets to take back to their locals around the country.

President de la Madrid, once a student of Reyes Heróles at the National Autonomous University, has so far not moved to purge him from the cabinet, though more and more "old political hands" are urging the President to do so to prevent an unnecessary and potentially fatal blow-out between the government and the unions. The President may be moving in that direction, however. In his State of the Union address Sept. 1, de la Madrid emphasized the need to turn education more toward the natural sciences and engineering. Just a few days later, Reyes Heróles went out of his way to say that his vaunted "educational reform" consisted primarily in building up the social sciences and de-emphasizing natural science.

Fidel Velásquez, the head of the CTM and probably, next to de la Madrid himself, the most powerful man in the country, has come out against the meddling of the education minister and his ally, Labor Minister Arsenio Farrell Cubillas. Asked in the second week of September if he could back up the charges of the oil workers against Reyes Heróles and Farrell, Velásquez said he couldn't confirm names, but that "there is an effort to destroy the oil workers," and it comes "from people as high as the cabinet level."

International Intelligence

Italian defense official endorses beam weapons

Italian Undersecretary to the Ministry of Defense (Air Force) Bartolomeo Ciccardini endorsed President Reagan's anti-missile defense program, in an interview granted to *EIR* in Rome on Sept. 24.

"I prefer the equilibrium of the shield to that of the lance," said Ciccardini; "it is a defensive equilibrium which is safer and can appeal to good faith. It is not a continuous race like that of missiles against missiles. I therefore speak for the necessity of a political decision which would accentuate attention on replacing the nuclear deterrent with systems that guarantee defense. . . ."

Ciccardini noted that "All the sarcasm, in our country and elsewhere, around 'Star Wars,' as if this led to an increase in the danger of war, is due to a lack of military culture which afflicts the political and intellectual world. These new defensive systems represent real progress in relation to the present extremely dangerous strategic situation. . . . It is strange how people who ought to have been very happy about this new defensive possibility have instead described President Reagan as a cowboy in a science fiction film. . . ."

"What the U.S.S.R. fears is the potential technological development of the West, also of Europe and Japan. The U.S.S.R. still expresses the complex of encirclement, in a way I would dare to call theological, and this has been since the time of Stalin. The U.S.S.R. considers the Western proposals as aggressive, every project is seen with mistrust, as an 'anti-Soviet plot.' There is no hope for a rational response in the short term."

The complete text of the interview will be published in *EIR*'s next issue.

Gen. Williams supports Reagan doctrine

General Paul Williams, commander of the U.S. Army's Fifth Corps in Europe, declared Sept. 29 to *EIR* that "I support the President" on his beam-weaponry initiative, and "you can quote me on that." Williams,

a three-star general and the U.S. Army European Command's second-ranking officer, was speaking before the closing press conference of the Fifth Corps' field exercises titled "Confident Enterprise." This summer he was doused with blood by a member of the ecologist-peacenik Green Party who is a deputy in the Hesse parliament.

'National unity' austerity for Israel?

Likud Party Prime Minister-designate Yitzhak Shamir and Labor Party opposition leader Shimon Peres have been probing the possibility of a "national unity government" for Israel. Both men are attempting to use the negotiations to isolate their respective political opponents and frustrate the ambitions of Israeli wild man Ariel Sharon.

Both sides in the negotiations are reported agreed on the necessity of carrying out recommendations for the economy outlined by an International Monetary Fund fact-finding team that visited Israel recently. The *Financial Times* of London says that "alarm bells" are ringing at the Bank of Israel following the late-September announcement that Israel's foreign debt has increased by \$550 million since the beginning of this year, to the astronomical total of \$21.5 billion.

Israel's economic plight is the backdrop for a political offensive inside Israel by former Defense Minister Ariel Sharon, a leading protector of the Kahane-Temple Mount networks. Sharon is "again on the warpath . . . All wait for his self-inflicted fall," stated the *Jerusalem Post* in a Sept. 21 editorial titled "Who Will Stop Sharon?"

"But the fall is not inevitable," the *Post* warns; "And given the disarray in Israel today, the prospects of, at best, a short-lived government facing economic crisis, a war of attrition in the north, and internal cleavage—the fall of Arik Sharon is certainly not inevitable."

Jerusalem judge acquits Temple Mt. provocateurs

A District Court judge in Jerusalem has acquitted 29 members of the Jerusalem Tem-

ple Mount Foundation and Rabbi Meir Kahane's Kach group. The defendants had been prevented by police last March from taking over the Temple Mount area and staging a bloody provocation against Arabs worshipping on the Islamic Dome of the Rock there. The judge not only acquitted the 29, but charged that the police forces had "grossly exaggerated" the dangers they represented.

The court decision occurred simultaneously with the arrival in Israel of 4,000 Christian evangelicals sponsored by the International Christian Embassy in Jerusalem. *EIR* has identified this organization as a component of the U.S.-based Jerusalem Temple Mount Foundation, which has been working for a religious explosion over the holy site.

Singapore spotlights U.S. role in region

U.S. relations with Japan, rather than with China, must form the basis of security in the East Asian region, Foreign Minister S. Dhanabalan of the usually pro-Peking government of Singapore told a Sept. 29 Asia Society luncheon in New York City. Following the end of the Vietnam war and the growth of the Soviet Pacific fleet, he said, Southeast Asian countries worried that America might withdraw from the region.

Dhanabalan diplomatically sidestepped an *EIR* question as to whether a cancellation of President Reagan's planned visit to the Philippines would be regarded as undercutting Marcos, and decreasing America's role in the region. His answer was to repeat that America must make clear its continuing commitment to the region and the preservation of its bases in the Philippines, whatever the results of the turmoil in that country.

Peruvian strikers use EIR for ammunition

Peru was shut down Sept. 27 by the most effective general strike in decades, and strike leaders are citing *EIR* to explain why they are fighting. The strike, called by the communist-backed labor federation, was supported by the staunchly anti-communist

APRA party, which has a strong labor base. Official APRA spokesman Carlos Enrique Melgar told the weekly magazine *Gente* that he fully agrees with *EIR*'s exposés of "what the World Bank and the IMF want to do to our state sector" and the role of Wells Fargo. The daily *El Observador* advocates an alliance of workers and industrialists to confront "the Wells Fargo cult which has taken over the Peruvian economy."

In the capital city of Lima, over 900,000 workers struck in opposition to starvation policies dictated by the IMF, and "implemented by former employees of Wells Fargo Bank," according to strike leaders. The police and military were deployed to repress the strikers, killing two, arresting hundreds and using water guns and tear gas against groups of strikers in the streets.

Labor leaders held a strategy session with leaders of the National Industrialists Society (SNI) on how to defend themselves against IMF conditionalities. The unionists and industrialists published a joint communiqué which committed the signers to defense of Peru's national industry—public sector and private.

The bulletin of the conservative National Industrialists Society (SNI) has published *EIR*'s documentation of the Kissinger faction's plot to use debt paper as a pretext to seize national assets.

Libyan assassination plot against Reagan

The following is excerpted from an article, headlined "Man Spilled 'Kill Reagan' Plot in Calgary," which appeared in the Montreal *Sunday Express* Sept. 25:

"A Yugoslavian claiming links to the Arab world said late Friday he was interrogated by a U.S. Secret Service agent about an alleged Libyan-backed plot to assassinate President Ronald Reagan.

"George Ben Yousef, 52, said he informed two U.S. Secret Service agents of a plot earlier this week when they questioned him in a Calgary detention center. He is being held for allegedly traveling on a phony Yugoslavian passport.

"RCMP immigration investigator, Lars Hansen, confirmed: 'the U.S. Secret Service agents were in Calgary but have re-

turned home.'

"In Washington, neither the White House nor the Secret Service would comment on Yousef's allegations.

"In a UPC interview in a tiny holding cell in the Calgary Remand Center, Yousef said he was promised \$1 million (U.S.) to participate in the alleged assassination plot. He said the offer was made last May in Tripoli, Libya, where he visited Ibrahim Abjad, whom he identified as a Libyan government official.

"Abjad told me he was building a group to assassinate Reagan and [former U.S. Middle East peace envoy] Philip Habib. . . . The six men would arrive Sept. 24 in New York and I was to meet them at the PLO [Palestine Liberation Organization] office there."

"He said they were instructed to gather information about Reagan's travel plans outside the United States. 'These men wanted to assassinate Reagan in Manila in November because that is a neutral country,' he said. . . .

"He contended the plot was hatched by Libyan leader Moammar Khadafy, Abjad, and Dr. George Habash, leader of the Popular Front for the Liberation of Palestine. . . ."

Craxi goes through with health-care cuts

Italian Prime Minister Bettino Craxi unveiled his austerity program Sept. 29: a cut of 40,000 billion lire from the anticipated 130,000 billion lire public deficit for 1984. Health care and other social services will be hit the hardest by the Socialist premier.

The present hospital system, which some have characterized as "organized euthanasia," will be further reorganized, under the familiar catchphrase of eliminating "needless beds." According to the new program 6 beds per 1,000 inhabitants is the limit. Restrictions on hospital spending will be tightened, as will public subsidies.

Craxi also announced a cut in payments to certain handicapped workers; and special benefits for families with children will be reduced. Craxi met with representatives of private industry Sept. 28 to plan a further cut in the cost of living escalator.

Briefly

● **ANWAR FATTAIRI**, the military commander of the Druze forces in Lebanon, declared in a Sept. 24 *Le Monde* interview that "A U.S. intervention may multiply by 10 our losses; we don't care. We are a people not afraid of death. Don't forget that we firmly believe in metempsychosis." He added that the Soviet Union is "our friend."

● **WILLY BRANDT** endorsed the Reagan beam weapons defense program in response to a question from *EIR* at his Sept. 29 press conference in Washington. European Labor Party chairman Helga Zepp-LaRouche immediately released a statement congratulating the Socialist International chief for the "remarkable presence and clarity of mind" in making the endorsement.

● **EGON BAHR**, the most prominent eastward-running pipeline in West Germany's Social Democratic Party and a former Brandt aide, told the press on Sept. 27 that the headquarters of the United Nations ought to be shifted from New York to Berlin.

● **THE DISTRICT COURT** of Frankfurt issued two preliminary restraining orders against leftist publications which have called Helga Zepp-LaRouche's European Labor Party (EAP) "neo-Nazi." One was directed at the pro-terrorist *Tageszeitung*, and the other against the East German-financed magazine *Konkret*. Both publications claimed the statements were in accordance with the current view of the Verfassungsschutz (the West German equivalent of the FBI)—a claim which was strongly denied by the press spokesman for the Lower Saxony Verfassungsschutz.

● **ARIEL SHARON** has made the remarkable discovery, announced in a recent campaign speech, that much of the country of Jordan in fact belongs to Israel.

Administration sidetracked from the strategic crisis?

by Richard Cohen

White House sources report that during September a group of senior Reagan advisers succeeded in increasing proposed funding for beam weapons and related anti-ballistic missile technologies from \$1 billion to \$8-\$10 billion. This enormous increase in the administration's funding request will be conveyed in a public campaign for the defense program, incorporated into the President's re-election effort, other sources say.

The President emphasized his administration's dedication to what is expected to be a fiscal year 1985 defense budget request of over \$300 billion in his otherwise slavishly obedient speech before the annual meeting of the International Monetary Fund (IMF) in Washington, D.C. on Sept. 27. There, the President warned that the United States shouldered extraordinary burdens for the West as a whole, and therefore must not subject itself to the budget cuts repeatedly demanded by Kissinger intimate Jacques de Larosière, the IMF's executive director.

Yet the President has still refrained from launching a "crash program" for ABM system development, the full mobilization of U.S. industrial and human resources which alone could generate a real economic recovery and force the Soviet Union to come to the negotiating table in good faith, to work out agreements governing a new age of Mutually Assured Defense. Instead, White House sources emphasize that the campaign for defensive weapons systems will remain limited and will be placed within a public administration push for arms control.

The White House's illusions

The White House is operating under two dangerous influences. First is the foolish belief in "the recovery" which has

been cooked up by the statistical wizards at the Federal Reserve and the Commerce Department. Second is the pernicious influence of Henry Kissinger and associates, including Britain's Lord Peter Carrington, who argue that since the United States is "recovering," whereas the Soviet empire is allegedly "crumbling" from its economic and other weaknesses, the Reagan White House should emphasize Kissinger-style arms control maneuvers, while simultaneously carrying out clever operations to hasten the expected fissuring of the Warsaw Pact.

The effect of these policies will be to make World War III more likely, while preventing the United States from launching the only measures which could enable it to survive economically and militarily.

Washington sources warn that the President's political advisers are coming more and more under the influence of White House Chief of Staff James Baker III, who will, after the President's expected November re-election bid announcement, become the key in-house campaign adviser to the President, replacing Ed Rollins, who will move out to run the President's re-election committee. Baker and his coterie of political advisers and pollsters have reportedly already laid down the law that the President must, from now through the 1984 election, underplay any sense of strategic or economic crisis, calm popular fears, and continuously emphasize "peace."

In an attempt to shift U.S. policy in the direction of the required "crash program," *EIR* founder Lyndon H. LaRouche, Jr., the advisory board chairman of the National Democratic Policy Committee (NDPC) political action committee, issued a statement Sept. 26 officially announcing his candidacy for the Democratic Party presidential nomination.

In his announcement (see page 49), LaRouche stressed that his effort would be measured in his campaign's influence on official policy during the remaining months of 1983 and during 1984—even before the presidential elections. Identifying a crash program for defensive weapons technologies as the only shock that might sober the Soviet leadership, and as the way to a capital-investment- and export-dominated recovery, LaRouche called the speech of Democratic National Committee chairman Charles T. Manatt on Sept. 20 at Georgetown University the precipitant to his announcement of his candidacy.

Manatt's speech put the Democratic Party and all its announced candidates on record in favor of a "mutual and verifiable nuclear freeze." Despite the Soviet shootdown of Korean Air Lines flight 007, Manatt said, "the seven distinguished candidates currently seeking our party's nomination understand something which the present occupant of the White House does not: that arms control is vital to the security of this nation. . . . Contrary to the Reagan Republican Party's continued opposition to halting the arms race now, the Democratic Party calls for a mutual and verifiable freeze on the testing, production, and deployment of nuclear weapons now."

Manatt's speech commemorated the 20th anniversary of the Limited Nuclear Test Ban Treaty—the first formal arms-control success of the notorious Pugwash Conference supervised by former New York governor and party patriarch Averell Harriman, who flanked Manatt on the podium, along with Georgetown's Father Healy, an intimate of the American Catholic Bishops who earlier issued a letter in support of the freeze and have now jumped on board for presidential candidate Walter Mondale's effort.

The Harrimanites meanwhile threatened to press the War Powers Act against limited U.S. attempts to defend the sovereignty and integrity of Lebanon against Soviet-supported destabilization. Leading Senate Democrats joined by columnist Joseph Kraft, who is a Trilateral Commission executive board member, even demanded the immediate withdrawal of U.S. troops from that embattled country, to be replaced by troops under the direction of the United Nations—over whose operations Andropov holds a veto.

The arms control track

One day after Manatt's speech, a business partner in Kissinger Associates, Inc., Brent Scowcroft, called together his Capitol Hill collaborators to join him in pressuring National Security Adviser William Clark to authorize further presidential arms control concessions. Backing Scowcroft were those who made his Scowcroft Commission Report on the MX missile passable on the Hill earlier this year, including Senate Foreign Relations Chairman Charles Percy (R-Ill.), Sen. William Cohen (R-Me.) and Sen. Sam Nunn (D-Ga.), the authors of the Scowcroft Commission's sister proposal for strategic "build-down," a radical attempt to reduce the numbers of strategic missiles by retiring two for every

new one deployed. Les Aspin (D-Wis.) and Albert Gore (D-Tenn.), the two liberal Democrats who led the House fight for the Scowcroft-amended MX missile, along with Rep. Norman Dicks (D-Wash.), were there as well.

According to a source present at this meeting, Clark was told that the crucial Hill group would not support the MX program when it comes up next month for approval of production funds if the White House did not accept eight principles to be included in the U.S. START (Strategic Arms Reduction Talks) position; most points centered on the "build-down" concept. On Sept. 27, Clark reportedly agreed, indicating that the administration would soon officially include "build-down" in its START proposals.

On Sept. 22, the President issued another statement on arms control through press spokesman Larry Speakes, indicating that Paul Nitze, chief U.S. negotiator at the intermediate-range nuclear force (INF) talks in Geneva, had been given new negotiating instructions providing greater flexibility. Earlier in September, after the KAL shootdown, Socialist International leader and former Austrian Chancellor Bruno Kreisky had threatened in a letter to Reagan that European youth would turn to rebellion if the December target date for stationing of Pershing II missiles were not postponed. Reagan quickly rejected Kreisky's argument, but pressure escalated from French President Mitterrand as well as Italian Prime Minister Craxi, as the President was warned to consider the fragility of the West German Kohl government in the face of an increasingly violent "peace movement." Indeed, Reagan's new INF position emerged after intense consultations with Europe and Japan. On Sept. 26, the President made the adjustments public in a speech before the United Nations.

At the State Department Sept. 24 a top-level meeting took place whose aim was to try re-establish the Kissingerian arms-control track that was under way before the Soviet downing of KAL 007. Attending were Secretary of State George Shultz and a host of Kissingerites including Helmut Sonnenfeldt, Brent Scowcroft, William Hyland, Lawrence Eagleburger, and Richard Burt. Leaks from the meeting and a Sept. 25 Hyland op-ed in the *Washington Post* revealed a great deal of worry about the obvious rise in influence of the Soviet military since the KAL incident—and at least as much concern that the shootdown had torpedoed the expected emergence of Henry Kissinger as chief East-West negotiator, a role carefully constructed and choreographed by Shultz and Kissinger's coterie.

President Reagan is not seen by these circles as a major obstacle to a return to Kissingerian diplomacy—if anything, it is the situation in the Soviet Union that presents the block. Kissinger, in a statement to *The New York Times* published Sept. 30, said that he had expected improved U.S.-Soviet relations before the KAL incident. "But I am afraid that Soviet conduct since the airplane shootdown has largely shown such rigidity and such suspicions that I am beginning to wonder if we may not get into a prolonged period of cooling relations. It may be harder to break out of than I originally

thought.” Kissinger added that the Soviet handling of the incident “showed a preponderance of the military.” Hyland reports: “We have seen how the Soviet regime handles a crisis without Leonid Brezhnev. It does not inspire confidence; in fact, it is downright scary.” The wishful line that Hyland and his cohorts have come up with is that Andropov, who has rarely appeared in public recently, is a clever maneuverer who is distancing himself from the military, setting the generals up for his own factional advantage. But Andropov will deal!

What hokum! The Soviet marshals are determining policy, based on what they emphasize are military considerations, and Andropov speaks only with their approval. The shutdown of KAL 007 was not an “accident” or an action by a “trigger-happy regional commander”; it was a probing of Western responses, and a shutdown of any acceptable détente or arms control terms. Yet Kissinger’s fairy tales are spreading throughout Washington.

White House sources have recently confided to me that senior White House intelligence estimates now are that the likelihood of a START or INF agreement before the 1984 elections is virtually zero. Yet because of “domestic political considerations,” the President and his close adviser William Clark reportedly believe that the KAL incident provides them room within which they could make relatively mild concessions in both their START and INF positions, while simultaneously pursuing the rearmament program and the defensive technologies effort. U.S. START negotiator Edward Rowny gave an interview to the *Washington Post* published on Sept. 21 in which he insisted that the White House was pushing progress in the Geneva arms control negotiations as a top priority.

Even National Security Adviser Clark, certainly no Kissingerite, revealed in his Sept. 18 *Washington Post* op-ed a dangerously mistaken view of Andropov’s intentions. Apparently Clark believes that Andropov is wedded to the idea of a summit with Reagan by early next year, and that Soviet propagandists will manipulate the post-KAL environment to show that a meeting between the two heads of state is necessary in order to avoid more dangerous “accidents” due to misunderstanding. What Clark fails to understand is that this Soviet leadership has no interest in arms control and certainly no interest in détente.

Sending out dangerously wrong signals to Moscow while appeasing Harriman and Kissinger, Reagan and his intimates believe that they can pay the required political price for both the MX and the Pershing II missile, while at the same time fulfilling Baker’s electoral requirements—to prove that the President is not a “warmonger,” assuaging “women’s fears” to close the “gender gap,” placating the environmentalists, and generally deflecting any sense of emerging strategic crisis. Compromising on these questions has clouded an already faulty perception of the intentions of the Andropov leadership at the White House.

‘Crumbling Soviet empire’?

Opponents of the State Department, including a significant number of Pentagon officials, U.N. Ambassador Jeane Kirkpatrick and her staff, Vice-President George Bush, and other White House personnel, reportedly believe that the KAL incident provides them with ammunition for attacking what they believe to be the primary vulnerability of the Soviet empire—the state of the Soviet economy.

They apparently think the Soviet leadership will be forced to be reasonable if internal economic problems threaten a fatal destabilization of the Soviet empire. My sources report that a three-pronged strategy to accomplish this is now under discussion within the administration. First they point to the speech delivered by George Bush in Vienna Sept. 21, following his tour of Northern Africa and Eastern Europe. Bush proclaimed the new Brzezinski-style administration policy of “differentiation” in dealing with Eastern European countries and other Soviet allies. For those who would open doors to the West economically and politically, Bush offered economic and trade benefits. For those who do not, there will be nothing, identifying the two most likely candidates for aid as Romania and Hungary. But, instead of making the Soviets more “reasonable” or helping Eastern Europe become more independent, this substitute for a beam-weapons drive would probably end up strengthening Andropov’s efforts to keep a grip on Comecon, while providing an opening for saboteurs of Eastern Europe like the large element of Polish Solidarity that has been controlled by the KGB.

Second, my sources suggest that a policy of additional economic and related penalties for Soviet allies is under discussion.

Initially following the KAL incident, elements in the Pentagon suggested—as they had one year ago—that Poland be declared in default on its debt. This was nixed at the higher levels of the administration. My sources suggest that two Soviet clients to now be targeted for such economic pressure will be Nicaragua and Cuba.

Finally, additional aid to U.S. allies and direct confrontation with the Soviets or their proxies are under consideration. Some suggest that countries like Zaire—which currently has 1,500 troops in Chad and is working closely within the scope of the Israeli Lavie jet project, and which traditionally has a tough time getting aid on Capitol Hill—will receive such increased aid. Turkey is another candidate. Reportedly under discussion for more favorable treatment was Pakistan, but this was ruled out since the administration did not wish to enter the 1984 election race overly dependent upon leaders whose positions are as precarious as those of Zia ul-Haq of Pakistan or President Marcos of the Philippines.

No maneuvers around aid, no “perception games,” will overcome the current threat to national security. Until the White House commits itself to a World War II-scale mobilization for in-depth beam-weapons-centered defense systems, America is in danger.

LaRouche announces his candidacy for the Democratic presidential nomination

Recent actions by Democratic National Chairman Charles T. Manatt and former Gov. W. Averell Harriman force me to place my name in nomination to become the 1984 presidential candidate of the Democratic Party. I state herewith the reasons I am obliged to take this step, and also state the very special ground rules under which I will conduct my campaign for nomination.

On Sept. 20, 1983, Chairman Manatt and Governor Harriman in speeches at Georgetown University in Washington, D.C., announced that they, and all announced Democratic presidential candidates excepting Ruebin Askew, are committed to the Soviet-created and Soviet-steered Nuclear Freeze movement. Subsequently, Mr. Askew issued a statement clarifying his position, announcing that he is in sympathy with the Nuclear Freeze movement's propaganda efforts, but not necessarily willing to bind himself to each and every punctuation mark of existing Nuclear Freeze dogmas.

At the same time, I have been informed from the most reliable sources, that the Soviet government is presently committed to aiding Chairman Manatt and Governor Harriman in securing the nomination and election of one among these Nuclear Freeze candidates.

The patriotic Democrats of this country deserve a candidate of their own. It appears that presently I am the only available candidate likely to fill that requirement.

Therefore, I shall campaign for the Democratic Party's presidential nomination using my candidacy to spearhead the mobilization of a great mass movement of our citizens against the Soviet-supported and Soviet-influenced Manatt-Harriman leadership of the Democratic Party.

However, the immediate purpose of my campaign will not be to promise great and glorious deeds, beginning at the January 1985 next inauguration of the President. Our republic presently faces three of the gravest domestic and international crises in our history: a worsening worldwide economic depression, an imminent international financial collapse worse

than those of 1931, and a Soviet commitment to force a thermonuclear showdown during the months immediately ahead. These are crises which require decisions by the President of the United States during 1983 and 1984, long before the November 1984 general election. President Ronald Reagan is that President, and therefore every serious patriot will now dedicate his or her efforts to assisting this President to adopt the right decisions on time, and to support the President in those decisions if and when he makes them.

This nation of ours requires an economic mobilization echoing that which President Franklin Roosevelt set into motion during 1939-43. That mobilization must begin now—not after January 1985. This mobilization must be centered around the development of strategic anti-missile defenses, in agreement with the new U.S. strategic doctrine announced by the President on March 23, 1983. This must be a "crash program," like that of the 1939-43 period, which produces the needed strategic defenses more rapidly than most would imagine possible, and which also spills over the benefit of these new technologies massively into the civilian economy.

We require over \$300 billion for defense right now, and we require the massive expansion of our civilian economy which enables us to support such urgently needed defense expenditures. Every farm, every machine tool, every idled part of our industry, every unemployed person, available to be employed now in expanding our output, must be employed quickly—as we did during the 1939-43 period.

The President has indicated his sympathy for steps in this direction, but at the same time he is being pressured from various sources to hold back, the greatest pressure coming from forces in Congress and in the news media which back the Nuclear Freeze movement. If we are to do quickly what we must begin to do very quickly, we must demonstrate to the President and the Congress that a powerful bipartisan movement exists in this republic in support of necessary actions.

The forces within the Democratic Party which do or would support such a bipartisan movement are being held back from effective courses of political action for lack of a rallying point around which to assemble themselves for concerted political action. I offer myself as that needed rallying-point.

That is the purpose of my candidacy, and that is the principle which shall govern my conduct as a candidate.

To that purpose, I herewith outline the ground rules by which I shall be governed in this campaign. I wish these ground rules clearly understood by the White House, the Congress, the Federal Election Commission, the leadership of the Democratic Party, and the citizens generally.

First, I shall continue to do what I am doing presently

My present functions are as follows.

I am presently contributing editor of an international newsweekly, the *Executive Intelligence Review*, an organization which is one of the important privately operated political intelligence activities in the world on strategic issues, on economic and monetary policy, and in the fight against the Nazi International and against international terrorism. It is important to our republic and to our friends abroad, that I continue to meet those responsibilities.

I am also co-chairman of an international philosophical association modeled on the earlier academy movements of Plato, Gottfried Leibniz, and our own Dr. Benjamin Franklin. The work of this association helps, among other things, to create new strategic options for the United States and its friends abroad. This is important, and my responsibilities on that account must continue to be fulfilled.

I am a member of the board of directors of a most useful scientific association, the Fusion Energy Foundation, an association which has contributed significantly to promoting the kinds of technologies required for energy resources, for strategic needs, for advances in industry and agriculture, and in biological science.

I am an official of an international pro-life organization, the Club of Life, the only association openly challenging worldwide Malthusian, pro-genocide associations such as the Club of Rome. This work, and my continuing fight against the international drug traffic, are integral to what I am morally, and represent activities of mine which must not be diminished.

It is my continuing joy to be a friend of nations abroad, and to enjoy special confidence from among many leading circles in those nations. I am perhaps much better liked in Mexico and South American nations than our State Department. Governments and other leading circles in Israel, Arab nations, black African nations, and Asia, have placed trust in me as their true friend, as a voice which will speak up for their concerns and true interests within the United States. I must continue to meet those responsibilities of friendship in Western Europe, in Asia, in Africa, and in Ibero-America.



A Sept. 15 Capitol Hill rally by the National Democratic Policy Committee calling for crash development of the President's proposed anti-nuclear missile beam-weapon system.

NSIPS/Philip Ulanowsky

Also, although I have rightly denounced the Soviet leadership for its wrong policies and wrong things it does, and although the Soviet government views me as its intellectual Public Enemy Number One today, most leading circles in the Warsaw Pact nations know me to be honest, humane and fair, and governed by genuine commitment to the sovereignty of all nation-states and the well-being of their peoples. It is important that every candidate for high office in the United States clearly keep open the door to peaceful cooperation with those states. As harsh and ruthless as I may be obliged to be on strategic issues, I shall always keep that door open.

Second, I am a patriot first and Democrat second

There are some foolishly clever fellows around the Democratic Party who gloat over the wish that President Reagan be turned into a "new Herbert Hoover" before the elections of November 1984, and who would do nothing to save our republic from worsening economic depression or financial collapse, lest an economic recovery contribute to the re-election of the President. I despise such sentiments, and will have nothing to do with such wickedly sly practices.

For me, the special genius of the Democratic Party is that heritage of President Franklin Roosevelt which impels the Party to seek to bring together as a unified force industrialists, farmers, labor, minorities, and professionals, in search of policies which are simultaneously in our vital national interest, and which policies provide our nation the means to fulfill its responsibilities to each section of the electorate. This party, if it returns to that traditional commitment of "harmony

of interests” among various constituencies, can be a great force for good once again.

I am for the entrepreneurs of industry and agriculture. Let them prosper to the advantage of our nation and to the advantage of every person seeking employment.

I am for labor. Let it be strong and skilled, and employed in such fashion that technology continuously advances its productive powers.

I am for the successful integration of all our so-called minorities to full rights and personal respect as citizens, enriched by good education and with access to every opportunity to contribute good to present generations and posterity.

I am for the American System of political economy, on which our federal constitutional republic was founded, according to the strict terms of Article 1 of our Constitution and the outlines provided by the administration of President George Washington, through Treasury Secretary Alexander Hamilton’s reports to the Congress on the subjects of credit, banking, and manufactures. I am determined to restore that system and its policies to our national practice.

I am for the doctrine of foreign policy most efficiently articulated by Secretary of State John Quincy Adams in support for his drafting of the 1823 Monroe Doctrine. We of the United States require neither empire nor quasi-imperial spheres of influence. We require a community of principle for common advantage and common defense, among sovereign republics committed to those same principles upon which our own republic was founded. I am for the realization of such cooperation in our hemisphere, first of all, and for the extension of that same cooperation from the united forces of our hemisphere, to Africa, Asia, and Europe. This is no weakening of our strength, but is rather a mustering of the most powerful force of allied nation-states on this planet, an alliance of political equals equally jealous of common advantages and common interests in that kind of world order.

I am for ridding our nation of the ruin and decay of our recent drift into what is called a “post-industrial society.” I am for rebuilding our basic economic infrastructure: our water management, our production and distribution of adequate supplies of energy, and restoration of the collapsing infrastructure of our urban centers. I am for ridding the world of hunger and misery, through use of what were once traditionally American methods of promotion of technological progress in building infrastructure, agriculture, and industry. I am for the employment of at least half the total labor force of our own and other nations as skilled agricultural, transportation, and industrial operatives in producing the physical output upon which decent human existence depends. I am for employment of not less than 5 percent of the total labor force in producing the benefits of scientific and related research and development, for both our own and other nations. I am for at least one qualified teacher for every 20 or fewer pupils in public education, and for a program of classical and pre-scientific education suited to develop fully the potentials

of each new member of society. I am for ridding our nation of the spread of evils better left to the inglorious memory of Sodom and Gomorrah, for a society in which citizens may stroll freely during the evening, free of terror on the streets and secured against the pandemic of burglary and related crime invading our homes.

I am for any elected official or candidates who efficiently supports such policies, whatever his party affiliation, but I am determined to rebuild the Democratic Party as the party best qualified to represent those policies.

Third, I will make no deals

As a candidate, I will of course state my support for or opposition to proposed and existing policies, and will declare my support for any cause or policy openly. I will reject any secret deals of the sort which have become customary practice of candidates. It is a dirty business, and I will have none of it. I will not soil my honor with such agreements.

If my candidacy is sufficiently successful to warrant this, I will of course, assemble short lists of prospective candidates for appointments, and will do so to the included purpose of assembling a coalition of forces for the campaign and administration of government. There is presently no indication that such a point will be reached by the course of my candidacy’s development. If such a point were to be reached, I would seek the kinds of agreements such decisions imply, but that will not be contrary in any way to the policies I publicly avow.

As for the office of President, I do not need the job, and have no compelling personal ambition for that position. I would be good for the nation were I President, but whether that occurs or not is your choice, not mine. What is essential for me is my influence over the policies of our nation, my success in informing and mobilizing our citizenry to the effect of bringing such policies into effect—whoever might be President. I am wise enough to know that any pleasures of the flesh or status die in my grave with me; it is that of my work which lives after me for good of present and posterity which is my only true self-interest, the only true self-interest of any prudent individual person.

No post is worth corrupting myself to obtain, and no true benefit would accrue to me or to you by my permitting such corruption to occur.

Many of you know exactly what I am speaking of, and I need say no more on this subject.

Fourth, I have certain personal problems

It would be foolish for me to campaign as most candidates campaign. Since late 1973, I have been repeatedly the target of serious assassination threats, and my wife has been three times the target of attempted assassination. We are both presently confronted with assassination threats which hover around a score of 8 on a scale of 10, high on lists of targeted public figures by known terrorist groups as well as occasionally

targets of professional assassins, in North America and in Europe. This risk is increased by high-level political targeting against me by the Soviet government, in Soviet publications, and by other channels. Although no direct Soviet assassination threat is so far detected, political allies of the Soviet leadership in the West have increased their threat levels.

However, I believe that it is not necessary for me to expose myself—and my audiences—to unnecessary risk. My adversaries, including powerful circles in Swiss financial centers and the New York Council on Foreign Relations, as well as the international drug-traffickers, have made me one of the most prominent public figures of our time internationally, as well as within the United States.

I am not unfamiliar with the use of the typewriter, nor tongue-tied before a microphone or TV camera. It is not difficult to arrange meetings with representatives of constituency organizations. You, the citizen, will have no difficulty in discovering where I stand on issues if you are concerned to discover my views first-hand in writing, through broadcast media, and through your representatives. Debates with spokesmen for opposing views can be arranged, if those spokesmen have the courage they have lacked in the past to face me in debate.

As for the controversy itself, I have never known a public figure to have been so much the target of wild lies through major news media and other channels as I have been. Some

call me an “anti-Semite,” which leading officials of the Anti-Defamation League (ADL) are on record as saying they do not believe, and which only a mental case would believe. All of these lies and other numerous lies against me have been refuted a thousand times over, in any case, and you need only consider the source of these lies to brush them aside.

My enemies are the circles of McGeorge Bundy, Henry Kissinger, Soviet President Yuri Andropov, W. Averell Harriman, certain powerful bankers, and the Socialist and Nazi Internationals, as well as international drug traffickers, Colonel Qaddafi, Ayatollah Khomeini, and the Malthusian lobby. Since most citizens dislike my enemies, the fact that those enemies hate me and lie about me can only be to my credit in your eyes and ears.

Where you need my presence, I shall come as soon as possible. Otherwise we shall be efficiently in communication with one another.

My principal job during this campaign will be to continue doing what I have been and am doing, and to provide you and the thousands of new candidates now beginning to run for local offices with a rallying-point around which to build a new political movement in this country.

Let us work immediately to build a mass-rally in Washington D.C. to show President Ronald Reagan that massive bipartisan support exists for his new strategic doctrine, and for the 1939-43-style “crash program” needed to get this economy of ours moving again.

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Daniel Graham and the 'Western Moles with Eastern Goals'

by Jeffrey Steinberg

Lieutenant-General (ret.) Daniel Graham revealed publicly on Sept. 28 that he has embarked on a campaign to block the development of space-based laser and particle beam weapons. The occasion was a Washington, D.C. press conference announcing the formation of the American Space Frontiers Committee, a political action committee designed to promote Graham's obsolete High Frontier proposal for a floating junkpile in space in lieu of an effective energy-beam antiballistic-missile system. Graham had just returned from a several-week trip to Western Europe, where he misrepresented himself as a spokesman for the ABM defense policy announced by President Ronald Reagan on March 23. He opened his Washington press conference with the clear statement: "We are not talking about particle beams or laser beams."

Graham refused to answer a question from *EIR* inquiring why he was espousing the same policy toward the development of beam weapons as various Soviet mouthpieces such as *Literaturnaya Gazeta*.

Graham's tour in West Germany promoted his High Frontier plan. The trip was sponsored by an organization known as Western Goals, a John Birch Society front headquartered in Alexandria, Virginia with a branch office in the Federal Republic of Germany. Western Goals claims to expose communist subversion, while providing a cover for Soviet operations to prevent the implementation of a U.S. beam-weapon policy.

While Graham consistently attempted to pass himself off to West German media and to political circles as a "spokesman" for the President's policy of Mutually Assured Survival through the deployment of beam weapons that can knock out nuclear-armed intercontinental missiles, the intention of his tour was to promote his own policy *against* the beam weapons. He specifically tried to conduct a "wrecking operation" against an Oct. 5 conference sponsored by *EIR* in Bonn, scheduled to feature Democratic presidential candidate Lyndon H. LaRouche, Jr. and Helga-Zepp LaRouche, as well as military leaders from Italy, France, and West Germany, to rally international support for the beam-weapons strategy. Sources in Bonn say that Graham had "begged" for the chance to speak before the Christian Democratic Union's Konrad Adenauer Foundation, and was turned down—until "the U.S.

embassy in Bonn expressed its urgent desire that the Konrad Adenauer Stiftung give him the opportunity to speak."

The combination of Graham, U.S. Ambassador Arthur Burns, and the network known as Western Goals marching around West Germany against President Reagan's ABM policy prompted one observer to dub the operation "Western Moles."

Western Goals and the KGB

Western Goals is run by John Rees, an individual based in the Washington area who claims to be a leading anti-communist. Since its founding in 1980 (with a mysterious "start-up warchest" of \$1 million), Western Goals has roped in an impressive collection of prominent military retirees including Gen. John K. Singlaub, Gen. Lewis Walt, Adm. Thomas Moorer, and Gen. George Patton III; and prominent scientists including Dr. Edward Teller, the leading advocate within the U.S. scientific establishment of Mutually Assured Survival, and Dr. Eugene Wigner. In 1981, Western Goals announced the appointment of mob attorney Roy M. Cohn to its board; Cohn dragged in with him the remnants of the John J. McCloy World War II Allied High Commission apparatus now based at the American Council on Germany. This intersects the circles of Cohn's mentor, Gen. Julius Klein.

In West Germany, Western Goals operative Schulde-Forster has initiated a letter-writing slander campaign aimed at sabotaging organizing efforts by associates of LaRouche to marshal Europe-wide support for President Reagan's March 23 program. A number of prominent West German military and scientific figures have been placed under immense pressure through the Western Goals circuit, working in league with Graham.

Western Goals Europe has recently cultivated close working ties with the Frankfurt-based Russian emigré organization NTS. An outgrowth of the solidarist-Jesuit elements within the old Menshevik Party, NTS is a feverishly Russian chauvinist organization pursuing the doctrine of Moscow as the seat of a "Third and Final Roman Empire." Described in intelligence circles as one of Yuri Andropov's most effective channels of penetration into Western "right-wing" circles, NTS—according to Western European intelligence sources—serves as a funding conduit for the KGB, particularly to neo-

Nazi networks.

In the United States, Western Goals has emerged center stage in a Los Angeles court battle revolving around the theft of thousands of files from the Los Angeles Police Department's now defunct Public Disorders Intelligence Division (PDID). Those files found their way into the hands of a \$30,000-a-year contract employee of Western Goals whose husband just happened to be an officer of the PDID. As the result of the file heist, PDID was dismantled, leaving a gaping hole in the LAPD's intelligence-gathering efforts on the eve of the 1984 Olympic Games, an event that many intelligence professionals are labeling a "watershed" for the emergence of European and Middle East terrorism inside the United States (see *EIR*, Oct. 4). Many threads of this terrorist blood-bath-in-preparation lead back to the same KGB-Nazi International channels behind the anti-Reagan "peace" mobilization worldwide.

In May 1983, a high-level KGB delegation led by Fyodor Burlatskii, the personal press mouthpiece of Yuri Andropov, and Soviet "Pugwash" General M. Milstein spent a week in Minneapolis, Minnesota, in behind-closed-doors consultation with the leadership of the U.S. so-called peace movement. According to eyewitness accounts, the Soviet representatives instructed their U.S. counterparts to focus all their efforts on destroying President Ronald Reagan's March 23, 1983 initiative to develop an anti-ballistic missile defense umbrella employing new laser technologies.

Apart from the predictable menagerie of Harrimanite freezeniks, FBI stringers, and Communist Party USA old timers, the U.S. State Department arranged the inclusion of an apparently strange bedfellow: John Rees. A self-proclaimed "terrorism expert" and member of the John Birch Society, Rees is the chief researcher for Western Goals.

In the interests of both President Reagan's Mutually Assured Survival program and the internal security of the United States, a full-scale investigation into Western Goals and John Rees must be initiated now.

Graham complicit in Moscow attacks on beam weapons

U.S. Democratic public figure Lyndon H. LaRouche, Jr. on Sept. 23 released the following statement on the recent activities of retired U.S. Lt.-Gen. Daniel Graham in West Germany.

Danny Graham persists in issuing statements he knows to be falsehoods concerning U.S. strategic doctrine, concerning

me, and also concerning responsible leading U.S. scientists such as Dr. Edward Teller. He has been caught red-handed saying one thing to associates in the United States, and then running over to West Germany to say directly the opposite.

Whether Danny Graham is doing this for financial reasons, because of some disturbance in his mental state, or for some other reason, remains to be determined. Whatever the reason, the man is behaving as a pathological liar, and his lies are being exploited by the Soviet government to the degree that Danny Graham's lies have contributed to deterioration of relations between the United States and its allies.

The facts which ought to be widely known include the following. First, during late 1982, my associates approached General Graham for discussion of the proposed new U.S. strategic doctrine later announced by President Ronald Reagan on March 23, 1983. General Graham at that time stated that he agreed with our proposals, but that he could not do so openly because he was being paid by the Heritage Foundation, which was hostile to me personally and to the proposed strategic doctrine.

Later, shortly before the President announced adoption of the new strategic doctrine, General Graham, speaking on behalf of the Heritage Foundation and his own "High Frontier" concoction, supported U.S. defense budget cuts aimed at eliminating all significant research on beam-weapons.

Later, after the President had announced the new strategic doctrine on March 23, 1983, Danny Graham announced that it was High Frontier which the President had adopted. This false statement by Graham was then used by the Soviet government as the basis for its propaganda-campaign against President Reagan's announcement, and the Soviet government has done so repeatedly.

Danny Graham's High Frontier is regarded with contempt by every responsible scientist and military specialist with whose opinions I am acquainted with in the United States. To which Danny Graham responded in a recent Colorado public-platform debate, that he had contempt for the opinion of scientists in such matters. He also took that same occasion to issue wildly false statements against me personally. In short, he is behaving like a mental case in these matters.

As for High Frontier itself, the proposed design is technologically utterly incompetent. Some of the technologies are workable, but they are bits and pieces pasted together from technologies developed during the 1960s, and are approximately 15 years out of date technologically. If Danny Graham's obsolete flying rocket-stations were by chance to be placed in space, the Soviet Union would simply knock them out as the first element of launching an intercontinental ballistic missile assault. They are intrinsically indefensible and therefore worthless.

Not only are Danny Graham's views on the matter scientifically infantile and absurd; they are also transparently absurd from the standpoint of traditionalist military science since Lazare Carnot.

As Dr. Teller has stated repeatedly, the specific technological feature of the new defensive weapons-systems is that once such systems are developed and deployed, they will be capable of destroying a missile at far less cost than the production and launching of the missile destroyed. In other words, the defense gains up to an order of magnitude of advantage over the offense.

Second, beam weapons represent far greater firepower than missiles. Less than 10,000 kilowatts of momentary burst from a high-frequency laser or particle-beam is sufficient to destroy a ballistic missile. Within the limits of existing technology, we are able to detect and target missiles at up to between 4,000 and 5,000 kilometers distance, given application of advanced computer micro-electronics technologies to assist this. A beam shot at the velocity of light, about 300,000 kilometers per second, or at relativistic velocities approaching the speed of light, is assigned to destroy a missile which is travelling at approximately three kilometers per second.

In other words, Danny Graham's High Frontier scheme places a highly vulnerable rocket launching platform in orbit, using rockets fired at no better than slightly more than the speed of the missiles launched—within the limits of a Sprint anti-missile missile, whereas an ABM system based on new

physical principles fires a deadly pulse at speeds about 100,000 times the speed of the rockets. Exactly how I would propose to deploy such ABM systems I would not say publicly at present, lest Dr. Teller and others be thinking in the same direction I am thinking and I thus inadvertently give away U.S. military secrets. Even without my supplying additional information, the principles involved are clear to anyone competent in the ABCs of military science. Firepower and mobility are on the side of the defensive systems by more than an order of magnitude; any flag-rank officer who ignores the issues of fire-power and mobility is an officer lacking the rudimentary qualifications to command a platoon.

Danny Graham's last-ditch argument in defense of his views is his assertion that his system could be constructed off the shelf, whereas Dr. Teller's proposals would require longer development. Danny Graham merely repeats the silly arguments of the Prussian generals who marched their technologically obsolete army to defeat in 1806 at the battle of Jena.

The proper place for a military specialist of Danny Graham's talent is a Soviet officer's cabaret, where his clown's recitation would have all Soviets officers rolling on the floor, splitting their sides with laughter. I would hope that no one in Europe is duped by Danny Graham's clown's falsification of U.S. strategic policy.

Western Goals' John Rees: a curious past history

In 1981 EIR published a dossier, "The KGB Moles and the Heritage Foundation," exposing Gen. Daniel Graham's employer, the Heritage Foundation, as a right-wing cover masking Soviet operations to disorient the White House on fundamental issues of foreign and defense policy. We publish here excerpts from that dossier, indicating the key leads which an investigation must pursue.

Subject was born in England circa 1926. He joined RAF Special Investigations (1943-45 and 1948-55) and was posted to the Middle East, then the Caribbean. It is believed that subject's British intelligence connection was maintained after his arrival in the United States in 1963. During U.S. stay, subject has been a leading controller of New Left and urban chaos operations of the 1960s and early 1970s.

In the late 1960s, subject became involved with Stu-

dents for a Democratic Society (SDS) leader Tom Hayden and Ford Foundation-funded groups known as "the Crazyies" and "the Motherf—ers." which formed the core of initial radical student "brainwashing" operations, and future terrorist groups.

These two groups were instrumental in igniting the 1967 Newark riots. Gun-running networks were also set up in Newark, and Leroi Jones (a.k.a. Imamu Baraka), the prototype black nationalist who emerged as a figurehead during the riots, was connected to the Motherf—ers.

In 1967, subject mysteriously appeared as a "mediator" in the Newark riots. Under the guise of pacifying the situation, subject set up two armed black and white communities, with Anthony Imperiale heading a private army of whites and Baraka and Kamil Wadud heading the blacks. Wadud helped later to form the Hanafi Muslim sect, which took part in terrorist operations in Washington, D.C. Subject arranged funding for Wadud and Baraka from such sources as the Office of Economic Opportunity, Department of Labor, and especially the Law Enforcement Assistance Administration.

Since the mid-1970s, subject has operated around Washington, D.C., first as research director for the late Rep. Larry MacDonald, and later as chief of a news agency for the John Birch Society. Subject is reported to have a close working relationship to the Israeli intelligence service, Mossad, and with the FBI.

Sales pitch and economic policy of a middle-of-the road Malthusian

by Kathleen Klenetsky

A new political fraud is about to be perpetrated on the American electorate. On Oct. 16, the psychological manipulators who run the American film industry will make an intervention into the 1984 presidential election process with the gala Kennedy Center premiere of the widely publicized new movie, *The Right Stuff*.

Based on a book by pop writer Tom Wolfe on the first U.S. astronauts, particularly John Glenn, *The Right Stuff* is aimed explicitly at boosting Glenn's prospects for snaring the Democratic presidential nomination.

The Eastern Establishment is watching to see whether the film indeed causes the spectacularly boring Glenn to catch fire as a candidate. If it does, they will throw their weight behind his candidacy. Glenn already has the backing of an extremely influential wing of the British Freemasons, who have been exerting pressure on his behalf for the past year. Glenn himself is a 33rd-degree Mason.

Wolfe's book depicted Glenn as a self-righteous, self-seeking prig, but *The Right Stuff* makes him into an American hero in the old mold, a leader with a strong sense of morality, unsurpassed physical courage, and deep patriotism—in other words, true presidential material.

Produced by a subsidiary of Warner Brothers, the same organization which played such a key role in catapulting the grinning idiot Jimmy Carter into the White House, and directed by Philip Kaufman, whose film credits aptly include *The Invasion of the Body Snatchers*, the movie has already received huge pre-release publicity, including a cover story in *Newsweek* magazine. It is estimated that the overwhelming majority of the American electorate will have seen the film by the time they go to the polls in November 1984.

Clearly, the movie could help undercut the boost that current front-runner Fritz Mondale will get from the AFL-CIO and National Education Association endorsements early in October. Glenn already seems to be gaining on Mondale.

Yet anyone who thinks Glenn's surge represents a victory for the moderate wing of the Democratic Party is fooling himself. All it requires is a look at the *Congressional Record* to prove that Glenn's policies differ only in very minor respects from arch-liberal Mondale's. Take Glenn's stand on military issues, discussed in Part I of this profile (see *EIR*,

Sept. 27). Since he is a supporter of the nuclear freeze and non-proliferation of nuclear energy, and an opponent of both the MX and a beam-weapon defense system, a case could be made that Glenn is more anti-defense than Mondale! So much for the Eisenhower image the Ohio senator has been trying to cultivate.

Glenn's true policy agenda and political loyalties are revealed by his connection to the Trilateral Commission, the pet project of Henry Kissinger and David Rockefeller which ran the Carter administration. Glenn signed on with that august body in January 1978 and has consistently functioned as one of its prime mouthpieces in Congress.

'Volcker's doing the right thing'

Glenn's economic program is a straight Trilateral print-out. Despite his talk about rebuilding American industry, renewing the space program, beefing up education, and so forth, Glenn is a big supporter of the IMF and Fed Chairman Paul Volcker, the enemies of American economic development. Glenn strongly backed Volcker's reappointment to the Fed, claiming that "Volcker is the best person Reagan could have appointed to the post." He also has voted consistently for increased quotas to the IMF.

Glenn not only wants the second- and third-year tax cuts of the Reagan package rescinded, but also insists that new taxes must be levied. "We have to be honest with the American people," says campaign strategist Michael Wack. "We have to raise revenues." According to Wack, Glenn might endorse a version of the flat-tax, a scheme which originated at that bastion of right-wing free enterprise mania, the Hoover Institution.

Glenn's "solution" to the budget deficit is austerity and more austerity. Predictably, the Ohio senator advocates slashing the defense budget; in addition, he proposes to make big cuts in entitlement programs, including Social Security and Medicare, by implementing "more reasonable" cost-of-living adjustments.

Glenn is taking the same tack on medical care. While he claims to support high-technology health care, Glenn is one of the leading members of Congress pushing for health care "cost containment," a euphemism for slashing both the qual-

ity and accessibility of medical treatment.

The ranking Democrat on the Senate Special Committee on Aging, Glenn has initiated a staff study on how to reduce the country's health care bill. The measures he is pursuing are precisely those proposed by the insurance industry and its "right-to-die" front groups, including restructuring private health insurance plans to force participants to absorb a greater portion of their medical costs; finding ways to encourage the use of non-institutional care, such as home and community care; and expanding HMOs (health maintenance organizations) and other forms of pre-paid health care, where a premium is put on keeping treatment to a bare minimum. Glenn was one of the chief sponsors of a bill passed by Congress in August 1982 which permitted hospices to obtain Medicare funding. Aging Committee staff aides report that Glenn is "taking a serious look" at health care cost-cutting measures.

Although Glenn takes pains to differentiate himself from the "Atari Democrats," who openly say that the United States should chuck its troubled basic industries in favor of a post-industrial society, the Ohio Democrat has not come up with anything resembling an industrial recovery program. Among the few specific proposals he has issued on the subject, one calls for setting up a tripartite board of labor, government, and management to develop a national investment and labor policy—a suggestion which smacks of Mussolini-style corporatism—and the other would create a national retraining program for unemployed workers. This training trust fund would lend workers money for retraining, education, and relocation. The plan would be based on "local community control," said a Glenn aide, because "We don't want any bureaucrat in Washington deciding what kind of training a laid-off steel worker in Cleveland should get." Where that laid-off steel worker is going to get another job in the depressed U.S. economy is a question Glenn has not bothered to answer.

And if Glenn's domestic economic policy is founded on a commitment to austerity, his approach to the developing sector is genocidal.

'Third World must knuckle under'

Last January, Glenn took a trip to Ibero-America aimed primarily at investigating the possibility that nations in the region might form a debtors' cartel and declare a general debt moratorium. The senator met with top-level representatives of government, labor, and the private sector in Mexico, Venezuela, Peru, and Brazil. According to his top foreign policy aide, former CIA agent Carl Ford, "Glenn began every meeting he had with two questions: 'Are you forming a debtors' cartel?' and 'Are you going to pay the IMF?'"

Ford reported that Glenn came away from these meetings "alarmed" at the prospects that a debtors' cartel could indeed materialize, and confided that "Mexico would be the most likely country to lead the way." Glenn, said Ford, was "taken aback" by the "lack of seriousness" governments he visited

had shown in implementing the austerity measures required by the IMF as a condition for future loans. "Glenn was really struck by the lack of a crisis mentality, especially in Mexico, Brazil, and Venezuela. . . . We were especially struck by the Mexican attitude, where they've had to go through a stringent plan laid down by the IMF. They clearly don't have any intention of meeting the IMF requirements. . . . This just means that that next year, Mexico will have to go through a series of debt crises. When they try to borrow money from the international banks, they will finally realize that that won't be possible, at least until they knuckle under. That should inject some reality into their attitude!"

According to Ford, Glenn plans to make the international debt crisis "a major focus" of his presidential gambit, and has pulled together a group of experts to advise him on this and other international economic issues. Heading the group is Bob Hormats, a Kissinger protégé and former State Department functionary in both the Carter and Reagan administrations. Currently the assistant to Kissinger in the latter's capacity as an adviser to the New York investment bank of Goldman, Sachs, Hormats is also the executive director of David Rockefeller's Commission on Latin American debt, for which he is preparing a report on the subject.

Hormats has publicly stated that the solution to inflation involves "tighter fiscal and monetary policy" combined with ending environmental protection, health and safety regulations, minimum wages, agricultural price supports, and tariffs. He is also on record in favor of reducing reliance on energy-intensive forms of production, and specifically advocates "small-scale, labor-intensive" production modes for the Third World.

Glenn also relies on Hormats for advice on the "Japan problem," one of the candidate's bêtes noires in recent years. Glenn's sabotage of U.S. nuclear technology exports has not prevented him from loudly denouncing Japan for her aggressive marketing strategy. The former chairman of the Foreign Relations Subcommittee on East Asian and Pacific Affairs, Glenn has embraced many of Hormats's proposals, including the revaluation of the yen, the elimination of barriers to import competition in the Japanese market, especially for manufactured goods, and "voluntary" export curbs as the means to reduce Japanese "export competition." Glenn has also endorsed so-called domestic-content legislation, a protectionist measure pushed by the steel and auto industries and unions. The measure, which would compel certain exports to the United States to contain American-manufactured parts, does not offer much help to ailing U.S. industries, but it will inflame existing U.S.-Japan tensions.

True presidential material? An alternative to Walter Mondale? Come on. Rather than trying to make a case that Glenn might somehow pull the nation out of the depression and reverse its strategic decline, Democrats should ask themselves whether their party, much less the country, can afford a replay of Jimmy Carter—even without the teeth.

A challenge to Manatt's freeze'nik 'consensus'

The Democratic National Committee's \$1,000-a-plate annual gala on Sept. 28 in Washington, D.C. was like Halloween come early—befitting the ghoulish policies Charles T. Manatt and Gov. Averell Harriman have foisted on the Party sheep.

On Sept. 20 at Georgetown University, national chairman Manatt, with Governor Harriman at his side, had announced a Democratic Party "consensus" in support of the nuclear freeze and missile reductions among all seven of its presidential candidates and its congressional leadership.

Thus, it was fitting that Soviet Marshal Ogarkov and Neville Chamberlain look-alikes were on hand to greet the Democrats as they drove up in their limousines. Marshal Ogarkov, flaunting his medals, strode up to Rep. Barney Frank (D-Mass.) and told him, "Ve vant peace . . . a piece of the U.S.!" and, "You do very good work," as the congressman hurried by stonefaced.

Others of the congressional staff crowd (\$1,000 ticket holders were in the minority) met Neville Chamberlain, complete with umbrella, and stopped to shake his hand as he introduced himself, "We aim to appease; support the freeze!"

Inside, things did not go as exactly as planned either. Featured speaker Jimmy Carter, a contender as the most hated President in the 20th century, had cancelled his appearance to attend

the funeral of his faith-healer sister, Ruth Stapleton Carter.

DNC chairman Manatt, standing in the receiving line, shrieked "It's LaRouche!" and ducked behind his comrades at the mention of *EIR* founder Lyndon LaRouche's announcement that he is a candidate for the Democratic presidential nomination. Manatt was asked if he would run the 1984 presidential nomination with KGB tactics.

The chairman might well be edgy, given the circumstances of the Georgetown promulgation of the nuclear freeze policy. *EIR* has learned that no party leaders were consulted, not even the Democratic "sixpack without a head," much less the party's constituency leaders.

Governor Harry Hughes of Maryland, queried on the Manatt *diktat* that the party supports the freeze, declared, "I'm not here to discuss politics. I'm here to have fun." Harriman protégé and would-be hawk Sen. Daniel Patrick Moynihan of New York, asked if he would repudiate the freeze in the wake of the KAL airline massacre, blustered, "Absolutely not. I feel stronger about the freeze than ever before. I read Manatt's speech and I think it's excellent!"

The touchiest moment of the evening came when a reporter asked Carter intimate Bob Strauss and Mrs. Strauss if Bob's good friend Pam Harriman had dictated Manatt's line on the freeze. While Mrs. Strauss froze, the old power broker declined "to talk about that here."

Moe Udall, whose aborted presidential candidacy made the nuclear freeze its principal theme, was asked if he were still working for the Kremlin. "Yes indeed," he answered, "are you?" Walter Mondale, asked the same question, pretended to be deaf.

Former Florida Gov. Reubin Askew readily put aside his peevishness about Manatt's inclusion of him as a freeze supporter and showed up at the dinner. Askew has insisted that he has praised

the propaganda efforts of the freeze'niks, but he doesn't want to be bound to every pronouncement of the freeze movement, especially if it would lose him votes.

More trouble ahead for Walter Mondale

The bevy of October straw polls and Democratic conventions in Maine, Iowa, Florida, and the AFL-CIO meeting itself on Oct. 2, will break open, as the LaRouche candidacy provides a rallying point against the Democratic leadership's KGB policies.

All the "sixpack" candidacies are collapsing at the same time. In desperation, Walter Mondale is putting out the word that he will definitely name a woman vice-presidential running mate if he gets the nomination, demonstrating once more his smelly opportunism.

Mondale's inability to win support among voters has caused opposition to an early Mondale endorsement among the AFL-CIO leaders, not because they recognize that he would be a national disaster, but for reasons of *Realpolitik*. The machinists' president, Socialist International leader William Winpisinger, is reported to be stumping nationwide against an early endorsement. The "no endorsement" efforts have fallen on fertile ground in the United Auto Workers union, by all accounts.

At the same time, Mike Brennan, the brother of former Secretary of Labor Peter Brennan, is trying to overcome the natural opposition to a Mondale endorsement on the part of the pro-growth, pro-nuclear Building Trades Conference.

The Pennsylvania straw poll announced for Oct. 1 had to be postponed until December when western Pennsylvania Glenn supporters threatened to oust state party chairman Ed Mezvinsky if he tried to rig a quick victory for Mondale.

The appeasers and the State Department

During the period beginning Sept. 21, Henry Kissinger and his Associates launched a drive to consolidate an Eastern Establishment faction within the Reagan administration to guarantee a soft response to the Soviet Korean Airline atrocity.

On Sept. 24, Kissinger's dear friend George Shultz provided his offices on the seventh floor of the State Department to be used by a meeting of members of the Kissinger Associates consulting firm and their friends in the administration, who were in the process of organizing a campaign to subvert President Reagan's policy of strategic build-up against the threat from the Kremlin.

Political observers expressed surprise that not a single official from the White House or National Security Council was included on the list of attendees of this seminar on "The Future of U.S.-Soviet Relations." Clearly, they could not have tolerated any White House "spies" at their planning session.

One of the participants in the Saturday cabal meeting, Helmut Sonnenfeldt, Kissinger's oldest friend and a paid consultant to Shultz, has insisted, despite strident Kremlin statements to the contrary, that the KAL massacre "was obviously an accident."

Even though this view of the KAL massacre was expressed by at least a half-dozen of Kissinger's closest collaborators on both sides of the Atlantic, including those who attended Shultz's Saturday cabal meeting, Shultz has still not withdrawn his support for Kissinger's return to power.

On Sept. 23, the day before the Kissinger Associates meeting in Shultz's offices, Shultz's spokesman John Hughes stonewalled on the question of Shultz's support for Kissinger. *EIR* correspondent Stanley Ezrol asked

him, "Is it the view of this administration that it is possible the Soviet downing of KAL Flight 7 could have been the result of a misunderstanding or confusion of some sort?" Hughes replied, "There can be no justification for that viewpoint."

Ezrol asked if Secretary Shultz would therefore reconsider his support of Kissinger for his current position as chairman of the National Bipartisan Commission on Central America because of the former Secretary of State's irresponsible advocacy of that view during an address at Penn State's Behrends campus days earlier. Hughes refused to explore the question, "in light of the source of the allegation"—which had been reported by Associated Press, though only lightly covered in the American press.

Dr. K. responds to conflict of interest question

From Sept. 28 through Oct. 1, Kissinger parades a group of "experts" led by ex-President Richard Nixon before his commission to give the appearance of unimpeachable authority to the commission's recommendations, which are scheduled to be released early next year. In fact, a radio journalist known to be among Kissinger's warmest supporters in the media, has told his colleagues "The report is already written. Winston Lord [Kissinger's former assistant on the National Security Council, and current chairman of David Rockefeller's Council on Foreign Relations] wrote it," and that the publicized commission meetings and planned trips to Latin America are merely "carnival shows" to create support for the report.

At a Sept. 29 press conference called to announce the commission's Oct. 9-16 trip to Central America,

Kissinger lied to cover up his and his business partners' disqualifying conflicts of interest, casting unwarranted aspersions on an elected U.S. congressman in the process. *EIR*'s Stanley Ezrol pointed out to Kissinger, "Rep. Henry Gonzalez has introduced a resolution calling for the investigation of you and your commission counselor William D. Rogers for conflict of interest. He refers to the fact that up through 1981 your business partner Rogers was a registered agent for the Sandinista government for the purposes of assisting the Sandinistas in arms trading. . . ."

At that point, Kissinger interrupted: "I don't believe that is true." When Ezrol pointed out that Kissinger could easily verify Rogers's registration as a foreign agent, the liar yelped, "Who are you?" After Ezrol identified himself, Dr. K. declared, "You may be accredited to the State Department, but you are not accredited to me."

Henry presides at GOP fundraiser

The Hyatt Regency in New York was the scene of a banquet fundraiser for the Republican Majority Fund Sept. 27. President Reagan was the guest star of the event organized by Howard Baker; the gracious and witty Kissinger was emcee.

"This is the first occasion I've ever been to the right of Ronald Reagan," he cracked. "I must ask you to hold your applause—both because it is difficult for me to look humble for an extended period of time, and in deference to Senator Helms and his friends."

Kissinger's other big joke: "I may be the only person in this room who is barred by the Constitution by reason of birth from being the President of the U.S. It is not true, however, that this was the original Helms amendment."

Senate supports sanctions on Soviets

By a unanimous vote of 93 to 0, the U. S. Senate went on record calling for the President to prepare and transmit to the Congress a report on the record of Soviet compliance or noncompliance with the letter and spirit of all existing arms control agreements.

The amendment was sponsored by Sen. James McClure (R-Idaho), who has been documenting Soviet violations of the SALT treaties and the ABM treaty for several months.

The Senate passed another amendment, sponsored by Democrat Walter Huddleston (Ky.), calling for the reduction of the number of Soviet officials allowed to operate in the United States. The Huddleston amendment takes note of the fact that the Soviets are allowed a substantially larger number of officials in the United States than the Soviets permit the United States to have in the U.S.S.R. Huddleston, a member of the Senate Intelligence Committee, pointed out that many of the Soviet "employees" and officials in the United States are functioning as intelligence operators. The amendment passed on a voice vote.

Both amendments had been brought up the previous week to amend the resolution condemning the Soviets for the shooting down of KAL flight 7. They were voted down at the time, in part because the administration wanted a straightforward resolution of condemnation, with no retributions or reprisals attached.

Sponsors of these amendments, and others put forward by Senator Helms, expressed surprise at the support they did receive during the KAL 7 debate.

The strategy of conservative Republicans appears to be to bring up each of the defeated KAL 7 amendments attached to different pieces of

legislation over the course of the fall, in an effort to show that there is broad support for "tougher" sanctions against the Soviets.

While some of the amendments are useful in their own right, they reflect a misreading on the part of conservatives of the mindset of the Soviet leadership. While conservatives are calling the KAL downing a confirmation of what they have said all along about the brutality and untrustworthiness of the Soviets, they have failed to understand that the Soviets will be unaffected by anything short of a mobilization of U.S. defense capabilities and industry, centered on development of space-based anti-missile beam weapons.

Other Helms amendments include such dangerous proposals as a cutoff of credit to East bloc nations, a proposal which could bring down the Western financial structure at a time most propitious for Yuri Andropov.

Simpson-Mazzoli up for October vote in House

Representative Claude Pepper (D-Fla.), is leading the effort to get the Simpson-Mazzoli bill through the House into law. The bill, which was passed by the Senate during the last session, is designed to erect near-insurmountable barriers to "illegal aliens" entering the United States. Provisions include issuing identity cards to all U.S. workers—a measure adopted by the Nazi government of Germany. AFL-CIO head Lane Kirkland and many members of the Harriman wing of the Democratic Party support the bill, which many Hispanic organizations have denounced as racist.

Pepper, who is chairman of the House Rules Committee, has been

holding meetings with the chairman of the other House committees, including Agriculture, Judiciary, and Education and Labor, involved with passage of the bill to iron out differences. Pepper has scheduled a Rules Committee hearing for Oct. 18 to decide on a final version and set the rules for the House floor debate. At that point, aides say, if Pepper thinks Simpson-Mazzoli has a chance of passing, he will move rapidly to get a full House vote on the bill—possibly as soon as the fourth week in October.

Passage of the very controversial bill in the House is by no means assured. The Sept. 26 *New York Times* ran a lead editorial blasting House Speaker Tip O'Neill for failing to publicly commit himself to Simpson-Mazzoli, because lack of O'Neill's active support could kill it.

Project Democracy attacked

A bipartisan effort by Sens. Ed Zorinsky (D-Neb.) and Jesse Helms (R-N.C.) to stop funding for the National Endowment for Democracy, better known as Project Democracy, was defeated by a five votes on Sept. 22.

Project Democracy, set up by the Shultz-Kissinger wing of the Reagan administration, would give \$30 million to the AFL-CIO, the Chamber of Commerce, and the Democratic and Republican Parties to "promote democracy" abroad. Zorinsky, the amendment's chief sponsor, attacked Project Democracy as superfluous and wasteful. "We have ambassadors," he stated, "and the USIA, the Voice of America, Radio Free Europe."

Helms warned that most of the money would go to the AFL-CIO, and "there is plenty of evidence that the AFL-CIO has gone around the world

already on taxpayers' money, promoting socialist reorganization of economic systems and leaving disaster in their wake."

Project Democracy was saved by Senate Labor Committee Chairman Orrin Hatch (R-Utah), who praised the role of the AFL-CIO in promoting democracy and suggested, "Let us fund the AFL-CIO since they are doing a good job, and have the mechanisms in place," and fund the other three entities at a later time. Sources report that Michael Pillsbury of Hatch's staff, a pro-China Card social democrat, is behind Hatch's support for Lane Kirkland. Others who sprang to Project Democracy's defense were Daniel Patrick Moynihan (D-N.Y.), Ted Kennedy (D-Mass.), Charles Percy (R-Ill.), and Chris Dodd (D-Conn.).

Agriculture legislation stalled in Senate

Efforts by the administration and Republican Senators to force through reductions in 1984 target prices for wheat and feedgrains are still being resisted by farm state Democrats. Minimal concessions to dairy farmers, which would remove a 50 cent per hundred-weight assessment on dairy production, and changes in the tobacco program have been tied to the wheat target price freeze and, as a result, no agriculture legislation has moved in the Senate this year.

On Sept. 23, Bob Dole (R-Kan.) took the Senate floor to call for a "compromise" which would break the current deadlock. Dole is adopting the posture of being "reasonable" by modifying the administration's extreme free market stance. Dole threatens that "if those of us in Congress who represent agriculture are not able to show some responsibility in correcting our programs and restraining

their expense, others who are less understanding will begin to take a more active role." Dole now proposes to bring the dairy and tobacco legislation to the floor and then offer the target price freeze as an amendment, a move which will still, in effect, link them.

John Melcher (D-Mont.), the leader of the opposition attacked the Republican tactics, which have the backing of Senate Agriculture Committee Chairman Jesse Helms. "It is absolutely unjust and unreasonable to divide the scant agriculture contingency and supporters in the Senate or in the House by attempting to take from one group of agricultural producers in order to do a minimal amount for another group. . . . There are not enough of us in the Senate and the House that can correctly portray the difficulties that our agriculture producers have. But when you decimate that by trying to play one group against the other, it is an outrageous procedure."

Reality of Brazil-Mexico debt crisis hits Congress

The failure of proponents to push the funding authorization for the International Monetary Fund bill through the Congress in August, has left ample time for the depth of the Brazilian and Mexican debt crises to shake up the situation. While the administration continues to insist that passage of the IMF authorization and appropriation will smooth the way to resolution of the crisis, other actions on the part of the administration and IMF proponents continue to prove the opposite.

An attempt by the U.S. Export-Import Bank to establish a \$2 billion loan guarantee and insurance facility for Mexico and Brazil, while ultimately successful, prompted widespread disclosure and discussion of

Mexico's continuing debt problems. On Sept. 19, Rep. Bill Patman (D-Tex.), a member of the House Banking Committee, introduced H.R. 311, expressing the sense of the Congress that the Exim Bank postpone establishing the facility until Congress could examine it in more detail.

Two days later, Patman entered into the *Congressional Record* a study by the Congressional Research Service, showing the extent of Mexican defaults on prior Exim loans. The establishing of such a new facility under those circumstances, the CRS argued, was an exception to standard Exim operating procedures. On Sept. 29, the House Banking subcommittee on International Trade and Monetary Policy voted unanimously to urge the Exim Bank to delay the facility. Nonetheless, on Sept. 30 Exim went ahead and put it into effect.

A hearing in the Senate Foreign Relations Committee's Subcommittee on International Economic Policy, called to force Congress to pass the IMF authorization, left listeners with the clear impression that the IMF was going to bring down the government of Brazil. Latin American scholar Riorden Roett, a favorite of the Rockefeller interests, stated in Sept. 28 testimony that "Brazil is bankrupt." He warned that U.S. relations with Brazil could not be left in the hands of the IMF and the private commercial banks, because the result might cause a shift in Brazil's political posture.

Another witness at the hearing, C. Fred Bergsten of the Institute for International Economics, argued that a recent study of his institute shows that the worst is over for Brazil. One Democratic congressman, upon hearing the results of that study, promptly announced that he was switching his vote to one of opposition to the IMF, since the crisis had obviously been surmounted.

National News

Weinberger in China: a modest success?

Despite the hoopla over an announced exchange of visits by Chinese Premier Zhao Ziyang and President Reagan planned for January and April of 1984 respectively, Defense Secretary Weinberger's visit to China was at best a modest success.

Weinberger arrived in China with assurances that a number of high-technology items previously denied the Chinese would now be approved. He also raised the possibility of military cooperation in the areas of personnel exchange, training, and logistics.

However, Premier Zhao was less than enthusiastic about committing China to any cooperative military relationship with the United States: while saying that China might be willing to purchase certain military items, Zhao emphasized that "self-reliance" will remain the watchword for China's military modernization.

Chinese leaders again made a point of raising the issue of the U.S. relationship to Taiwan, and restated Peking's intention of adhering to its policy of not being attached to "either superpower."

While Weinberger was packing to leave, China's leaders let it be known that the Soviet negotiating team which will participate in a third round of talks aimed at normalizing relations between the two communist giants will arrive in Peking on Oct. 4.

WerBell to Reagan: Go with laser defense

Lieutenant-General (R.F.A.A. ret.) Mitchell Livingston WerBell III issued the following statement Sept. 21 from his home in Powder Springs, Georgia. WerBell has devoted his life to military and intelligence service on behalf of the United States, specializing in clandestine operations, and has been decorated by numerous nations. He is currently the director of Sionics, Inc., a counter-terrorist training center.

WerBell addressed his statement to the White House:

"I call today upon President Reagan to carry through on his March 23, 1983 television announcement by immediately launching a crash program to develop and deploy laser-based antiballistic-missile systems.

"In March, when the President and Secretary of Defense Caspar Weinberger initially announced the U.S. return to a traditional military doctrine based on a commitment to Mutually Assured Survival and the emphasis on defensive weapons systems rendering nuclear warheads obsolete, a clear offer was presented to Moscow to jointly develop those ABM systems and put an end to the era of thermonuclear terror.

"The Soviet response to the President's generous offer was lies, destabilizations, threats and, ultimately, the premeditated murder of 269 civilians aboard a Korean Airlines flight on Sept. 1.

"The KAL massacre offers the clearest profile of the barbarous state of mind governing the Soviet leadership. Only by publicly announcing a crash ABM program, complemented by the production and deployment of the MX missiles can the President demonstrate the kind of raw military, economic and political power required to tame the Russian bear.

"I call upon President Reagan to get on nationwide television at the earliest possible date to announce such a crash program. Communicate to the Russians, Mr. President, that America has the strength and resolve to deal with tyranny."

Nuclear test reactors come under assault

An alliance of anti-nuclear activists and the Tom Hayden-controlled city government of Santa Monica is waging a campaign to close down the Argonaut nuclear research and training reactor at the University of California's Los Angeles campus. A victory for this campaign could challenge the re-licensing of the nation's 43 other university test

reactors.

The UCLA reactor, experts there have noted, has not had a single mishap that posed a threat to the health or safety of any employee or member of the public. Rocks brought back from the Moon by NASA are now undergoing experimentation there.

Built in 1958, the reactor cost about \$203,000. Using the "intervenor" regulations initiated under nuclear energy saboteur James Schlesinger when he headed the old Atomic Energy Commission, the Committee to Bridge the Gap and allies of Tom Hayden have compelled UCLA and the Nuclear Regulatory Commission to spend more than \$1 million parrying their attack.

During a press conference in July at which the scientists at UCLA exposed the fallacious contentions of the Gapniks, Dr. Walter F. Wegst, Jr. explained that the Argonaut's fission reaction cannot take place without its moderator, water. Much like a motel room coffee pot, when the heating element boils off the water, the container gets lighter, eventually causing the heating element to stop operating—the plant shuts down automatically. It is therefore physically impossible even in the "worst case scenario" for the reactor to create a danger.

Defense resolution submitted to AFL-CIO

The AFL-CIO national convention in Florida has been asked to repudiate Democratic National Committee chairman Charles Manatt's endorsement of the nuclear freeze and other Soviet-inspired "peace" policies.

Excerpts from the text of the resolution circulated by the National Democratic Policy Committee (NDPC) follow.

"Whereas, the shutdown by the Soviet Union of Korean Airlines Flight 007 and the murder of 269 innocent civilians, including a U.S. Congressman, was a willful and barbarous act that is indicative of the current confrontationist character of Soviet policy;

"Whereas, this murderous act occurs as Soviet-backed forces in Lebanon are killing U.S. Marines on a peacekeeping mission and Soviet-supported madman Col. Muam-

Briefly

mar Qaddafi is butchering the population of Chad.

"Whereas, given this pattern of behavior even worse Soviet actions must be expected in the period ahead;

"Whereas, Democratic National Committee chairman Charles Manatt on Sept. 20 announced that the Democratic Party leadership and all announced Democratic presidential candidates support policies, including the nuclear freeze and major cutbacks in defense spending on strategic weapons;

"Whereas, the AFL-CIO places the national security interests of the United States above all partisan politics;

"Be it resolved that the AFL-CIO condemns and repudiates the statements and policies of DNC chairman Manatt.

"Be it further resolved that the AFL-CIO refuses to endorse any candidate who refuses to repudiate the Manatt statement or who supports policies contrary to the national security interests of the United States."

The NDPC also submitted a resolution of "Support for Emergency Strategic Measures to Meet the Soviet Threat," which proposes four efforts: 1) Discourage a Soviet preemptive strike by placing the U.S. strategic arsenal on alert-status and emplacing 50-100 MX missiles as rapidly as possible; 2) Launch a "crash program" for development and deployment of Partial ABM defense-capabilities; 3) Dump support for "IMF conditionalities" and reorganize the monetary system immediately; 4) Keep the doors of peace open by continuing to emphasize the offer made by President Reagan on March 23, 1983.

Progress gives Boston Brahmins the CREEPS

Under the title "CREEP from Outer Space," the Sept. 24 issue of the Boston *Globe* editorialized against the administration's intentions to back NASA proposals for a manned space station. "CREEP" was the Nixon Committee to Re-Elect the President, whose members are among Reagan's campaign advisers.

Reagan is expected to make a public an-

nouncement on the subject soon. The *Globe*, it seems, finds this unfair, and complains that "faced with this threat from outer space" [the Glenn candidacy], Mr. Reagan "who made his debut in space technology with his Star Wars speech about outer space last winter," will boost the NASA plan for a \$6-\$8 billion manned space station.

Block announces more crop cuts

Secretary of Agriculture John Block, speaking Sept. 29 in Iowa, the leading cornbelt state, announced a new feedgrains crop reduction program. "The Payment in Kind (PIK) program and the drought brought supply and demand pretty much where it should be," said the Secretary. "But if there is good weather next year, and they plant fence row to fence row, we'd be back to where we were last year."

Block's new plan is to be instituted by the Department of Agriculture in 1984 and will be called "acreage conservation reserve". It will require farmers to sign up to grow 10 percent fewer acres of feedgrains—corn, sorghum, rye, oats and barley, in order to be eligible for federal loan programs.

U.S. feedgrain output this year is already a worldwide disaster because of drought and PIK. Block used Global 2000 rhetoric about how crops damage the land. "We want to encourage farmers to place their more erosive land into conservation uses while continuing to balance supply and demand during 1984, he stated."

In August Block announced that PIK would be extended next year to wheat—whose output this season was not sufficiently lowered in the opinion of the U.S. Department of Agriculture and the State Department.

The consequences of the disastrous crop reductions in the United States are already visible. Many farmers have already begun herd liquidation. The Texas chapter of the National Democratic Policy Committee reports that one farmer is buying three-day-old stale bread to feed some of his livestock.

● **BACKERS** of Danny Graham's new political action committee, the American Space Frontiers Committee, include Clare Boothe Luce, science-fiction writer Robert Heinlein, Adm. Thomas Moorer, Jerry Falwell, Jesse Helms, Sens. Roger Jepsen, Jesse Helms, and Malcolm Wallop, Howard Phillips; Phyllis Schlafly, Lt.-Gen. Arthur G. Trudeau; Paul Weyrich, and Reps. Ron Paul (Tex.), Tom Corcoran (Ill.), and Phil Crane (Ill.), Newt Gingrich, and Jack Kemp. The committee is prepared to give \$1 million to candidates who back Graham's tin-can anti-missile defense proposals.

● **JESSE JACKSON**, who announced Sept. 26 that he was taking a leave of absence from his Operation PUSH scam, was speaking the next night to the Human Rights Campaign Fund at the Waldorf Astoria in New York City. The Fund is a gay political action committee. Jackson failed to make the big announcement of his presidential campaign there.

● **GEORGE DEUKMEJIAN**, governor of California, refused to veto Senate Bill 762, which gives powers of attorney to family members to terminate the lives of medical patients, and let it automatically become law on Sept. 28. The only options now are a court challenge to its constitutionality, or a referendum.

● **THE AMERICAN LEGION**, at its August national convention in Seattle, Washington, passed four separate resolutions calling for the pursuit of strategic defenses, including the development of beam weapons.

● **JERRY FALWELL** is building a huge event to feature Ted Kennedy at his Moral Majority headquarters and bible college in Lynchburg, Virginia, Oct. 3.

Editorial

Mexican terrorists threaten LaRouche

Within hours of Lyndon H. LaRouche's Sept. 26 announcement that he is a candidate for the 1984 U.S. presidential nomination of the Democratic Party, two highly professional terrorists held a woman captive in her apartment in Mexico City, and ransacked her apartment, while ordering her to deliver a threat message to LaRouche.

Although Mexican governmental authorities have not reported on their investigation of the terrorist incident, the incident conforms to threats delivered earlier from spokesmen for the fascist National Action Party of Mexico (PAN). Former PAN President José Angel Conchello, on Aug. 19, 1983, for example, referred threateningly to LaRouche as "that rich Jew from Philadelphia." Since that date, numerous other threats of similar character have been issued both publicly and privately by these sources.

The complicating factor is the fact that elements of the U.S. State Department have been caught red-handed in backing the fascist PAN. Investigation has shown that many of the English-language conversations conducted within PAN headquarters in Sonora are in English because the FBI Special Agents assigned to aid the PAN's activities do not speak Spanish. Although there is no evidence that elements of the U.S. government have been directly funding the PAN, the PAN is massively supported by nut-groups within the United States, and is linked to certain California and Las Vegas personalities usually associated with organized crime's history in the United States.

The incident is of special concern because of PAN links to Nazi-sympathizer circles in Texas and Europe. Although many kinds of interests participate in using international terrorism, the organized structure of international terrorism is built around the postwar remnants of Walter Schellenberg's Nazi Reichssicherheitsamt Division VI, the foreign nationalities division of both the Nazi Abwehr and Nazi Waffen-SS. As the case of Nazi war criminal Klaus Barbie illustrates, the Nazi International now centers around Swiss Nazi official François Genoud of Lausanne, Switzerland is a pow-

erful factor in the international drug traffic, including the cocaine traffic in the Western Hemisphere. In ideology and European connections, the PAN is accurately described as a front organization of the Nazi International.

This consciously Nazi character of leading elements of the PAN is typified by the cited anti-Semitic remarks of Conchello. A year ago, José Perez Stuart, a veteran of the Mexican neo-Nazi gang MURO, a PAN sympathizer, attacked LaRouche's friends in Mexico as part of the "Zionist apparatus." The PAN is not only fascist in political philosophy and methods, but is riddled with Nazi-like anti-Semitism to match.

The ideology and effusions of Nazi-like anti-Semitism from leading PAN circles is such that suspicion of sympathies for Nazi-like anti-Semitism must be directed against sympathizers of the PAN in both Mexico and the United States. The FBI's association with this neo-Nazi, anti-Semitic organization in Mexico, should be thoroughly investigated on that account.

This also causes alarm because of the FBI's curiously inept performance in conducting security preparations for the 1984 Los Angeles Olympics (see *EIR*, Oct. 4). A vast terrorist infrastructure is being built up in the United States, funded in part by Libya's Colonel Qaddafi, himself a product of the Nazi International. The key figure known to be on the scene directing part of these preparations is a nephew of the notorious Abu Nidal, who heads the Nazi International's Syria-based Arab terrorist organization, and is directly linked to the Nazi International's headquarters in Switzerland. The FBI's poor record of past performance against the Weatherunderground terrorists, its links to the neo-Nazi PAN, and its poor performance historically on the drug traffic and in failing to take down the terrorist structure preparing 1984 Olympics rocket attacks on athletes' buses, causes grave concern.

The included question is posed: Would the FBI act efficiently to prevent the PAN's threats to "get" a candidate for the U.S. presidential nomination of the Democratic Party?

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