

Editor-in-chief: *Daniel Sneider*
Editor: *Robyn Quijano*
Managing Editors: *Kathy Stevens,*
Vin Berg
Art Director: *Deborah Asch*
Circulation Manager: *Lana Wolfe*

Contributing Editors:
Lyndon H. LaRouche, Jr.,
Criton Zoakos, Nora Hamerman,
Christopher White, Costas Kalimtgis,
Uwe Parpart, Nancy Spannaus

INTELLIGENCE DIRECTORS:
Africa: *Douglas DeGroot*
Asia: *Daniel Sneider*
Counterintelligence: *Jeffrey Steinberg*
Economics: *David Goldman*
Energy: *William Engdahl and*
Marsha Freeman
Europe: *Vivian Zoakos*
Latin America: *Dennis Small*
Law: *Felice Merritt*
Middle East: *Robert Dreyfuss*
Military Strategy: *Susan Welsh*
Science and Technology:
Morris Levitt

Soviet Sector: *Rachel Douglas*
United States: *Konstantin George*
United Nations: *Nancy Coker*

INTERNATIONAL BUREAUS:
Bogota: *Carlos Cota Meza*
Bonn: *George Gregory*
and Thierry LeMarc
Brussels: *Christine Juarez*
Chicago: *Mitchell Hirsch*
Copenhagen: *Vincent Robson*
Mexico City: *Josefina Menendez*
Milan: *Muriel Mirak*
New Delhi: *Paul Zykofsky*
Paris: *Katherine Kanter*
and Sophie Tanapura
Rome: *Claudio Celani*
Stockholm: *Clifford Gaddy*
Washington D.C.: *Laura Chasen*
and Susan Kokinda
Wiesbaden: (*European Economics*):
Mark Tritsch and Laurent Murawiec

Executive Intelligence Review is published by
New Solidarity International Press Service
304 W. 58th Street, New York, N.Y. 10019.
In Europe: Campaigner Publications,
Deutschl. GmbH. + Co. Vertriebs KG
Postfach 1966, D. 6200 Wiesbaden

Copyright © 1980 New Solidarity
International Press Service
All rights reserved.
Reproduction in whole
or in part without permission
strictly prohibited.
Subscription by mail for the U.S.:

3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10
ISSN 0 146- 9614

EIR

From the Editor-in-Chief

Our Special Report, Energy Conservation: Building Inflation into the Economy, sheds new light on the long term problems of structural inflation plaguing the U.S. economy. We focus in on the devastating effects of energy conservation, proving that attempts to reduce total energy throughput at a time of grossly inadequate levels of capital formation in all key manufacturing sectors leads straight to an uncontrollable inflationary crisis. We review U.S. capital formation and demonstrate that stagnating investment is being devoted increasingly to ways of achieving energy conservation and substituting labor for energy and capital in the production process, thus breaking the back of the economy's high technology potentials.

Our report was prepared by Economics Editor David Goldman, Dr. John Schoonover, and Lydia Schulman under the direction of Contributing Editor Dr. Uwe Parpart and initiates our series on the real causes of inflation. We will use our LaRouche-Riemannian econometric model to make the first truly scientific study of this crucial problem.

We note another report of special interest, The Iran Crew Targets Mexican Industrialization. Here we detail the who and why of the anti-technology "revolutionaries" in Mexico, and who is really behind them.



EIR Contents

Departments

1 From the Editor-in-Chief

2 InSight

The nation-state revived

64 Energy Insider

The truth about Soviet oil

Economics

**6 Carter's economic plan:
no good, or worse**

Jimmy Carter announces budget cuts and an anti-inflation battle at the same time that he sends interest rates, defense spending and energy prices sky high. Interest rate increases feed inflation, and add billions to the federal budget. Defense spending feeds inflation and adds billions to the federal budget. Energy price increases feed inflation and... Everything Jimmy Carter proposes seems designed to produce the opposite... and does.

8 International Credit

The 'ruinous' LDC debts

9 Domestic Credit

Elderly on the firing line

10 Agriculture

Water for development again

11 Gold

Gold becomes a campaign issue

12 Foreign Exchange

13 Trade Review

14 Business Briefs

Special Report



Photo: Carlos Wesley/NSIPS

16 Energy conservation: building inflation into the economy

Although a certain manner of assembling monetary statistics could convince a fool that "economic growth" is occurring, the surest indicator that the productive base of the U.S. economy is disintegrating is the inflation rate. That inflation reflects not simply speculative monetary flows, but rapidly falling rates of energy consumption per capita. All that would be necessary to build hyperinflation into the economy's very structure is a far-reaching program of "energy conservation."

20 The relationship between energy, inflation and productivity

26 The quality of U.S. capital investment

International

30 Giscard's Mideast trip: a way out of the mess

Before Giscard d'Estaing's tour of the Persian Gulf nations was even half over, international corridors of power were reverberating with the slogan: "France has inherited the Gulf." The Arab world had watched in stunned anger as the Carter administration reversed itself on an earlier U.N. vote condemning Israeli West Bank settlements. Then, the French president appeared, in Arab capital after Arab capital, with a program that could succeed even in the world's most volatile region: proposals for peace, based on proposals for economic development.

38 West Germany

Schmidt visits Carter: encounter with the incalculable

40 Italy

Vance visits 'with a pistol in his briefcase'

42 U.S.S.R.

Soviets slam U.S. 'financial oligarchy'

45 The Iran crew targets Mexican industrialization

To prevent such a new "Japan" to the south, they're planning a new "Iran" to the south.

National

56 President Carter's foreign policy debacles

Only a few months ago, the boys down at the Council on foreign Relations had everything in place to produce a major foreign policy embarrassment for Jimmy Carter, paving the way for a 1980 GOP strongman of their choosing. The scenario fell apart, but nobody doubts that foreign policy embarrassments are multiplying daily. The CFR crew had planned to throw the ship's captain overboard; instead, the ship itself is sinking, fast.

58 Campaign 1980

Will the real John Anderson please sit down!

60 Congressional Calendar

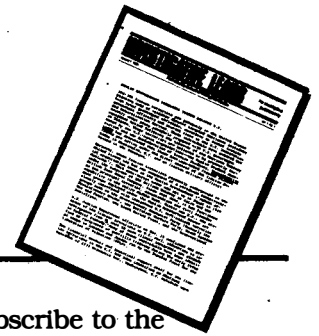
62 National News

EIR on newsprint

Delayed shipments at our printers have necessitated printing this issue of EIR on newsprint. We will resume our normal appearance in the coming issue.

INVESTIGATIVE LEADS

For investigative purposes only



What Is IL?

Due to the overwhelmingly favorable response to the "Facts Behind Terrorism" column in the weekly international journal *Executive Intelligence Review*, a group of *EIR* personnel have launched a twice-monthly intelligence report whose aim is to provide, at low cost, a continuous flow of dependable intelligence on the breaking situations in the fields of terrorism, drugs and organized crime.

Why Is IL?

With American law enforcement agencies on every level swamped with a deluge of misinformation while dangerously constrained as a result of the "Levi Guidelines," it is clear that U.S. law enforcement and intelligence agencies need consistent and honest intelligence assessments and analyses.

Who Is IL?

IL staff analysts and writers have been carefully selected. All have five years or more training in the various processes of intelligence assessment: investigations, documentation, and analysis. All have been specially trained in the unique method of intelligence conceptualization—the hallmark of *EIR*'s success. Complementary to this training, most of *IL*'s staff have received counter-terrorism combat training at the Cobray International Center in Powder Springs, Georgia.

For more information call Robert Greenberg at (212) 247-8291.

I would like to subscribe to the *Investigative Leads* for 1 (one) year.

- I enclose a \$50.00 check or money order payable to Campaigner Publications, Inc., 304 W. 58th St., New York, N.Y. 10019.
- I wish to pay with a credit card:
- Master Charge
 - VISA

Card no. _____

Expiration date: _____

Signature: _____

- Please send me, free of charge, a list of *IL* Special Reports, additional in-depth background studies on specific topics.

Mail my subscription to:

Name _____

Street _____

City _____

State _____

Zip code _____

EIR

Subscribe now!

Special 3 month introductory half-price subscription offer—\$65 (regularly \$125)

6 months \$225 1 year \$396

Central America, West Indies, Venezuela, and Colombia:
3 mo.—\$135 6 mo.—\$245 1 yr.—\$450

Western Europe, South America, Mediterranean, and North Africa:

3 mo.—\$140 6 mo.—\$255 1 yr.—\$470

All other countries:

3 mo.—\$145 6 mo.—\$265 1 yr.—\$490

Special offer, U.S., Canada and Mexico only.

I would like to subscribe to the *Executive Intelligence Review* for

- 3 months 6 months 1 year

Please charge to my

Mastercharge No. _____

Interbank No. _____

VISA No. _____

Signature _____

Expiration Date _____

- I enclose \$ _____ check or money order.

Name _____

Address _____

City _____

State _____ Zip _____

Make checks payable to Campaigner Publications, Inc., distributing agents of New Solidarity International Press Service, and mail to Campaigner Publications, 304 W. 58th Street, New York, N.Y. 10019

Credit Card holders call toll free 800-621-5809

24 hrs. a day—7 days a week.

In Illinois call 800-972-5858.