

EIR

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When will the lights go out?
Opposition mounts to Volcker austerity
Will Moscow occupy Sinkiang next?

**Planning crises:
from nuclear disaster to nuclear war**



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EIR

From the Editor-in-Chief

Sometime during the last several weeks, a nuclear war was simulated in which a majority of the American population perished. What could be the purpose of such an exercise? The simulation was conducted by the Federal Emergency Management Agency (FEMA), as part of a series of preplanned "emergencies" and emergency simulations, any one of which could be used as the immediate pretext for FEMA to become the outright dictatorial government of the United States.

The evidence proving the real purpose behind FEMA is abundant. Only one day prior to the deployment of the sabotage of March 1979 at the Three Mile Island nuclear plant, the Carter administration activated Presidential Review Memorandum 32, establishing FEMA.

National Security Advisor Zbigniew Brzezinski has control over this apparatus, which has been authorized to bypass all constitutionally mandated institutions to carry out all the emergency measures it deems necessary. The emergencies could be an oil cutoff from the Middle East, a rash of bankruptcies of major banks, or any of a number of disasters already on the administration's planning board.

FEMA bears a striking resemblance to the emergency provisions inserted into Weimar law to effect the "legal" coup d'état by which Hitler consolidated power.

Our Special Report, "Planning crises: from nuclear disaster to nuclear war," was written by Kathy Burdman and Vin Berg under the direction of U.S. editor Konstantin George. The report documents the history of FEMA activities during the last year, the powers it has and is prepared to exercise, and the "practice" in population-control it has had in such preplanned emergencies as Three Mile Island and the New York transit strike.

We also note for our readers the lead to our International Report, "Will the Soviet Union occupy Sinkiang next?" by contributing editor Lyndon LaRouche. LaRouche analyzes the Soviet shift into a "hard" war avoidance policy, and the Soviet's probable next move given the provocations of the unbalanced controllers of the Carter administration.



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Special Report



Jimmy Carter and "emergency" advisors tour the crippled Three Mile Island nuclear plant near Harrisburg, Pa. in March 1979. Photo: SYGMA

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It simulated a 'nuclear disaster' one year ago, and a 'nuclear war' two weeks ago. Now, the Federal Emergency Management Agency is ready to take over the U.S. government and reorganize the U.S. economy on fascist models—and it's perfectly positioned to create the 'crisis' that triggers its dictatorship.

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Lyndon LaRouche said in 1976 that world war was probable if Jimmy Carter was elected president. Last spring, he predicted a Soviet invasion of Afghanistan if the Carter administration did not change policy course. He now reports that Soviet occupation of the western desert region of China is probable, because the Carter administration has not changed course.

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In the cities, in state legislatures, in trade unions and on the farms, a rising tide of protest is directed at Paul Volcker's credit policies. If this dispersed ferment unites around its own, alternative program, the administration could be in trouble.

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Executive Intelligence Review



A Manhattan Project Approach to Economic and Political Intelligence

A group of over 200 economists, mathematicians, physicists, historians and military specialists work in 40 cities of the western and nonaligned world to monitor developments 24 hours a day, 365 days a year. They have been doing so for the last ten years—producing the world's only unchallenged record of accurate predictions on every major international issue.

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Editorial

by Nora Hamerman

An evil omen

Any schoolboy knows that it has been a longtime favorite pastime of the British oligarchy to study the Decline and Fall of the Roman Empire... as a *model*. And therefore it is of great importance, not only for any remaining American patriots who understand why the American War of Independence was fought, but for our international friends who know the British imperial method first-hand, to take note of the fact that ancient Roman superstitious practices are being revived on the Capitol Hill of Washington, D.C.

When the Roman priests examined the entrails of birds and animals to determine their auguries, the activity was called "haruspicating." These days, when U.S. congressmen and senators gather—as they frequently do—for meetings of the Congressional Clearinghouse for the Future, they are urged by their discussion leader to "haruspicate." Instead of entrails, they are told to "haruspicate with science fiction."

And for several hours they intently analyze the prophecies of Hal Clement, Ray Bradbury, and Isaac Asimov. Asimov assures them that "if science fiction is the literature of escape, it escapes to reality."

The Clearinghouse was founded four years ago—and is now directed by—Ann Cheatham, a member of the Club of Rome—the organization dedicated to promoting zero growth. Cofounder of the group was Alvin Toffler, author of two diatribes against scientific progress, *Future Shock* and *The Third Wave*. A frequent speaker at Clearinghouse meetings, Toffler recently demanded on national television that such advanced programs as the U.S. space effort be cancelled because "What right do advanced countries have to have technology not available to Third World countries?"

Close to 200 senators and representatives are

members of the Clearinghouse, which includes on its advisory committee Rep. Henry Reuss of Wisconsin. The Clearinghouse shapes congressional thinking through seminars, dinners and discussion groups, and publishes two newsletters on Capitol Hill. They are now getting up an institute to do in-depth research.

The Clearinghouse brainwashes congressmen on behalf of the perspectives of the Club of Rome. Speakers at their meetings bombard participants with talk of mind-body awareness, new consciousness, and changing lifestyles. Last month Marilyn Ferguson, author of *The Aquarian Conspiracy*, briefed the group on why their new states of consciousness will make them victims of the conspiracy.

As a recent Clearinghouse newsletter reported, one meeting discussed how "the world transition and transformation from abundance to scarcity is global and more than ever before, the inhabitants of the earth must share its wealth. ... It is probable that the problems are manageable with an exceptional exercise of will." And to make sure that this zero-growth outlook prevails, against the explicit mandate of the U.S. Constitution for progress, we have learned that the Clearinghouse plans to campaign to do away with the outmoded U.S. Constitution.

Perhaps some *EIR* readers are disgusted by this little operation to subordinate the American Republic to the Club of Rome. We suggest you ask Rep. Albert Gore, Democrat of Tennessee what he intends by chairing such a body. Or find out if your congressman attends its meetings. Or, if you are not American, you would do well to brief your government on the fact that if U.S. congressional actions don't seem sane, the cause may be "haruspication."

How Carter has produced hyperinflationary recession

by David Goldman

Widely-circulated commentaries that the current week's events on the credit markets mark a turning point in interest rates are premised on a fundamental misunderstanding of what the American economy currently is. The bond market gained 5 percent on the long-term side April 16 after Salomon Brothers' seer Henry Kaufman made this evaluation. Chase Manhattan Bank lowered its prime rate the same day from 20 percent to 19 $\frac{3}{4}$, and Eurodollar short-term rates have come down by more than 3 percent from their highs of two weeks ago.

The argument that this represents an interest rate peak depends on a model of the American economy during the 1974-1975 collapse, when the recession hit more sharply than during 1929-1931, and interest rates fell speedily. Instead, the model to look toward is Germany in 1935, following three years of Nazi "economic recovery" methods. As *EIR* has emphasized in analyses of Carter budgetary and energy programs, and in the published results of *EIR's* Riemann-LaRouche computer econometric model, the Administration has enforced the same policies that Hitler's finance Minister Hjalmar Schacht used during the first five years of the Nazi regime. The same consequences should be expected.

To preview the comprehensive survey of the problem *EIR* will release next week, the following telling comparison of the last with the present "recession" makes the story quite plain. The rates of decline of total manufacturing and of major individual sectors are given in the table.

From the standpoint of conventional models this makes no sense whatsoever, since the input-output grid of the economy is assumed to move in roughly the same proportions during short-run periods. Last time, the decline in total industrial production was comparable to the developments in housing and auto, the first two sectors both times to take it on the nose. The fact that the total index did not move down—because chemicals, machine tools, aerospace, coal, and manufacturing equipment *rose*—indicates that we now have a fundamentally different economy. Different laws apply.

The anomaly of a steady rate of output of construction materials coincident with the worst drop in housing starts in 20 years—a 50 percent decline in six months—is less of an anomaly considering that the legislation prepared by Rep. Moorehead of Pennsylvania is now in a House-Senate Conference, and, if passed, will permit the construction of hundreds of billions of dollars worth of

Rates of decline

	9/74-3/75	9/79-3/80
Industrial index	-15%	- 0.4%
Housing Starts	-19%	-50 %
Building materials	-21%	- 0.2%
Auto	-25%	-16 %

synthetic fuel plants. According to sources at the Federal Emergency Management Agency (see Special Report), the FEMA itself would then have authority under the 1947 National Security Act to allocate supplies to the construction of these monstrosities, because the Moorehead Act places them under defense priority status.

Even though the actual rate of defense spending is probably falling in comparison to the final quarter of 1979, the level of anticipatory spending, particularly in aerospace, electronics, and machinery, nonetheless assumes a coming military buildup.

Most important of all is the deadly combination of pollution abatement and energy-saving investments, which now make up roughly 10 percent of all capital investments, according to the Commerce Department and McGraw-Hill numbers. However, this is a gigantic understatement. As we have noted, virtually all of the \$60 billion in capital spending plans of the big three automakers during the next five years is oriented towards producing smaller, more efficient cars, as a matter of Environmental Protection Agency dictate. The same is true in the aerospace sector, which, combined with auto, makes up the only sector whose capital investment is growing in real terms. The real effects on the aggregate economy are considerable. For example, instead of the usual 12 percent coefficient on the input-output grid relating machine tool output to transportation industry consumption, Commerce Department economists estimate the machine builders are shipping 25 percent of their units to the transportation sector. Prof. Seymour Melman of Columbia University points out that the dollar value of the units consumed by aerospace is much higher, because the aerospace sector uses the largest and most complex machine tools.

We are, in short, six months into a full-fledged Schachtian economy, and rapidly approaching the crisis point that the Nazi economy underwent in 1936-1938, when the productive resources of Germany were no longer sufficient to meet the demands of Hitler's war machine. We do not have free resources and free labor in the most important categories of capital goods—and this is before projected demands of military production, synthetic fuel plants and so on.

Merely maintaining the military potential of the economy at a credible, much less an efficient level, requires enormous effort. FEMA had to directly intervene to prevent bankrupt railroads from scrapping lines that lead to military bases, or carry military supplies.

As we published last week—and will elaborate in detail in next week's Special Report—the result is that the net available tangible product of the U.S. economy (the Riemannian model's "S") fell below zero during 1980, as a result of overhead and waste demands on the economy's tangible output. This defines in scientific

terms precise enough for our purpose here a crisis identical to the 1936-1938 economic crisis.

What does this mean for credit demand? To start with, despite the behavior of the monetary aggregates, total credit demand is still extremely strong, *despite* the 50 percent reduction in mortgage issuance and much lower rate of consumer credit extensions. The most recent week's bank lending figures show a strong rate of growth. The Federal Reserve's policy following the March 16 "shock" was, according to First Pennco economist Joseph Bench, "exactly what they did after the announcement last October." During the past two weeks, the Fed has monetized about \$3 billion in Treasury securities, an extremely accommodative gesture.

The simple fact is that if the Carter Administration wants a Schachtian economy, the Fed must either pay the bills for this—both in the form of increased credit expansion and increased inflation—or force the economy through the sort of crisis that Prof. von Hayek and the *Wall Street Journal* have demanded, wiping out inflation-related capitalization through mass bankruptcy.

To comprehend the current state of the economy, the analyst must mentally divide it into two economies, one moving into a Schachtian inflationary bubble, the other forced down to record-breaking depths (e.g., auto and housing). Thus far, the breaking of the second economy has not been sufficient (and never will be sufficient) to feed the demands of the first. Therefore the result will be either a crisis of inflation, in the form of a renewed rise in interest rates, combined with major shortages in the capital goods sector, or a chain-reaction of bankruptcies.

As the Special Report documents, FEMA is already prepared to bypass all existing state and Federal legislation (under the 1947 national security statutes) and, if need be, to accomplish a vast banking consolidation which would turn the American system of 14,000 private commercial banks into a replica of the British or Canadian banking systems, with their national chains of a few major banks, within a matter of days. Nothing in the financial structure domestically will, by itself, prevent the Carter Administration from continuing to follow in the footsteps of Hjalmar Schacht.

However, the economy—as a thermodynamic system—can only be depleted so far, and no further. Once net free energy, or "S", falls below the zero point, the economy must cannibalize its productive resources at an accelerating rate to meet the demands of "national autarky" investment, while the size of the productive sector shrinks at an accelerating rate. The result is a formula for a national breakdown of a type which the United States has not seen before. Under these conditions the type of emergency management the Carter Administration is now employing to govern will only propel the country faster into a dark age.

Japan's 'resource finance'

In the aftermath of the latest Iran crisis, Japan has resumed international lending in a drive to secure access to oil and raw materials.

After almost a year's absence from the international credit markets, Japan, over the last few weeks, has been engaged in a rapid-fire series of new loans to oil and/or resource rich countries. "Resource finance" is the new battlecry in Tokyo—Japan's response to the escalation of the Iran crisis.

1) The Japanese government offered visiting Mexican Industry Minister Andres De Oteyza \$100 million in official government loans as part of a larger package of private loans for the \$2 billion Las Truchas project on the Pacific coast. In return, Japan wanted Mexico to up its oil shipments to Japan from the current 100,000 barrels per day to 2-300,000 bpd. According to Mexican sources, Oteyza was open to discussing expanded oil shipments to Japan provided the latter cooperates in projects in Mexico's industrialization plan. The discussion will be resumed when Prime Minister Ohira visits Mexico the first week in May.

2) After a decade of stalling, the Japanese government and the Mitsubishi group reached final agreement in early April on going ahead with a \$2 billion petrochemical project for Saudi Arabia at Al-Jubayl. In return, the Saudis, who already provide 30 percent of Japan's oil, agreed to increase their supply by 200,000 barrels per day. The government, rather than Mitsubishi, had been responsible for

the earlier delay. The petrochemical plant, with a combined million tons per year product, could be on line by 1985.

3) A package of \$650 million in private and government loans to Brazil directly tied to resources for Japan was agreed upon during the visit to Tokyo of Brazilian Transport Minister Elizeu Resende in the first week of April. The package includes \$100 million for iron ore expansion, \$300 million for a railroad to facilitate export of soybeans, and \$250 million for a railroad to facilitate a Japanese-financed steel project. In certain cases, the funds may not be released until June.

Prior to this series of loans—with additional loans being negotiated right now—Japan had made almost no loans since last spring, due to a virtual prohibition by the Ohira administration. The government stated the ban was necessary to preserve the supply of foreign exchange that was rapidly being eroded by the run on the yen. Reserves had fallen from \$32 billion in November 1978 to only \$26 billion in April 1979. In fact, behind the ban lay Washington's insistence that U.S.-Japan friendship was hurt by the huge growth in low-interest loans to the tune of \$15 billion per year set by Ohira's predecessor Takeo Fukuda.

Despite the further fall of foreign reserves to only \$18 billion in March of this year, the Finance

Ministry decided to lift the ban. As one Japanese banker confided, "Japan is now using its lending capacity to ensure future supplies of oil and raw materials—we don't know what will be the result of the Iran crisis—this is resource finance." Besides the countries mentioned above, Venezuela, China and perhaps Indonesia are prime loan targets.

The new Finance Ministry guidelines, as quoted in the April 1 *Nihon Keizai Shimbun*, specify a total of \$8 billion in international loans in the year beginning April 1, half the rate of fiscal 1978 under Fukuda. They also specify that there will be case-by-case approval of loans by the Ministry and that many of the loans will be done jointly with the World Bank.

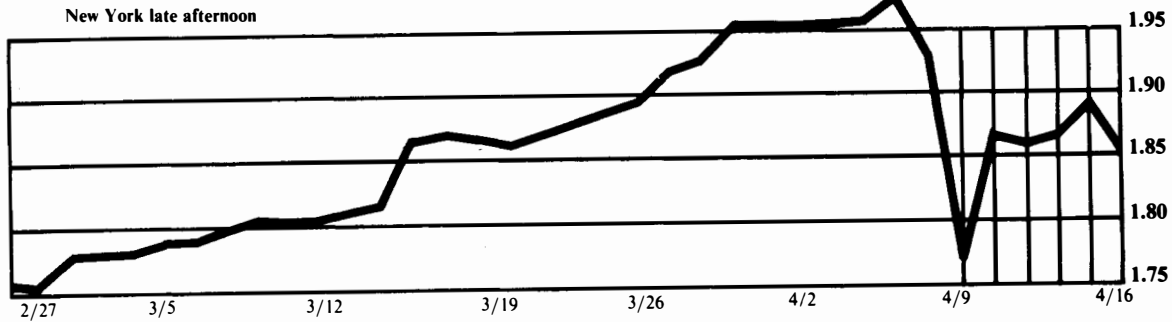
Since the guidelines were used, new developments have put a snag in the plan. The yen, previously floating for months at around 240-245, has dropped to 260 per dollar. As a result, according to one bank, the guidelines for 1980 have been reduced to about \$4-5 billion. Additionally, certain loans negotiated by private banks have not been approved by the Finance Ministry.

It is likely, however, that the reduction may be only temporary. The renewed Iran crisis has terrified resource-less Japan that it may be cut off at any moment from adequate oil and raw materials. Japan will find it necessary to extend billions of dollars of loans to secure supplies. This does not mean a return to the Fukuda policy of lending for industrial development in the Third World, but if Ohira wants to be re-elected Prime Minister next December he will find it difficult to maintain lending at the minimal \$4-5 billion level.

Foreign Exchange

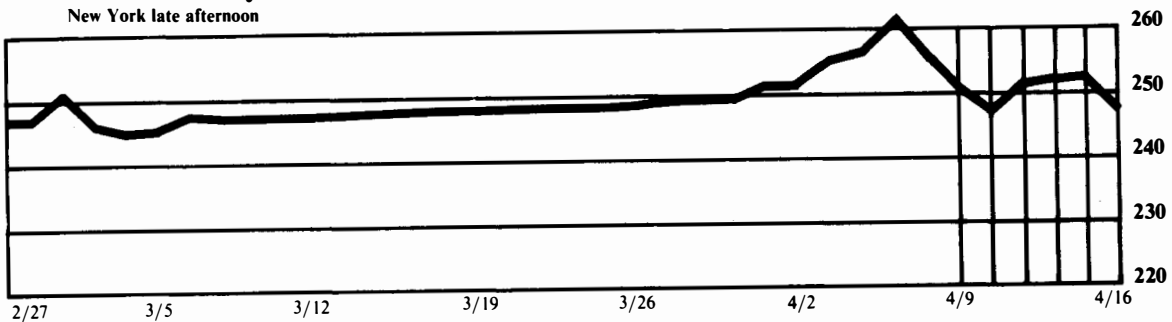
The dollar in deutschmarks

New York late afternoon



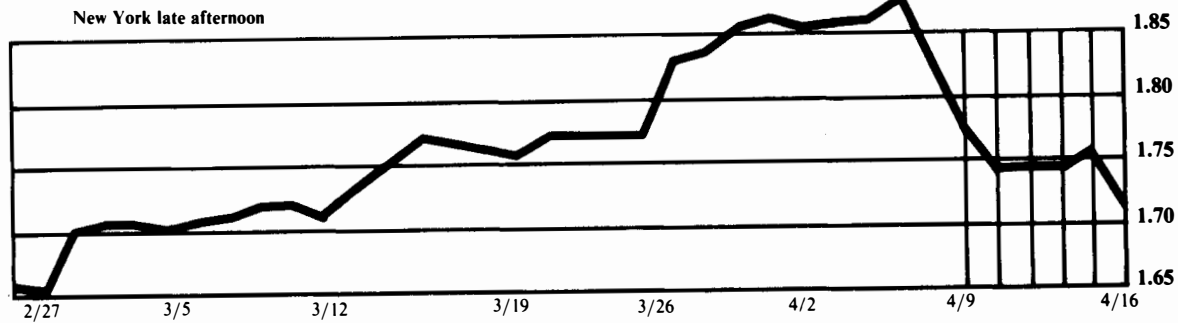
The dollar in yen

New York late afternoon



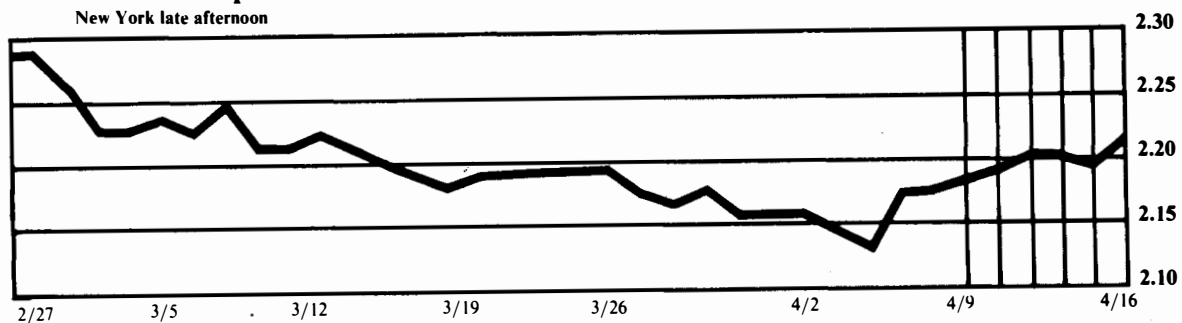
The dollar in Swiss francs

New York late afternoon



The British pound in dollars

New York late afternoon



Rail deregulation: a defense need?

The Department of Defense and the Federal Emergency Management Agency have their fingers in both rail legislation and railroad bankruptcies.

The country's major railroads are agitating for full deregulation of their industry—going far beyond the relaxation of the regulatory codes contained in the Railroad Transportation Policy Act of 1980 passed by the Senate April —on the grounds that deregulation will promote healthy competition among carriers and result in better service for shippers. In actuality, railroad deregulation—allowing the railroads free hand at rate-making, mergers, abandonments, and so forth—is one prong of an ongoing restructuring of the nation's rail system, which, far from being determined by “free market forces,” is planned, controlled from the top, and highly anticompetitive.

As a case in point, investigations by *EIR* into the bankruptcy reorganization of the Milwaukee Road and the Rock Island railroads, which have traditionally provided essential service to the nation's grain belts, reveal that the restructuring of those railroads is being closely monitored by the Department of Defense in its Railroads for National Defense program. The determination of which lines formerly serviced by the Milwaukee Road and Rock Island Line will be preserved is being made on the basis of hypothetical national defense needs, in disregard for the requirements of the

nation's grain farmers.

According to a DOD official involved in the program, both the Milwaukee Road and Rock Island are regarded by the DOD as critical connector lines, providing access to Malmstrom Airforce base in Montana in one case, and Rock Island Arsenal in Davenport, Iowa on the other. The purported goal of the Railroads and the National Defense program is to bolster the civilian rail system's capacity to satisfy military lift requirements in the event of nuclear war. Both the DOD and the transportation department of the new Federal Emergency Management Agency (FEMA) are actively engaged in this endeavor.

The importance that the DOD is attaching to the Milwaukee Road and Rock Island Line raises a new set of questions about the failure of both of those railroads and the flight to gain control of the lines they service.

New evidence brought to light in the Milwaukee Road bankruptcy case strongly suggests that beginning in 1970 the Burlington Northern Railroad carried out a preconceived campaign to drive the Milwaukee Road out of business in the northern tier market—Montana, North Dakota, Minnesota, Idaho, and Washington—where the Milwaukee Road was the Burlington Northern's sole

competitor. This charge is leveled in a memo written by former Milwaukee Road attorney Tom Ploss, who left his job over a dispute with company officials on the release of the memo to the Interstate Commerce Commission. Milwaukee Road general counsel Henri Rush told the *Journal of Commerce* that “a box of documents” which allege that there was a concerted plan by the BN against the Milwaukee Road has now been delivered to ICC offices in Washington, according to an April 11 report in that newspaper. The memo reportedly states that upon the merger of the Great Northern Pacific and Burlington lines into BN in 1970, the BN management established “an intricate and comprehensive program to defeat and eliminate all benefits to the Milwaukee Road from the merger conditions by predatory and anticompetitive tactics....”

The memo continues: “BN illegally intended and attempted to, and did, restrain commerce ... in the Northern Tier market ... did monopolize railroad traffic in that market, and eliminated its only competitor in that market, all in violation of antitrust law.”

The Milwaukee Road was eventually forced to file for bankruptcy reorganization in December 1977. This past March 19, the ICC rejected both restructuring plans put forward for the railroad, including one submitted by the New Milwaukee group, which would involve partial acquisition of the railroad by its former employees and the communities for whom it is a vital life line. In the meantime, the Milwaukee Road has been selling off its western lines—to the BN and other major railroads at distress prices.

Can the cattlemen afford cattle?

Feed cattle is a high-cost investment to begin with; at 18 percent interest rates, it becomes very risky, indeed.

More than three years ago a Monfort of Colorado spokesman told a television interviewer that cutting back grain production to conserve energy—invariably accompanied by the Malthusian demand to feed grain to people, not animals—would require the U.S. to build an enormous defense system to try to protect itself from a world that will not tolerate the destruction of the most productive agricultural industry in history.

Several weeks ago, Monfort, the third largest meat producer in the U.S., announced the largest quarterly loss in its history, and closed down its Greeley meatpacking facility. Not too many weeks before that, President Carter had presented his guns-no-butter (no bread, autos, houses, or beef, for that matter) 1981 budget.

We are a long way down the road envisioned by the Monfort spokesman in 1976. The recently acknowledged "return" of the cattle cycle to liquidation phase is one dramatic indication of the crisis in American agriculture.

The February 1980 Department of Agriculture "Livestock and Meat Situation" report ought to be sufficient to convince the last true believer that the past year's puffing of herd rebuilding was wishful thinking—understandable, perhaps, since the 16 percent decline in the cattle inventory between January 1, 1975 and January 1, 1979 was the largest drop ever.

From January 1979 to January 1980, a two percent increase in the inventory had been predicted, based on the fact that by spring 1979 cattle prices had climbed to levels which began to make herd expansion look financially viable. Feedlots were paying \$80-90 per hundredweight for feeder cattle. But the deteriorating economy pinched consumer food budgets—all the while production costs soared. By August fed cattle were selling for \$65 per hundredweight, and feedlots had already begun to slow marketings and replacements. Cattlemen began pulling in their horns.

The January 1, 1980 cattle census showed that far from the 1-2 million head increase, the cattle population had grown over 1979 by a mere 100,000 head. The number of intended replacement heifers which actually entered the herd during this period ran at 30 to 35 percent, and the calf crop was down by 2 percent (or 1.1 million fewer calves) from 1978. Further, the second-half 1979 nonfed steer and heifer slaughter was greater than expected.

Feedlots are unquestionably terrifically squeezed at this time, a fact to which the still unfolding DES scandal is perverse testimony. An industry source told *Feedstuffs* magazine that it was likely that cattle implanted with the synthetic hormone DES, banned last November on the grounds that it is

carcinogenic, would top a half million before the dust settled because of the intense competition in this highly-leveraged industry.

The Texas Cattle Feeders Association reported this week that feedlot replacements in the Texas panhandle were down 16 percent from year-ago levels. The Association expects that by mid-April the feedlots would be only 60 percent filled, a result of, principally, high interest rates according to Association analyst Chris Hyndmand.

A 600-lb. feeder calf today costs about \$486, Hyndmand explained. If an investor fed the calf for 120-130 days on money borrowed at 18 percent, the cost of the money alone would be \$30. Transportation costs and the unpredictability of government policies make the high-cost investment in cattlefeeding an even greater risk.

These developments at the feedlot level will put more pressure on the cow-calf men, reinforcing the herd liquidation.

What this means at the dinner table is "here today, gone tomorrow" as far as beef is concerned. Supplies will be ample for some months as producers liquidate, and then supplies will fall and prices will snap upward. Already beef consumption, the most potent and efficient source of protein, has dropped about 20 percent since 1976 in the U.S. But observers expect "heap meat" to end in the fall, when the "crunch" hits. Significantly, an industry economist told a world meat trade conference in Ireland this week that the rate of growth of beef consumption worldwide would drop 25 percent during 1980—a projection he attributed to projected low economic growth rates.

Carter makes trade war his policy

If Europe and Japan don't go along with U.S. "sanctions" against Iraq, the U.S.S.R., and anybody else Carter might choose, then they'll face sanctions themselves.

"The Carter administration has told Europe and Japan to support a U.S. boycott of Iran or face a cut-off of auto imports into the U.S.," a top British official of the International Institute of Strategic Studies has been telling Wall St. "insider" circles recently. The report coincides with calls for auto import restrictions in the wake of the shutdown last week of three Ford plants in the United States.

The protectionist moves in the auto industry follow by just weeks administration-provoked moves against European steel imports and the cancellation of U.S. exports of grain, phosphates, and capital goods to the Soviet Union on the pretext of retaliation for the Soviet invasion of Afghanistan.

The cancellation of U.S. exports to the Soviets has already resulted in the loss of at least \$5 to \$15 billion in dollar earnings the U.S. would have made during the course of the upcoming Soviet five-year plan, according to the April 9 *New York Journal of Commerce*.

The administration and U.S. steel industry have been playing a Mutt-and-Jeff act to restrict steel imports, with U.S. Steel launching an antidumping suit against European steelmakers and the Commerce Department immediately "retaliating" by cancelling the trigger-price mechanism (which provided a means for regulating, but not strangling imports). Both steel importers and European

steelmakers have commented on the shabbiness of the U.S. Steel Corp. suit. Under U.S. antidumping law, not only must a plaintiff prove that dumping took place, but that material damage to the U.S. industry actually was suffered. With the antiquated U.S. steel industry working at a high 89 percent of capacity, U.S. Steel's argument of damage due to import competition is a dubious one.

In auto, it is the Ford Motor Company and the Ford Motor division of the UAW which are playing the role that U.S. Steel and the Commerce Department played a month ago in fomenting protectionist hysteria. Doug Fraser, top UAW official, has been backing these efforts. During a recent visit to Japan Fraser said: "If they [the Japanese] want to sell cars there [in the U.S.—ed.], they'll have to make them there. ... If they don't build plants there, I would have no hesitation to hit them with import quotas."

Volkswagon has just agreed to build a second auto assembly plant in the U.S. Datsun and Toyota are in no position to do this, however. They currently have sufficient manufacturing capacity in Japan and, unlike Volkswagen, do not produce a single model but rather a range of well-regarded cars. To do so, they are dependent on a configuration of unique parts suppliers already sited around them in Japan.

To blame for provoking the protectionist sentiment in the auto industry and the UAW, however, is the Carter administration's policy of high-interest-rate credit strangulation. It is collapsing auto demand due to consumer-credit cutoffs which is principally to blame for the auto industry's present plight, not foreign imports.

The administration now has the unenviable distinction of being the world's leading advocate of both "one-worldist" trade strangulation through the new Geneva GATT agreement (the "Tokyo Round"), as well as "nationalist" trade war. The unity of these seeming contradictions is geopolitics—trade, military, and political alliances such as that of the U.S. with China, Egypt, and Israel to foster global deindustrialization.

That this is the case is underlined by the patent insanity of the ban on exports to the Soviet Union, of which the principal victim is the United States itself. The National Farm Bureau has denounced the Carter ban on grain exports to the U.S.S.R. as a national disaster. Shortly after the Farm Bureau's announcement, news reports have appeared detailing how the Soviets had filled much of the cancelled orders through other nations.

All this underlines the fact that the same administration which is pointing the U.S. toward a military war it will lose is doing the same in the domain of trade war. This suggests that Europe and Japan would do well to call the Carter administration's bluff on its demand for economic warfare since the administration is manifestly at war with everyone, including the U.S. itself.

Trade Review

NEW DEALS

Cost	Principals	Project/Nature of Deal	Financing	Comment
\$2.5 bn	Canada from U.S.	Canadian government will buy at least 137 F-18 fighter planes from McDonnell Douglas.		Canadian government announcement April 10
\$600 mn	Austria/Yugoslavia	The two countries will cooperate on major joint projects in third countries, including, reportedly, a \$365 mn coal-mining project in China, petrochemical plants in Algeria, and engineering projects in Iran.		Outcome of 3-day visit by Chancellor Kreisky to Yugoslavia
\$120 mn	Angola from Brazil, France, and U.S.	Petrobras (Brazil), Total (France), and Texaco (U.S.) will drill off Cabinda over the next 4 years with expected 30-40,000 bpd production to be purchased by them over 20 years. Angola compelled Texaco, active in area since 1966, to associate with Angolan, Brazilian, and French counterparts.		Contracts signed
\$80.5 mn	China (Peking) from Sweden	Svenska Varv shipyard (government-owned) will build two 80,000 ton dead-weight oil tankers for China.	Possibly through Swedish gov't credits	Order placed
\$45 mn	France/Brazil	The French Defense Ministry is buying 40 Brazilian Xingo training planes, instead of competing U.S.-made Cessnas or Beechcrafts. The assembly of French Puma helicopters in Brazil and Brazilian purchase of Western Europe's Airbus are under negotiation.		French government announcement
	East Germany from Soviet Union	A 1,000 megawatt nuclear reactor will be built in Stendal, 50 miles from West German border.		Agreement signed
	Argentina/U.S.S.R.	1) Joint fisheries research in Antarctic and sub-Antarctic waters; 2) Possible Soviet sale of nuclear and hydroelectric technology to balance huge Soviet purchases of Argentine grain and meat.		1) Agreement signed 2) Top Soviet trade delegation in Argentina
	U.S. from West Germany	Volkswagen will build a second car assembly plant in the U.S. (probably in Sterling Heights, Michigan).		Volkswagen supervisory board has approved, but U.S. negotiations are still in progress

Business Briefs

Cities

Most municipalities have budget troubles

A recent study by the Conference of Mayors reported that of 100 large cities, 75 percent are in budget trouble and expect serious funding shortages in the next fiscal year. Eighteen of these, including Washington, D.C., plan large municipal layoffs and service cuts. The administration's planned \$2.3 billion cut in federal matching funds will intensify the pressure.

Until recently the nation's leader in housing starts and income, Washington, D.C. is now beginning to feel the impact of the national economic situation. Realtors there report the lowest March sales since 1973, with new home purchases down 57 percent and a 20 percent drop in savings and loan activity.

Banking

Carter administration plans banking takeovers

Due to the increasing likelihood of widespread bank failures, Carter administration officials are proposing major revisions in existing banking regulations to permit bank takeovers and mergers across state lines, the *Journal of Commerce* revealed in an April 15 editorial. Wall Street sources say that the effect of these changes will be to establish a nationwide banking system similar to that which exists in Britain, in which six or seven of the largest commercial banks will gobble up all the others.

According to the *Journal*, U.S. regulators have proposed that out-of-state U.S. banks be permitted to acquire failing banks with total assets in excess of \$1.5 billion or if the bank in question is one of the three largest in the state. Commercial banks and savings and loan institutions would also be allowed to merge with other savings banks and

thrift institutions under the same conditions.

Although the administration is moving slowly on the proposed changes out of fear of a political backlash, Citicorp may force the administration's hand, the *Journal* adds. Citicorp has in recent months exploited loopholes in existing regulations to expand its operations across state lines. The bank has announced it is moving some of its credit card operations to South Dakota to avoid New York usury ceilings. Citicorp has also just acquired a stock purchase warrant to take a 27 percent interest in a small Chicago bank, Central National Chicago Corp. Citicorp has established what amounts to a billion dollar bank in Miami, Florida, after merging its Edge Act subsidiaries into one vehicle. At present, the bank is only permitted to engage in specific international transactions, but as a result of expected changes in Federal Reserve rules, it will also be able to do all kinds of banking business for corporations which can show that they conduct a large amount of international business.

Transportation

Trucking dereg threatens industry

The trucking deregulation bill which passed the Senate on April 15 contained most of the worst features of deregulation under consideration, an official of the American Trucking Association said in an interview. Sen. Ernest Hollings predicted that the lifting of entry regulations on the hauling of processed food could cost the regulated carriers about 21 percent of their annual revenues. Also noteworthy:

The bill phases out collective rate-making in the industry—"every man for himself" will be the rule on rates.

An amendment sponsored by Sen. Warren Magnuson (D-Washington) which would have put the onus on applicants to show why they should be able to gain entry to routes serviced by

regulated carriers was defeated. Instead, protestants, the established carriers, will have to prove that they will be damaged.

The bill contains no figures on minimal insurance coverage that carriers must carry. (The ATA believes that this is an especially dangerous aspect of the bill.)

The bill's one concession to critics of trucking deregulation was its exemption of traffic to and from small communities. A study prepared by this magazine last fall, "Trucking Deregulation, a disaster worse than Viet Nam," argued that deregulation would result in the dropping of unprofitable routes, leaving thousands of small communities across the nation literally stranded.

A House bill is still in mark up and could take several weeks before it reaches the floor of the House.

Industry

Auto layoffs approach 300,000 level

As of the dismissal of another 27,100 auto workers announced by Ford and General Motors on April 15 and 16, the number of auto layoffs in the U.S. is fast approaching the 300,000 level. By comparison, during the worst of the 1974-75 recession, around 220,000 auto workers were out of work.

The number of layoffs is not the only area where this collapse of the auto industry has already surpassed the 1974-75 downturn, however. Of the 15,100 dismissals announced by the Ford Motor Co., 9,000 hourly workers, most of them involved in manufacturing, are being dismissed permanently, not laid off. As a result they will not be entitled to unemployment benefits, just a severance pay check. Altogether, Ford will be trimming its auto and truck production by another 14 percent in this sweeping retrenchment of its operations. The company's Mahwah, New Jersey plant—its largest assembly plant in the country—will be shut down, along with two smaller manufacturing plants in

Dearborn, Michigan and Windsor Ontario.

The company, whose North American division is expected to lose another \$1 billion in the first half of 1980, explained that it must trim expenses to the bone to be able to finance \$20 billion in outlays for retooling for meeting federal pollution standards by 1985.

General Motors is placing another 12,000 of its employees on "indefinite" layoff, bringing the total number to a staggering 100,000.

Chrysler, whose sales are running a third below last year's dismal levels, meanwhile is being threatened by Treasury Secretary William Miller that the Chrysler Loan Guarantee Board may veto the automakers' \$1.5 billion federal loan guarantee package.

There is a growing recognition in the auto and other blighted areas of the economy like the lumber industry that no mere cyclical downturn is unfolding. Many of the plants that are closing are never going to reopen.

International Credit

German banker says worst is yet to come

A senior West German banker commented in Frankfurt April 14 on the U.S. economy: "It's squeezed all over, worsened by high interest rates, and we see it rapidly worsening. Until now I thought they'd set wage-price controls to cover up the disaster until the elections, but now?"

"When Bunker Hunt went, the whole thing failed to crumble, because some saner ones stopped it to prevent the dam from breaking. But others, many others will follow. It starts with the thrift institutions, the brokers will go. ... And slapping on exchange controls would simply mean a declaration of bankruptcy. ... What I wonder is how the hell they arrived there? Won't the American population just topple this administration? My God, they cannot help but see and feel what is going on.

... This Club of Rome propaganda is not just give up material values, it's give up your own self. ..."

Employment

Unemployment fund is near bankruptcy

The U.S. unemployment trust fund, which administers a series of 50 state unemployment funds, is heavily in debt and could go bankrupt. The debt, estimated at between \$6 and \$10 billion, is a legacy of the 1973-75 recession when 12 states' unemployment funds went bust and were forced to borrow \$3.7 billion from the federal treasury. Moreover, the government-administered fund had to borrow from itself, so to speak, by taking another \$7.9 billion from the Treasury to be disbursed to states on an emergency basis to cover extended unemployment benefits.

Less than one-fifth of this 1973-75 debt has been paid back. Some of the states that borrowed in 1973-75 have had great difficulty: For example, Pennsylvania still owes \$1.2 billion and will now have to raise the unemployment tax the state's industry pays from \$42 to \$60 tax per employee. Under current conditions, the increased tax will hasten increased unemployment.

Another case: The state of Michigan has paid back what it owed from its borrowing in 1973-75, but has been forced to borrow back \$280 million to cover its current 11.2 percent official unemployment rate.

Technically, each time a state's unemployment fund goes bankrupt, the Treasury has the authority to keep bailing it out with as much money as needed. But the current Milton Friedman-style, tax-cutting, budget-balancing mania now engulfing the Congress could well block the Treasury from dispensing the \$20 to \$30 billion that will be needed to bail out the funds as the next wave of mass unemployment hits. If that happens, the U.S. unemployment system will be completely bankrupt.

Briefly

● **EXXON** is furiously courting Iraq, and urging the American government to draw that country into the Western camp. Former chairman of the board J. K. Jamieson is telling friends that Iraq has more oil than Saudi Arabia.

● **A GERMAN BANKER** says privately that Chancellor Schmidt will not play ball with Washington's demands for sanctions. "Schmidt is appeasing the U.S. with nice words, and more words, and still more words, but he's also appeasing the Russians in more important ways. This situation where the U.S. is making enemies all over the world can't go on, it just can't." Shortly after the banker spoke, Schmidt called for a freeze on Pershing Missile production—a NATO decision taken in December that most displeased the Soviet Union—and his spokesman Arnold Gruenewald said the Chancellor was engaged in arrangements for a summer visit to Moscow. Washington officials expressed "alarm," and wondered whether Schmidt was not only ignoring U.S. sanctions demands, but also NATO military decisions.

● **TOP EXECUTIVES** at the Houston headquarters of a Seven Sisters oil giant held a knockdown fight over computer econometrics models last week, comparing *EIR's* Riemannian model to that of Data Resources, Inc. The fight started when an economist used the DRI model to simulate the effect of a huge oil price increase on the economy—and the computer projected no change whatsoever. So, thirty executives fought it out for hours.

● **THE CHAIRMAN** of a New York clearinghouse bank may step down for what will be listed officially as "medical reasons." The banker broke down during an "encounter session" held for executives and required hospitalization.

Planning crises: nuclear disaster to nuclear war

by Konstantin George

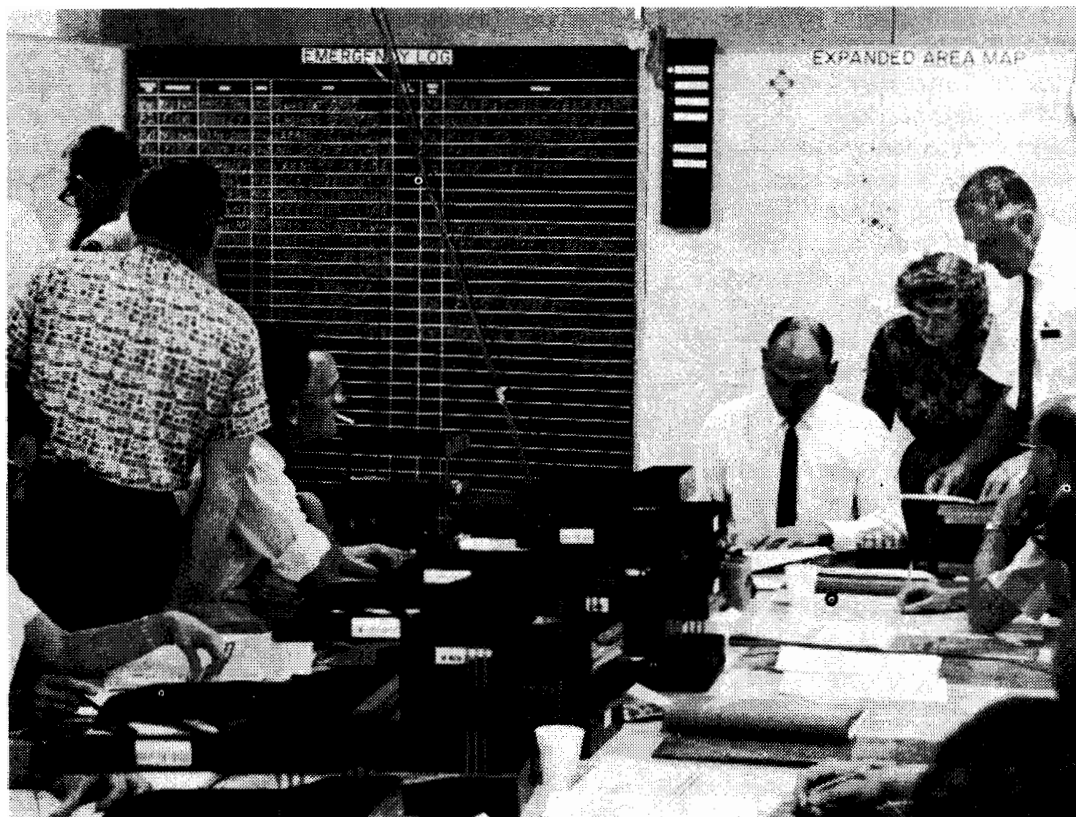
Sometime during the past two weeks, a nuclear war was simulated in which a majority of the American people perished. The simulation was conducted by a secretive but highly active body that is already a "government within the government," the Federal Emergency Management Agency. The FEMA simulation was only part of an ongoing series of simulated disasters, any one of which, like Hitler's Reichstag Fire, would make FEMA the U.S. government in fact, with dictatorial powers.

Officials at the agency told *EIR* that FEMA has "full emergency legislation on the shelf and ready to go," and that FEMA and Zbigniew Brzezinski, National Security Advisor, are jointly preparing a "Federal Master Mobilization Plan"—an entire military government—that would take over the United States the moment a new Middle East war were declared.

In fact, the recent nuclear war simulation began as a regional "limited nuclear war" in the Middle East. A U.S.-Soviet nuclear exchange left "Washington destroyed," said a high FEMA official. "Thirty-four agencies and every department of government was moved. We at FEMA coordinated the entire relocation."

The purpose was not the handling of actual thermonuclear war, however. Not enough population or resources would be left to relocate or "restructure." As a FEMA official concedes, "We were testing the mandate our agency was given when it was established by Presidential executive order last March."

The executive order was handed down one day prior to the "accident" at Harrisburg's Three Mile Island nuclear plant. The evidence is overwhelming that sabotage in the plant, followed by managed lies in the news media, followed by a week or more of "crisis management," was all



*Civil defense personnel now under the Federal Emergency Management Agency engage in monitoring activities during a simulation of a nuclear attack on the United States.
Photo: U.S. DoD*

nothing but a “test” of FEMA’s mandate. Three Mile Island was FEMA’s first “simulated disaster.”

Under the mandate, FEMA has dictatorial power over every operating level of government, industry and banking in the event of natural disaster, energy crisis, or war—without interference from Congress, the courts or even the Joint Chiefs of Staff. As Three Mile Island would indicate, “Reichstag Fire” is the term that embodies FEMA’s *modus operandi*: create the crisis that brings you dictatorial power. And as the Persian Gulf focus of the recent ‘nuclear war’ simulation indicates, fostering regional conflict and destabilization in the Mideast, with its impending outbreak of war or cut-off of oil supplies, is precisely the dictatorship-triggering crisis toward which FEMA has been building for over a year.

Whence FEMA?

During the summer of 1979, the U.S. Department of State issued a memorandum over the signature of Secretary of State Cyrus Vance, stating that it was probable that the entry of the exiled Shah of Iran into the United States would provoke the taking of U.S. citizens hostage by the Khomeini dictatorship.

In October, 1979, Vance capitulated to combined pressures from Henry A. Kissinger and Kissinger’s traveling checkbook, David Rockefeller; the State Depart-

ment admitted the Shah to the United States. No precautions were taken to secure the embassy and consulates in Iran, or to provide security to jeopardized nationals.

Worse, the “militant” students holding fifty U.S. hostages in Teheran are directly controlled by a circle in the United States most visibly headed by former Attorney-General Ramsey Clark, who continues to be an official special representative of the U.S. State Department and the White House itself.

Although the Iran situation is out of efficient control by the Carter administration, it is otherwise the case that the administration’s willful solicitation of the hostage situation and subsequent exploitation of that affair is a precise parallel to the Hitler regime’s use of the Reichstag Fire—FEMA proves the comparison is warranted.

FEMA was created in March 1979 by Presidential Review Memorandum 32. PRM 32 was the Carter executive branch’s writing into statutory form of a proposal earlier co-authored by the Trilateral Commission’s Samuel P. Huntington, who argued that under conditions of global “fiscal austerity” modeled on Nazi finance minister Schacht’s program, the time of parliamentary democracy has come to an end in the West. A version of “fascism with a democratic face” should be developed by “hollowing out” effective agencies of government, reducing them to mere facade. Within the “hollowed out” regions of government, special, appointive “emergency”

agencies should rule nations and the world by methods of "crisis management." Thus, each department of the U.S. government now has an Emergency Coordinator, accountable only to FEMA in time of crisis.

PRM 32, or the Federal Emergency Management Agency, is precisely analogous to those emergency provisions inserted into Weimar Germany's law which were employed to effect the process of 'legal coup d'etat' on behalf of the Hitler regime's consolidation of power. In fact, as one source close to FEMA's activity stated: "I'm talking about accepting elimination of civil rights, of parts of the Constitution."

The FEMA program

Once a contrived crisis inaugurates FEMA's formal dictatorship, fascist restructuring of the economy and

relocation of the labor force forms the core of its government program, which breaks down as follows:

**Oil rationing.* "We don't care if the Persian Gulf shuts down," said a FEMA official. "We have already developed plans to put into action for an oil cutoff. There will be a federal rationing plan and we will convey the plans to the state and local level. Rationing will totally depend on our coordination with local officials."

**Nuclear evacuations.* The purpose of FEMA's nuclear scare around TMI was to begin conditioning the population to the "probability of nuclear plant disasters in the future that would necessitate mass evacuations," said an official. "We're applying FEMA's plans for population relocation for the evacuation of all perimeter areas around every operating nuclear power plant in the United States with emphasis on nuclear plants near to

What is FEMA?

FEMA, the Federal Emergency Management Agency, was established by Presidential Review Memorandum 32 (PRM-32), drafted in spring 1978 by National Security Council staffer Samuel Huntington for NSC chief Zbigniew Brzezinski. In an "emergency" FEMA is authorized to bypass all constitutionally mandated institutions to carry out all measures it deems necessary.

FEMA does not operate under the President directly, but under the National Security Council.

The Executive Order that established FEMA mandates an Executive Council within the National Security Council, called the Emergency Management Committee, as the crisis command center. This Committee, chaired by the FEMA director, includes the National Security Adviser Zbigniew Brzezinski, the Assistant to the President for Domestic Affairs Stuart Eizenstat, the Director of the Office of Management and the Budget John McIntyre, and the NSC Assistant for Policy and Intergovernmental Relations, David Aaron.

On June 19, 1978, President Carter and OMB chief John McIntyre held a White House press conference announcing the formation of FEMA under special reorganization authority adopted by Congress in April 1977. FEMA gained official congressional approval 60 days later, since Congress did not veto the proposal.

Under the Brzezinski PRM-32 guidelines and the provisions of the Presidential Executive Order of June

19, FEMA assumed control over the following agencies:

1. Defense Civil Preparedness Agency (DCPA).
2. Federal Disaster Assistance Administration.
3. Federal Preparedness Agency (FPA).
4. Federal Insurance Administration.
5. National Fire Prevention and Control Administration.
6. National Weather Service.
7. Earthquake Hazard Reduction Program.
8. Dam Safety Coordinating Program.
9. Federal Emergency Broadcast System.

The FEMA reorganization shut out the Pentagon and Joint Chiefs of Staff from involvement in national emergency action. All such functions are centralized under the director of FEMA.

Under the provisions of Carter's Executive Order ignored by the Congress, the director of FEMA, appointed by the President, maintains total control over *all* federal agencies involved in crisis management from his chair on the National Security Council.

FEMA's official creation was followed rapidly by the marathon Camp David sessions that began on July 6 and that resulted in the well-publicized Carter cabinet shakeup. The cabinet shakeup brought important personnel in to run the FEMA-cabinet interfaces.

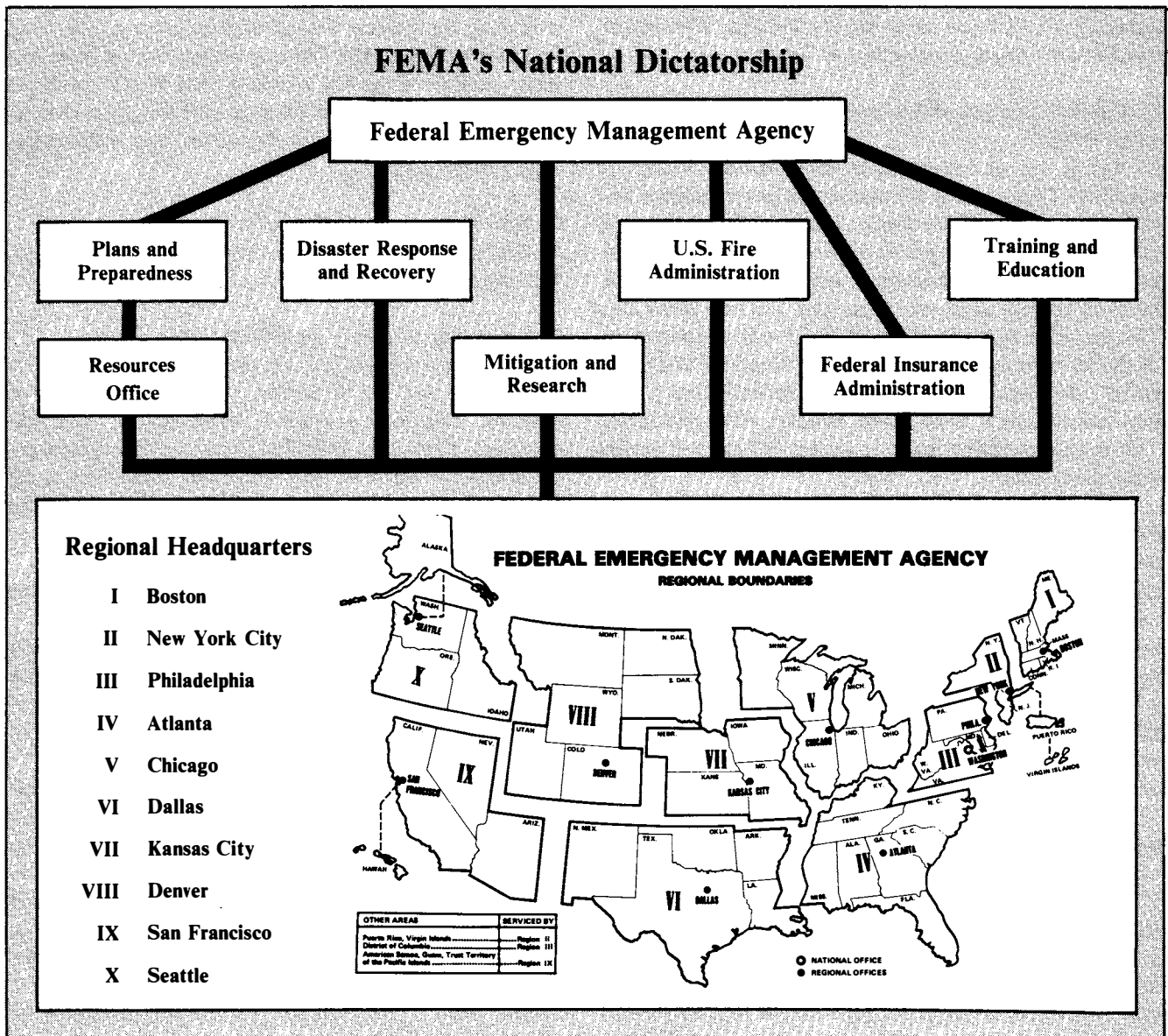
The new cabinet members included Charles Duncan, Secretary of Energy. Duncan is a protégé of J. Paul Austin, chairman of the Board of Trustees of the Rand Corporation, the originating institution for the doctrine of "limited nuclear war." Before the reorganization, Duncan was Harold Brown's No. 2 man at the Defense Department, where he was in charge of overseeing the creation of the "strike forces" for invasions of the Mideast.

big cities. We're going to run these evacuations from the top down... We're already doing exercises on this to set up in advance who does what to whom."

**Urban dislocation.* Characteristic of FEMA "final dry runs" was the just concluded New York City transit strike, run through FEMA's New York Regional Emergency Operating Center in order to profile and prepare the population for acceptance of austerity and hardships. The transit strike, said a hired psychiatrist who monitored popular response carefully, was only one of a "series of psychological shocks" that will force people to develop a "sense of limits."

**Militarization of banking and industry.* FEMA's Planning and Preparedness Office of Resources has developed a plan to restructure the entire U.S. economy, markedly similar to House Banking Committee chair-

man Henry Reuss's "Omnibus Banking Act of 1980," which Carter recently signed into law. All credit allocation to banks, farms, or industries passes under control of the Federal Reserve, making chairman Paul Volcker economic *reichsfuehrer*. FEMA's proposal would dismantle sections of industry, forcing mass relocations to concentrate employment in war production and synthetic fuels projects, analogous to Nazi Germany's 1936 Goehring plan. "We used our off-the-shelf plans to create a new cabinet level Secretary of Defense Resources to organize all resources throughout the economy," said a FEMA source. "... We allocated on a priority basis all manpower, natural and industrial resources, and all transportation and communications." Like Nazi Germany, much productive industry and farming would be shut down.



Gen. Frank Camm

'Evacuating all, allocating all'

The following interview with General Frank Camm, Associate Director of the Office of Plans and Preparedness in the Federal Emergency Management Agency, was made available to EIR by an independent journalist. The subject was FEMA's recent simulation of a "nuclear war."

Q: I understand you did a "resources exercise" recently with NATO?

A: Yes, it was of course highly classified but I can tell you this. There was a simulated nuclear exchange between the U.S. and the Soviet Union. We simulated a crisis in which a large group of people from 34 different government agencies and departments moved to another location to deal as government with the new situation. This included DOE, DOI, DOD, DOJ, every department of the government. We coordinated here at FEMA the entire relocation and restructuring because that is our job—coordination at all levels, Federal, state, and local. This occurred during just two weeks. We are still evaluating the results.

Then we had to look at what was left of the country. For example, if Cincinnati was hit, wiped out, we had to be able to calculate from the level of blast and radiation envelope how much of the economy was lost—how many machine tools we had left, how much energy resources, how much transport infrastructure, how much of our national microwave communications grid had been wiped out in that area. Certain areas became off limits altogether because of radiation levels. We then had to reorganize the entire national transport and communications grid.

We were also liaising and reorganizing entire state and local areas through FEMA's ten Regional Directors offices in the ten Federal regions of the nation. Most Federal agencies and departments, like Agriculture, Commerce, etc. have their organizations around the country, by the standard Federal Regions of which there are ten (see map). In fact you can get all the departments' regional offices in the U.S. Government Manual, Office of the Federal Registrar, General Services Administra-

tion. It lays out the entire infrastructure. FEMA set the national pattern up that way because it is our job to coordinate these things. These other departments like Commerce, etc. don't have the manpower in the field offices that know the local and city governments, interact with them daily, on a first name basis, like we do. So we naturally take over all liaison with local governments in such a situation.

Then regarding the economic rehabilitation of industry we took off the shelf the plans we have to establish in such a situation a new Cabinet-level officer of Defense Resources to organize all resources throughout the economy—that's what we mean by a resource exercise. We reorganized and allocated on a priority basis all financial resources, manpower resources, natural resources, strategic resources, industrial resources, transportation resources, communications resources. The nucleus for this would be the present Office of Resources of Planning and Preparedness. The new department would serve as a super-version of the old World War II War Production Board. We exercised this plan, constituting ourselves as the Department of Defense Resources, and started allocating everything.

Q: How was this handled internationally?

A: Oh, the DOD handled the entire international end, with the alliance (NATO).

Q: What was so highly classified?

A: Oh, what was classified was the solutions to all this. It was a very far out situation. We had a number of dramatic solutions proposed. Their nature is highly classified. Especially classified is just what targets were hit and how much we lost and how much had to be rebuilt where, and exactly how. That's what cannot be allowed to be known.

Q: What are your next priorities, especially peacetime priorities?

A: Right now our most urgent task is a real crash effort on the Radiological Emergency Preparedness Task Force mandated to us by the Kemeny Commission (on Three Mile Island) regarding planning for evacuation of perimeters of operating nuclear power plants.

We have set up a new Radiological Emergency Preparedness Division within the Planning and Preparedness Office of Resources, which was formed by bringing 12 officers from the Nuclear Regulatory Commission into FEMA to set up here. They are headed up by Robert Ryan, the new Division Director. This task force, or division, will evaluate the efficacy of all the urban evacuation plans of every major city in the U.S. where a nuclear plant is operating to see if the population can be effectively evacuated in case of peacetime emergency.

How FEMA ran the scare at Three Mile Island

Without fanfare—and without a word of coverage in the national media—the Carter administration used the occasion of the March 28 “disaster” at the Three Mile Island nuclear power plant as a test run for their crisis management dictatorship within the White House and the National Security Council. All evidence points to the conclusion that FEMA was the command and control channel through which Schlesinger, Brzezinski, and others organized the sabotage of the nuclear power plant near Harrisburg, Pa., “managed” the crisis that followed, and buried the evidence pointing to the specific agencies and individuals responsible.

The FEMA field crew, several of whom were manning an evacuation command post in Harrisburg, was headed by Barry Evenchick of the Federal Disaster Assistance Administration, now a component of FEMA. In 1976, Evenchick was a member of

the National Advisory Committee on Criminal Justice Standards and Goals, Task Force on Disorders and Terrorism. That committee, working closely with Richard Thornburgh, who then headed the Criminal Division of the Justice Department, issued a lengthy report which spelled out a series of RAND Corporation scenarios for largescale civil disorders and terrorist extravaganzas. He then drew the conclusion that complete crisis management powers had to be instituted to deal with the increasing likelihood of “high-technology” disasters.

From Harrisburg, Evenchick maintained a minute-to-minute liaison with another FDAA official, Bill Wilcox. Wilcox, in turn, operated directly out of the NSC. This command structure, according to both eyewitness accounts and reports in both the *Baltimore Sun* and *Associated Press*, maintained total control over all information and manufactured what the U.S. population was told about the events at Three-Mile.

Had the sabotage scenario carried through to the mass evacuations mooted by the then-governor of Pennsylvania, Thornburgh, and the press, FEMA would have superseded all other federal, state, and local governmental bodies—with the exception of the governor’s office—and assumed dictatorial control throughout the duration of the crisis.

The division must report to Carter by June 30 on how good the plans are, and formulate better ones.

We have all the expertise for this and we are going to apply it, to see that the situation you had at TMI doesn’t repeat itself, where people and agencies were milling around with no coordination. We intend to use our planning expertise from the military sphere to coordinate all this. For example, if we must vent a radioactive gas cloud from the core, the DOE will have to deploy mobility to keep track of the cloud, to warn and evacuate people in the areas all across its path, to tell the Red Cross when to set up evacuation of hospitals, mobilize ambulances. We’re already doing exercises on this, to set up in advance who does what to whom.

Next, we’re going to be addressing the future economic impact of this, but it’s not very far advanced at this stage. Of course the Emergency Electric Power Agency is working on what would happen to surrounding industry if an area lost its electricity supply but that would be covered by the national electricity grid pretty much...

We have a full program to evaluate the evacuation plans of every city where there is an operating nuclear

plant, both the city’s plans and our plans, and then upgrade. We have come up with a list of criteria, and we have 150 FEMA people around the country with long-standing expertise on nuclear war and we’re diverting them to these localities to help the local governments develop these plans on a local level.

Q: What about the energy crisis resulting from a Mideast war?

A: Yes, our next priority is planning for an energy shortage. We don’t care if the Persian Gulf shut down or if every oil field in the U.S. shuts down. We’re going to show the DOE how to run a rationing program. They don’t have the staff, as I said before, on the field level to coordinate such a thing with local officials. We have the expertise. We have already worked out the plans for an oil blockade in case of general war. The fundamental decision has been made that rationing will depend on state and local agencies and the DOE can’t coordinate this. Rationing will totally depend on our coordination of local programs, and it will be total rationing, disaster rationing. We would convey the federal plans to the state and local level.

Noteworthy is FEMA Director John Macy's personal role as a *de facto* member of the Carter cabinet, coordinating daily with all cabinet secretaries.

Agency insider

'The colonels will run the Cabinet'

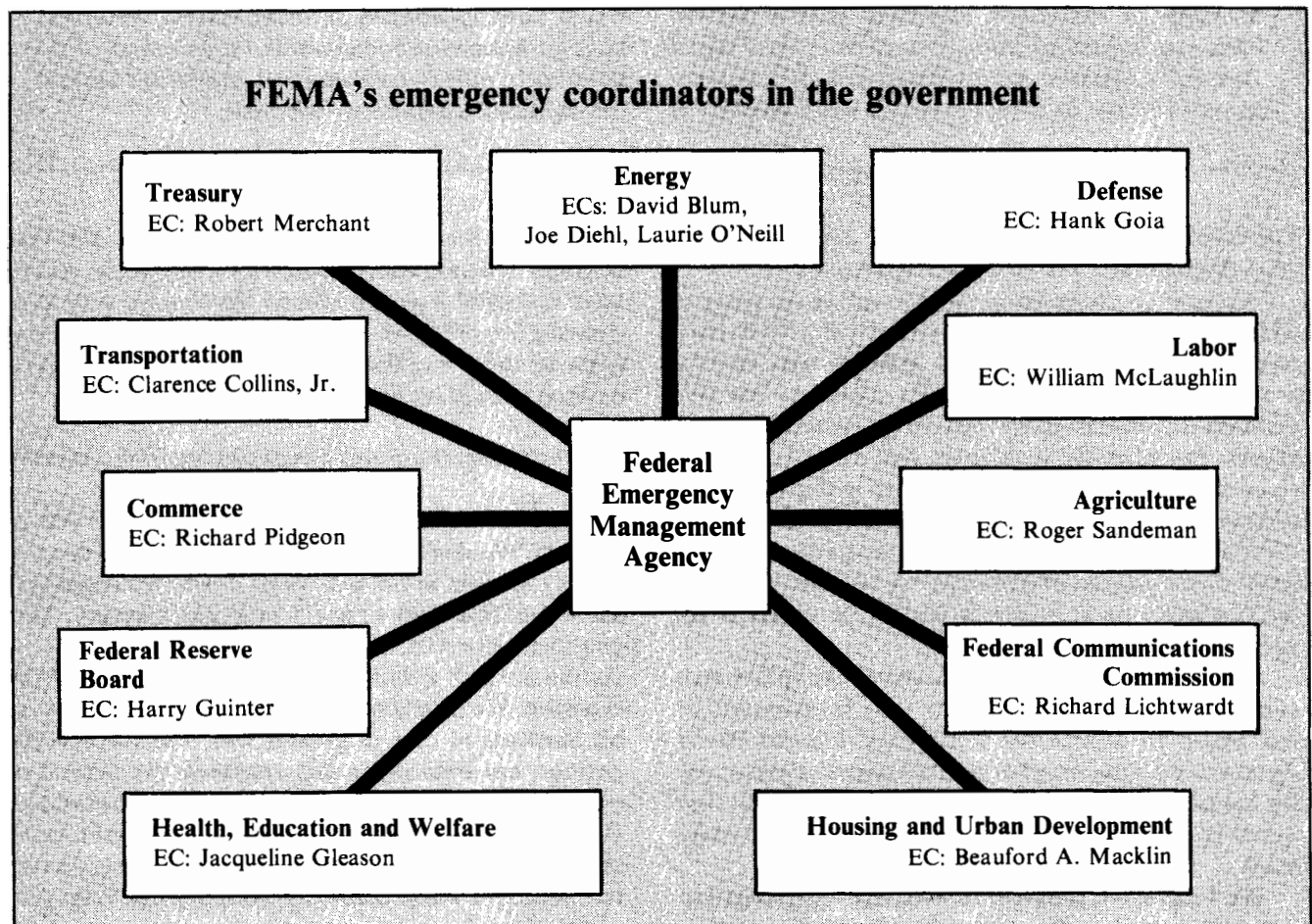
The following interview, with John Macy's number two man at FEMA John Nosita, General Director of Program Analysis and Evaluations, details the "Federal Master Mobilization Plan." for a virtual military government in the United States. Under the plan, FEMA would jointly coordinate with the National Security Council the operations of all U.S. government agencies and the U.S. economy. The National Security Council's "hands-on" involvement signifies an emphasis on "military".

Q: What will be the peacetime application of FEMA's recent nuclear war simulation?

A: Oh, that simulation was only a part of the Federal Master Mobilization Plan—we are continuing a series of such simulations so that we have full emergency legislation on the shelf and ready to go for use in any emergency. The Federal Master Mobilization Plan is being developed over time by a joint task force of the National Security Council (NSC) and FEMA called the "Mobilization Planning and Programming Study" which was set up personally by Zbigniew Brzezinski. When the Master Mobilization Plan is finalized, it goes straight to Brzezinski—that will mean FEMA is fully ready to take over in the event of emergency.

Q: Does that mean that the Plan is applicable to any emergency?

A: Certainly, the plan is totally comprehensive; it contains provisions for mobilization of all resources, indus-



trial resources, financial resources, energy resources. It could be applied to a nuclear disaster. It could be applied to an oil embargo. It has the broadest applications.

Q: What is the structure of this Task Force?

A: The Study Task Force is headed up by Colonel Joseph Stebbens of the National Security Council and General Frank Camm, FEMA Associate Director for Planning and Preparedness.

Q: And how does FEMA coordinate its work exactly with the other agencies of the government?

A: Well, John Macy does it from the top, you know. He sees the cabinet secretaries personally. He goes around and sees them every day. That's what he does all day. He goes around and visits with people. And you know that they're talking about emergency management, that's their business.

Q: How does FEMA coordinate on the working level with the agencies and Departments, don't you have FEMA liaisons within the staffs at each agency, too?

A: There is a central emergency coordinator for each Department of the Federal Government with a full staff which liaisons directly with FEMA—that is, the Treasury emergency coordinator, for example, has an entire staff under him in Treasury responsible for carrying out plans developed with FEMA. He would coordinate with General Camm as head of Plans and Preparedness. There is, similarly, an Emergency Coordinator within each of the agencies of government; all located within the cabinet secretary's office. Bob Merchant, the Treasury Emergency Coordinator, is in Secretary G.W. Miller's office. Similarly, there are FEMA Emergency Coordinators in the offices of the secretaries of Energy, Commerce, Defense, the Federal Reserve, Transportation, Labor, HEW, HUD, Agriculture, the FCC, and so on.

Of course, once we're at war or any emergency hits, it is those agencies—through their emergency coordinators—who carry out the President's emergency orders. Once we're at war with Iran—and we'd better be prepared, hadn't we, because we're all going to be doing a hell of a lot of walking—the President will act directly, telling the Treasury to seize Iran's assets and any other financial action which may be necessary, domestic or international financial action.

But we write all the plans beforehand. We tell Treasury what to do ahead of time, and during the process we advise the emergency coordinator. We have full plans with Treasury on the shelf for freezing assets, and on a full range of domestic monetary policy—wage/price controls, credit controls across the board, rent controls, you name it.



Who is FEMA's John Macy?

John W. Macy, Jr., the man chosen by Carter to head FEMA, is in complete agreement with the Council on Foreign Relations view that the decade of the 1980s will be one of "controlled disintegration" for the world's economies, and that the future has little to offer but scarcity of resources, natural disasters, and global dislocation. Macy has been a member of the board of the Institute for World Future Studies. The institute's sister organization, the World Futures Society, is holding its first conference in Toronto in July. Panels at the conference include "Dying and the Right to Die," "New Faces for Authoritarianism," and "Friendly Fascism."

Macy got his start working as director of operations for the Atomic Energy Commission in the late 1940s under David Lillienthal, a leading proponent of Bernard Baruch's policy that peaceful uses of nuclear energy must be prevented.

From 1961 to 1969, Macy was based at the White House as Special Assistant to the President with responsibility for *search* and *evaluation* of candidates for presidential appointment. Macy, in effect, was the CFR's point man at the White House, selecting the personnel who both ran and "crisis-managed" the urban riots and other disorders that characterized the 1960s.

From 1969 to 1972, Macy was president of the Public Broadcasting Corporation, controlled by the British Broadcasting Company, that is, British intelligence.

From the PBC, Macy went directly to Iran. His mentor, David Lillienthal, asked Macy to head up his company, the Development and Natural Resources Corporation, which was set up in Iran with money from the New York investment banking house Lazard Freres. The corporation was under contract to the Iranian government to plan out development options for the country, and it was during the height of their work that the destabilizations against the Shah began and the Khomeini option emerged. Macy was in Iran throughout the chaos leading to the overthrow of the Shah, and the installation of the Islamic regime.

New York City

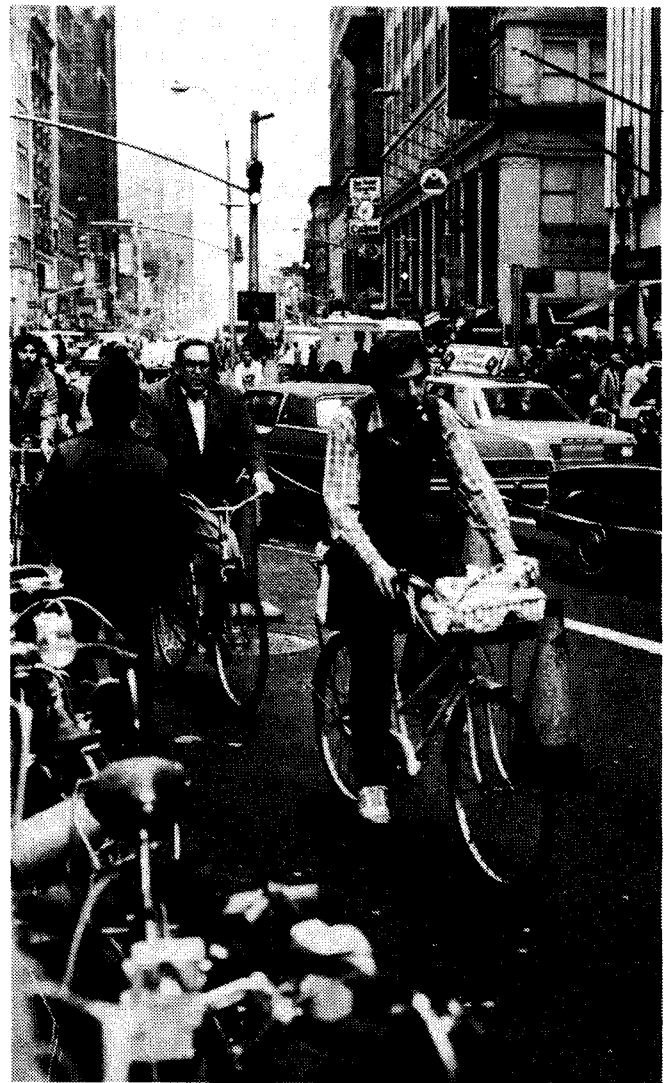
How FEMA ran the transit strike

Fully one year before Mayor Koch announced his pledge to "take a strike" and force the shutdown of New York's mammoth transit system, high-level closed door strike planning meetings took place involving dollar-a-year management experts, on loan from New York Telephone Co. and Con Edison to the Federal Emergency Management Agency (FEMA) which supervised the New York City Office of Civil Preparedness. Said one of the participants: "Do you think the strike would have lasted so long if every detail and contingency hadn't been thoroughly planned well in advance?"

The key to forcing the strike was the combined interference of the New York Emergency Financial Control Board and FEMA, with the enthusiastic complicity of Mayor Edward Koch. The Emergency Financial Control Board is the financial policing agency that dictates a strict fiscal austerity policy to the city. It is then implemented by the Mayor's Office of Operations Deputy Director Eugene Connell who is on loan from New York Telephone Co.

Connell worked closely with Lt. Hogan of the Office of Civil Preparedness, whose operations and travel budget is funded 50 percent by FEMA. Hogan and Connell together went to Chicago to study the recent firefighters strike there for ideas on strike breaking and crisis management.

During the same period, according to inside sources, the State of New York was notified that the Department of Defense would pick up the tab if the National Guard were called out during the transit and possible upcoming fire, police, and sanitation strikes. FEMA was concerned that the State's financial situation might cause them to hesitate if decisions were taken to escalate the scenario. Going into the strike as planned, FEMA set up a special six person "monitoring" staff to oversee developments and report back to Washington daily. Lt. Hogan of the Office of Civil Preparedness set up a bunker command center under tight security on the 14th floor of Police Headquarters. This Emergency Management Center included liaisons with every significant city and state agen-



Bicyclists cluttered the streets during New York City's transit workers lockout—"making the city more like Peking," the goal as stated by Mayor Ed Koch. The 11-day strike was a "dry run" of FEMA crisis creation and management.

Photo: NSIPS

cy as well as the area's public utilities and the FEMA desk.

Though the FEMA crisis management dictatorship attempted to manipulate public opinion into an attitude of defeat and resignation, a citizens group flooded the city with a bumper sticker reading, "Don't be a Koch Sucker," and 100,000 copies of a leaflet accusing Koch of trying to turn the city into a new Peking. A number of trade union and community groups began distributing copies of the leaflet in bulk, obtained from the nonpartisan Citizens to Save New York. The connections between Koch and FEMA director John Macy became a subject of great interest among many city political layers.

One individual who speaks regularly to the Koch

'We're getting the city ready for much worse'

A leading New York psychiatrist said last week during the strike that New York City has undergone a "series of psychological shocks" that is forcing the city's population to accept "a sense of limits."

The psychiatrist, who reportedly treats many of the New York-based elite, said that "things like the city's transit strike can alter people's consciousness." He noted that New York has had a series of shocks, starting with the Northeast power blackout in 1965. "Then you had a transit strike (1966), you had problems with the Lindsay administration which created a whole series of disasters and confrontations," said the psychiatrist. "Then you had the great fiscal crisis that brought the population to the edge of disaster and then let people hang on the brink. This made people totally aware of economic disaster and prepared them for the tough times ahead. Now you have the transit strike. You have had a period of shocks. Each builds the psychological tension. Then you have a release and build up the tension again. The mind is changed by all this and that is how you develop a sense of limits."

The strike, said the psychiatrist, has created a theological consciousness. "That is what the sharing is all about. We have changed man from an urbanized, isolated intellectual being into a communal animal... This has been accomplished by a little shared tragedy,

over time. It is a unifying experience, like a mass drug experience of sorts."

"Koch," he said, "is a lightning rod... a psychological focal point. He focuses the emotional force... He has adjusted well to his role—forcing people to face harsh reality."

But the New York City transit strike is embedded in a much larger psychological issue, he said. "It is much bigger than people here realize... You have to take the long view. History is a horrible thing. It is one awful development after another. The constant is that man survives in spite of himself, in spite of all the pain and suffering. Look at Barbara Tuchman's book, *The Distant Mirror*. The 14th century was a mess. One perpetual crisis. It is like the book has a special message for today, not that we will have a Black Plague, but that we are entering a period of prolonged crisis. It is a period of sacrifice, of retrenchment.

"You think that the strike is a psychological problem. America is going to undergo a tremendous psychological overhaul. Americans are going to have to give and I don't mean giving up some oil or a Sunday drive. I'm talking about the psychology of accepting reductions or elimination of civil rights, of parts of the Constitution, because that is what the future demands. Of putting an end to this garbage that everyone has an equal chance.

"Quite frankly, I'm talking about deciding which people are going to live and die. This is what Tuchman really means. These are the questions of the future. How will Americans handle this? This requires a new psychology of accepting limits—like here in New York. This period of crisis will last for maybe 200 years."

inner circle reported that "Koch sees himself as a salesman of austerity. He was deadly serious when he spoke about New York becoming like Peking. He really believes that stuff."

Koch, running a city in which homosexuality, drugs and perverse entertainments have multiplied dramatically since he took office, is generally acknowledged to be a very peculiar mayor, and the perfect tool for FEMA. He returned from a recent visit to the Chinese capitol of Peking even more peculiar, and whenever he visited the Brooklyn Bridge to watch bicyclists and roller skaters flooding across to the downtown business section, he thought he was back in China, said police sources.

As FEMA continued running the strike into its sec-

ond week, it fell to the governor's office to pick up warning signals that real trouble was brewing among the population. Said one source, "Koch and his political advisors (FEMA) wanted the strike to teach New York and the unions a lesson," and wanted it to continue in order to "acclimatize" New Yorkers for a dramatic round of deep new austerity cutbacks in city services. The cuts were going to be deep enough to "provoke riots," according to one MTA source. People in the Governor's office "started getting damn angry at Koch and his obstinacy." If the strike went on a little longer, riots would have started, especially in some ghetto areas paralyzed by the transit lockout. "Then all bets are off," said a source near to Governor Hugh Carey.

A fascist economy with 'limited sovereignty'

by Kathy Burdman

By its own admission, FEMA is planning dictionary-definition fascism for the United States. At the ready are plans for a Cabinet-level Secretary of Defense Resources and Department of Defense Resources whose mandate, under "emergency conditions," is to "reorganize all resources throughout the economy," including "financial resources, manpower resources, natural resources, industrial resources, transportation and communication" (see interview above). The powers described exceed even the authority of the War Production Board of the World War II period—and they are applicable in peace time.

This is not a mere contingency plan. FEMA's "emergency only" program has already been set into motion by President Carter, when he signed the "Proxmire-Reuss Depository Institutions Deregulation and Monetary Control Act of 1980." Under this act, familiarly known as the "Omnibus Banking Bill" authored by Rep. Henry Reuss and Sen. William Proxmire, both Wisconsin Democrats, the Federal Reserve has been given what has been described as "power above the President and constitutional government" to dictate credit flows and so the future of the entire U.S. economy. Federal Reserve chairman Paul Volcker is scheduled to work closely with FEMA "during a crisis."

Since Volcker is committed to policies of industrial "controlled disintegration" as practiced by supranational agencies like the World Bank and the International Monetary Fund, the Reuss-FEMA plan places the constitutional government of the United States in a position of "limited sovereignty" under the IMF and World Bank, mediated by the dictatorial authority already surrendered to Volcker. FEMA waits in the shadows.

The program to be carried out by FEMA's Department of Defense Resources parallels the "Economic

Restructuring for the 1980s" legislative package designed by Rep. Reuss. The omnibus banking part of the package is already law, while the remainder is before Congress or in draft stages. The Reuss package breaks down as follows:

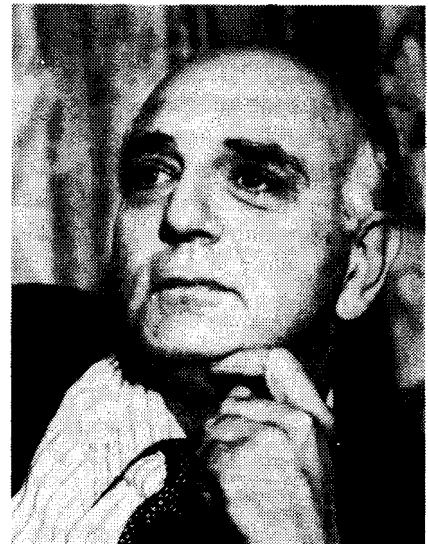
Omnibus Banking Bill. All depository institutions are required to keep reserves with the Federal Reserve, which has emergency authority to raise reserve requirements without notice or ceiling, and repeal all limits on interest rates (Regulation Q). These powers give the Fed fingertip control over the banking system. Together with the Credit Control Act of 1969 which Jimmy Carter invoked on March 14, the bill enables the Fed to cut credit so sharply to the economy that only selected sectors will survive, while others like savings banks and the auto industry are eliminated in the name of "anti-inflation" or converted to war-production. The Credit Control Act of 1969, key to this power, was authored by Joseph Russo, Financial Specialist at FEMA.

Department of Trade and Industry. This new cabinet level department would be established without legislative authority, by presidential decree—the way FEMA was created. In the Reuss proposal, the new DTI would not only take over all foreign trade functions, but would control all domestic production. It would oversee "the long-term restructuring of industry, allowing some industrial sectors to die," says a Reuss aide. "Those sectors that will be saved will be organized into tripartite boards of government, industry, and labor, modelled on Germany both before and after the war." The word is facsimile.

Federal Reserve Reorganization Act. Introduced by Reuss in April as H.R.7001, this bill grants the Federal Reserve full legal control over the Department of Trade and Industry. Reuss told *EIR* recently that the Fed would



Congressman Reuss and Fed chairman Volcker (right), chief collaborators in FEMA's plan for a dictatorship in the U.S. on behalf of the IMF.



have "an advisory role, serving as economic staffing for all the departments of government, and to industry and labor." Fed staff would make decisions which American industries survive, through Volcker's direct power to allocate credit, or through the new department.

FEMA's role

Informed observers recognize that Reuss's Department of Trade and Industry, interfaced with the Federal Reserve, is nothing but FEMA's "emergency" Department of Defense Resources. On the credit and banking side, the Federal Reserve's current credit and high-interest policies were, in effect, *authorized* by FEMA. FEMA financial man Joseph Russo not only authored the Credit Control Act of 1969, but recommended most of those measures embodied in Reuss's Omnibus Banking Bill. And as Russo points out, it is ultimately FEMA alone that has all the authority required to carry out the Reuss-Volcker program of credit allocation and deindustrialization, under the National Security Act of 1947.

Otherwise, FEMA could restructure the U.S. economy on the shortest notice through its Task Force on Oil Supplies and Shortages headed by Deputy Energy Secretary John Sawhill. All it requires is a "crisis" involving oil. In fact, as a FEMA source told *EIR*, general war or even Middle East war or oil embargo would not be necessary. Any military action, such as a U.S. mining of Iranian harbors which Carter is now threatening, would suffice to trigger the entire FEMA "emergency response" plan into action.

Said Gerald Rosen, Director of the State Department Office of Rules and Energy, FEMA would take over the United States on the authority of a supranational agency! Anytime world oil availability falls by 7 percent, which it would in the case of an Iranian shutdown or blockade,

the international "Emergency Sharing Program" of NATO's International Energy Agency empowers Rosen's office at FEMA to divert U.S. oil supplies to IEA members in Europe and Japan. The oil shortage thus contrived in the U.S. would launch FEMA's fascist dictatorship, the agency then "allocating on a priority basis" all oil and other energy supplies to U.S. industry, and thus crushing productive industries of its choice. Mass evacuations and forced relocations of the labor force would then follow.

FEMA bank specialist

'We're the only ones with the power to take over'

The following interview with Joseph Russo, financial specialist at the Planning and Preparedness Office of Resources under the Federal Emergency Management Agency indicates that FEMA, not any other government agency, would take over in the event of a banking crisis, and work closely with Federal Reserve Chairman Paul Volcker to administer the U.S. banking system.

Q: What are FEMA's financial programs from the war simulations which could be applied to peacetime financial emergencies?

A: We have full emergency legislation on the shelf for the Office of Defense Resources (ODR), which we would immediately put before Congress in any financial emergency.

Q: Could you give me the specifics if, say, Citibank does go under?

A: We're working on that. We're heading up the task force with the Fed and Treasury on abrogating the McFadden Act (which prohibits interstate banking by big banks and therefore allows for the existence of the American regional banking system—ed.). The Bank Holding Company Act could be amended to allow banks to go across state lines to buy up other banks which are going bust. This will be especially useful in Illinois, where the Chicago banks are now prohibited from buying the downstate farm banks, many of which are about to go under. Under this authorization, they could.

Q: What more generalized programs are in place for a banking crisis?

A: This is mostly classified but they involve the readiness concept of sharing for loss and solvency of the banking system—that is, we will oversee the equitable distribution of resources which are left.

You must understand that FEMA is the only agency left with the authority to impose emergency wage-price controls and other emergency credit measures. Our residual authority is under the National Security Act of 1947, which delegated the authority to the old Office of Civil Defense Mobilization which left it to the Office of Emergency Planning, then the Federal Preparedness Agency, and now their successor, FEMA. We were the ones—I was at the Office of Emergency Preparedness at the time, who wrote the Credit Control Act of 1969. I developed the program during the Korean war, standby legislation under which the President could impose credit controls. Then in 1969 it was made into a bill.

I was also responsible for the emergency implementation of wage-price controls in 1971. Even the Council on Wage and Price Stability today is prohibited from implementing emergency wage-price controls—FEMA is the only agency with the authority left, under the NSA of 1947, to do so. We're intimately concerned with all problems of inflation, of international financial behavior, of the entire psychological strategy of the financial system. I've forgotten more about inflation than most of the current administration ever knew.

Q: Do you have plans to work with the Federal Reserve on emergency bank liquidity?

A: Who do you think stopped the Philadelphia bank panic during Three Mile Island? Bet you didn't even know there was one—that's how we planned it. During that time the major banks in Philly were threatened with a bank run. We stepped in—I have my man on the scene

at the Philly Federal Reserve, I had him have the Fed make currency available to the banks.

Q: What about the Iran assets freeze?

A: Sure, that was us, too. We had that geared up in advance. We were, it just so happens, in the process of reviewing the President's powers and when the emergency happened last November, it allowed us to move in quickly. We wrote the executive order, we have a regular dialogue with Harry Ginter at the Fed and Stan Sommerfield at Treasury Office of Foreign Assets Control. We just had that order on the President's desk by 8 a.m.

In fact this summer we are having, through our Training and Education Bureau, a seminar on "Instruction in Programs for Emergency Management for Leaders of the Financial Community," led by Dan Sullivan and FEMA out in Boulder, for all the bankers in California to study what would be done in case of earthquake or other disasters in that region.

Iranian assets

How FEMA can create a financial crisis

The Federal Emergency Management Agency (FEMA) has been using the Iran crisis since its inception to gain control over U.S. international financial policy, and use this control to maintain a hair-trigger on an international banking crisis. This began with FEMA's instigating the U.S. Treasury freeze November 14, 1979 of some \$12 billion in Iranian dollar assets held in U.S. banks internationally.

At any moment, FEMA's manipulations of these assets through its agents at the U.S. Treasury could cause mass withdrawals from international banks and a U.S. banking crisis which could place large portions of the U.S. economy under FEMA's "emergency crisis management."

FEMA's manipulation of the frozen assets has already caused a run on the U.S. dollar as OPEC and other countries shun America's currency for fear of having their international reserves frozen. It has therefore significantly paralyzed the international banking system leading to cutbacks in funds to developing nations which have had to slash their industrializing programs to the bone.

FEMA's banking policy has come in two stages. First, in November, FEMA instituted the entire asset freeze under a "national security classification." They

threatened at the time to extend the freeze to all of OPEC's \$100 billion dollar assets.

Then, this week the same FEMA Interagency Task Force that froze the assets was authorized by President Carter to prepare "The Iran Claims Settlement Act of 1980." This legislation would authorize the actual seizure of the Iranian assets for distribution by FEMA's agents at Treasury to "all American claimants," a Treasury source said. The threat is to extend this to all Third World nations' assets.

"We at FEMA had plans to freeze the Iranian assets two weeks before we did," said Randolph Kau, FEMA's "liaison" in Treasury Secretary G.W. Miller's office last November. "I spent the entire two weeks on the phone trying to kill the rumors we would do it. I was on top from the beginning. When Iranian Foreign Minister Bani-Sadr threatened to pull all Iranian deposits out of U.S. banks early in the morning of Nov. 14, the Treasury night duty officer called me. I called Secretary Miller, and Fed Chairman Paul Volcker, personally. I handled it from the top, by prior arrangement."

FEMA's contingency plans at the time, Kau continued, were to freeze the entire \$100 billion in OPEC assets in U.S. banks. Asked if this was under consideration, he said, "Of course, we wouldn't be doing our job otherwise."

FEMA's up-to-the-minute intelligence on where all those petrodollars are located comes from the super secret National Security Agency which monitors all world telecommunications. "We didn't bother to rely" on regular Treasury data, Kau said. "Our data is classified on a national security basis."

Now, the same FEMA Interagency Task Force is writing Carter's "Iran Claims Act." The Act, when rushed through Congress, will allow the Department of Justice's Foreign Claims Settlement Commission (FCSC) to award claims to U.S. citizens—hostages' families, banks, any one at all—on all the Iranian \$12 billion in assets. Then the Treasury, on behalf of FEMA, would actually seize the assets, which up to now have only been frozen, and take authority to disburse the funds to claimants.

"The actions we have taken," said another Treasury liaison to FEMA this week, "are preparatory to going to war ... This sets a precedent for all defaulting Third World countries. We froze the Nazi and Japanese assets during the war. We froze the DDR's assets, we even froze the Red Chinese assets. But we never actually took title to them for disbursements."

Among the countries who may default soon as a result of the FEMA-provoked international banking liquidity crisis, the officials listed Brazil. Brazil's assets would then stand to be frozen and seized, he said.

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Will the Soviet Union occupy Sinkiang next?

by Lyndon H. LaRouche, Jr., Contributing Editor

Over the weekend of April 12-13, Helmut Schmidt, Chancellor of the Federal Republic of Germany, angrily compared the current world situation to that of 1914. He reported to large public gatherings that, then as now, current developments are impelling the principal powers witlessly toward the kind of war neither presumably desires.

It is for that reason, a view shared among most informed leading circles outside the United States, that Washington's allies are showing increasingly open resistance to the cacophony of "decisions" spurting from the mouth of the mentally unbalanced puppet-president, Jimmy Carter.

Unless World War III is triggered by a breakaway Israeli military adventure, or by Carter's military intervention into the Persian Gulf Region, the likely next escalation in the global situation is a Soviet military occupation of the Western, desert region of Communist China.

Soviets shift to "hard" war avoidance policy

Since sometime around Christmas 1979, the Soviet operational war-avoidance policy shifted qualitatively. In response to what Moscow saw and reported as lunacy in the Carter administration itself, the Soviet leadership adopted a "hard" form of war avoidance policy, which dictates a series of operational shocks to the United States. These measured risks of strategic deployment are intended, hopefully, to prevent thermonuclear war, by

communicating to sane elements of the U.S. command the imminence of such a war.

The Soviet deployment into Afghanistan was such a shock. Moscow notified Carter of that intended deployment approximately a week before it occurred. When Carter refused to negotiate that matter, and made no public statement on this information until after the deployment had occurred, the deployment proceeded.

This deployment had three prominent strategic implications. First, short of thermonuclear war, Washington could do nothing militarily to reverse it. Second, it underlined the more general virtual impotence of U.S. capabilities on the Soviet Union's southwestern borders. Third, it prepared a potentially ensuing occupation of the western, Sinkiang region of Communist China. Although the deployment had substantial strategic significance for possible World War III, its principal strategic significance was that of attempted war avoidance. It was primarily an attempt to communicate with Washington by actions, under conditions where effective direct negotiations, and also those mediated through Western European leaders, had been repulsed by Washington.

The gist of the "hard" signal is: "You do not have the capability to conduct a war-winning general war deployment against Moscow. Unless you alter your present geopolitical course that war will occur very soon."

The current "hard" Moscow war-avoidance posture might be viewed as the 1962 Cuban missile crisis in reverse. "Stop now, to avoid World War III."

Just as I predicted this change in policy during the



spring of 1979, and indicated Soviet deployment into Afghanistan as the expression of such a change, so I now indicate Moscow's deployment into Sinkiang as the most probable next such deployment.

How the assessment is made

I have no crystal ball. I am no Jeanne Dixon. I predict nothing in the sense of prediction associated with professed access to the confidence of Providence. I merely indicate now, as in similar connections in the past, what the probable outcome of certain policies must tend to be.

In a half-hour nationwide NBC-TV broadcast on election eve 1976, I warned that the election of Jimmy Carter as president would lead the United States toward thermonuclear war. I summarized the Carter policy toward the developing nations' sector, and outlined the way in which this would lead to the brink of war. That has occurred just as I warned. I also warned that a war could occur under Carter as early as the summer of 1977. We actually reached that state of affairs during 1979, not 1977.

The combination of those two points illustrates the difference between a soothsayer and a scientist. I presented an accurate, fully vindicated analysis of the consequences of the predetermined policies of a Carter administration. I indicated the earliest point at which such policies would lead to the brink of war. When the Carter administration slowed down the tempo of its geopolitical thrusts for a period during 1977, after Moscow's brutal

rejection of Vance's initial demands, the tempo of developments leading toward war was slowed accordingly.

The kind of "prediction" I offered to a nationwide viewing audience on Nov. 1, 1976 is exemplary of the best "predictions" scientific analysis can offer, up to the arrival of a condition of "singularity" in the elaboration of a political-strategic process.

My "prediction" of a Soviet move into Afghanistan, made in spring of 1979, is of the same character.

My "prediction" of a Soviet deployment into Sinkiang has the same scientific character.

In assessing the Sinkiang option, the weight of analysis lies within the domain of the kind of military-strategic analysis associated with von Schlieffen.

In Schlieffen's procedure, one's own military staff is divided into two teams. One team plays the part of one's own forces-command in a simulation of conflict, the other team plays the part of opposing command. This merely requires that, unlike the Pentagon's incompetently designed "Delta Project," the team one deploys to simulate the probable adversary be competent to play that part.

So Germany devised what became known as the "Schlieffen Plan." Schlieffen, representing republican, pro-France currents of the German command, focused on the problem of military methods aimed at breaking France away from the alliance with Britain in event of war. The Schlieffen thrust, as developed into World War I, aimed primarily at destruction of the British Expeditionary Force on the northern shores of the continent,

while rapidly gutting France's railway net to the effect of blocking French military deployment. This would have succeeded militarily—and possibly also politically during that war. A delay in execution of part of the prescribed deployment, occurring for nonmilitary reasons, enabled French forces to be deployed to block the final execution of the operation.

This succeeded militarily during World War II. But Nazi policy and character precluded the securing of the peace in the way intended by the Lazare Carnot-oriented Schlieffen.

Since the case of the Schlieffen design illustrates the combined political and military strategic considerations intertwined in such a method of analysis, we should examine summarily what actual German republican interests were during the first decade of this century.

Since the conspiracy including Benjamin Franklin, General Lafayette and Lazare Carnot of the 18th century, the basic strategy of the transatlantic, anti-Britain American faction has been to unite continental Europe in an entente against Britain. That was the policy of the 1794-1797 leader of the First French Republic, Lazare Carnot. That was the policy of Carnot's political heir, Gabriel Hanotaux, a century later.

Had German republicans been in political command of Germany during World War I, the military crushing of the British Expeditionary forces would have been followed by an immediate German-French peace negotiation explicitly premised on the Hanotaux-Witte doctrine of the beginning of that century. German military forces in the East would have demanded the czarist government's adoption of the policies of Czar Alexander and Count Witte as the condition for peace.

Separated from that perspective, the Schlieffen strategy is degraded to a mere parody of itself.

Whatever the Soviet leadership perceives to be the determinants of its strategic interest, the actual strategic self-interest of Russia as an industrial nation (communism to one side) is identical with that of Witte's Russia on principle. The anti-British Carnot policy of "Europe from the Atlantic to the Urals" is the only policy which leads to the possibility of war avoidance during this century.

If the United States command were not under British control, but under the leadership of a nationalist, republican command in the tradition of Benjamin Franklin and Abraham Lincoln (for example), that Carnot-modeled perspective would be the reference model for the European policy of the United States today.

War, and related potential application of military means, must be used either to secure peace on terms expressing a convergence of respective strategic self-interests, or deployment of the threat of military means by one power against the other must proceed until the

government of one is destroyed either by military defeat or internal transformation.

In analyzing the military and related vectors of powers today, one must go beyond the surface, conscious professions of policy and perspectives, to adduce the actually determining characteristics of perception and decision-making. One must adduce this in such a way as to define opposing tendencies, opposing such characteristics within the commands. The one characteristic is momentarily predominant. The other might be brought to the fore under appropriate circumstances.

Such interacting, underlying characteristics of decision-making may be variously unconscious or inadequately conscious. Such considerations may modify the results in a secondary sense, but not in a primary sense. The qualified strategic analyst treats the adducible characteristics as primary, and takes into account the effect of more superficial beliefs as a mere refinement of the analysis.

"In response to what Moscow saw and reported as lunacy in the Carter administration itself, the Soviet leadership adopted a 'hard' form of war avoidance policy, ... a series of operational shocks to the United States.... Afghanistan was such a shock."

It is from that vantage-point that the case of the Sinkiang option is considered here.

The Anglo-American Axis

The adversary relationship relevant to World War III is not *primarily* a conflict between the Warsaw Pact and NATO alliance. It is primarily a conflict between the supranational "One World-Utopian" and industrializing factions.

The former, "One World-Utopian," or *oligarchical* faction is centered in the ruling alliance of Great Britain—e.g. the Cecils, Barings, Rothschilds, and Britain's allies in the ruling circles of the United States. Hence, although the oligarchical faction is distributed as a potent influence within numerous nations, including the neo-Bukharinist currents of the Soviet leadership, its formal strategic power is concentrated in what is called the Anglo-American forces.

The control of Britain and the United States by this oligarchical Anglo-American cabal is otherwise expressed as alliances of states as a four-power axis includ-

ing the present governments of Britain, the United States, Israel and Communist China.

The well-defined adversary of this axis-alliance is those forces which are currently allied with the Giscard-Schmidt leadership of forces committed to establishing high-technology cooperation among industrial and developing nations. The Soviet Union is not viewed by the Anglo-Americans as the primary adversary of the moment.

However, because of the Soviet Union's combined military potency and its continued dedication to high-technology industrial progress, Moscow is the decisive strategic flank for the Giscard-Schmidt-led efforts to establish a high-technology global order of combined East-West, North-South cooperation. Therefore, forcing a state of intensified NATO-versus-Moscow conflict and also vastly weakening the Soviet Union have become the immediately primary forms of *action* adopted by the Anglo-Americans.

It is in the war-avoidance interest of Moscow to attempt to neutralize this by seeking extended economic cooperation with Western continental Europe and Japan. To the extent Western continental Europe capitulates strategically to Anglo-American pressure vis-à-vis Moscow, Moscow's policy shifts toward accelerated preparations for emphasis on war-avoidance by spoiling the military bluff of the Anglo-American forces.

This has been the gist of British policy since the 1890s, when its Russian policy was so defined "geopolitically" for the case of czarist Russia. That policy has never been altered. Furthermore, it has been Anglo-American policy throughout the postwar period, most emphatically since the 1947-1949 period. Hence, the "Soviet adversary" doctrine has been embedded in the entire institutionalized U.S. policy from then on to the present date. All but a handful of U.S. policy-makers are totally ignorant of the true motive for postwar "Soviet adversary" doctrine, but they are committed to that doctrine all the same.

The present intensification of that policy is chiefly a byproduct of the successful institutionalization of the "Aquarian" policies of the oligarchists in "Western" institutions, especially during the 1970s. The Anglo-Americans have committed themselves almost totally to the "zero technological growth" policies of the Club of Rome, to the point they could not undo those commitments without demolishing massively the presently institutionalized, mass-based expressions of that "neo-Malthusian" doctrine.

The implementation of that policy runs foul of resistance to the "New Dark Ages" degree of global economic depression the oligarchical doctrine demands. With the monetary collapse already far advanced, to take the obvious measures for halting the depression would mean not only abandoning the Club of Rome-typified policies,

but giving great, institutionalized strength to policies directly contrary to the "neo-Malthusian" policies' emergence in the future.

So, the tempo of the monetary crisis makes intolerable to the "One-World Utopians" the resistance to neo-Malthusian policies by the Soviet Union, by some developing nations, and among some leading forces of the capitalist industrialized nations.

Thus, the largely brainwashed military and political institutions of the United States are committed to the perception of the neo-Malthusian policy as a fundamental interest of the United States.

The war-avoidance policy of the Anglo-Americans is a gradual erosion of the Warsaw Pact, under which conditions Moscow, the Anglo-Americans presume, can be induced to adopt policies of "zero technological growth" and thus be weakened at least at the same rate that the "New Dark Age's" onset is weakening the combined economic and military capabilities of the "Western allies." Kissinger's and Brzezinski's expressed determination to use the Catholic Church as a vehicle for revolts in Eastern Europe, and to spread "Islamic fundamentalism" into the Islamic population of Central Asia are exemplary of this.

This aggressiveness, stated publicly by Kissinger, Brzezinski and others, combined with ongoing efforts to impose an IMF-World Bank supranational control over the developing sector, represents the immediate, "geopolitical" trigger of World War III.

Whether or not the Soviet command views this matter with adequate comprehension, the correlatives of the oligarchists' present "geopolitical" deployment constitute a rapid approach to the objective conditions for World War III in Soviet perceptions.

Soviet policy characteristics

The Soviet state is, and is committed to remaining, an industrial society committed to continued basic scientific and technological progress. It is also committed, strategically to the integrity of the Warsaw Pact, and to a degree of military neutrality in the Southern Hemisphere which approximates what Moscow views as an adequate offset to geopolitical containment. Furthermore, since the 1962 Cuban missile crisis, Moscow has been and will continue to be committed to maintaining a war-winning advantage for the contingency of general war.

Any effort to alter those parameters means a Soviet countermeasure in the direction of willfully risking World War III.

The Afghanistan case

All of the reasons given for the year-end deployment into Afghanistan so far are truthful, but do not add up as

a whole to the whole truth. Truthful statements and truth (in the scientific sense) seldom adequately agree.

It is probable, almost certain, that no Soviet official knows the underlying reason for the deployment into Afghanistan.

That was a decision taken in response to a number of accumulated developments, including the implications of the deteriorating internal situation in Afghanistan itself. The capitulation of Chancellor Helmut Schmidt to the deployment of Pershing II missiles significantly tipped the balance in favor of Soviet demonstrative action. The U.S. commitments to equip Peking with modern boosters and targeting capabilities was a more immediate pressure for such demonstrative action. Peking deployments for a new invasion of Southeast Asia were also immediate considerations. The Carter administration's successive actions, in putting Khomeini in power, and in then "orchestrating" the taking of U.S. citizens hostage by Khomeini, was also most relevant.

None of these reasons, nor all of them combined, caused the deployment. The deployment was caused by a qualitative shift in the geometry of the strategic situation, from detente to imminent actions against points of hard-core Soviet interests.

This situation demanded measured action of a demonstrative sort. It must be, preferably, a measured action which would not trigger military confrontation with U.S. forces, and yet it must produce a qualitative enhancement of Soviet deployment against China and U.S. actions in the Middle East.

In view of the strategic advantage which Soviet forces have over the military capabilities of the "Western allies," the move also had the character of calling "Carter's and Brzezinski's bluff," thus pressuring realists toward negotiating a resumption of detente.

In other words, the Soviet action was not a single-objective "specific response," but a "characteristic" strategic response to the changed geometry of the overall strategic situation.

The Sinkiang option

A modern Schlieffen, looking at the Sinkiang option through the borrowed eyes of the Soviet command, would select a Soviet deployment into occupation of China's western desert regions as an action of "great strategic beauty."

The operation is ideal for Soviet military capabilities, permitting armored mechanized forces and supporting arms to conduct the desert equivalent of "naval warfare" in a sparsely populated region where "nonmilitary complications" of logistics and security are at a relative minimum.

Such a deployment immediately neutralizes Peking

as a strategic element in the force-equation. So to speak, it "tears up the China card."

It does bring the possibility of World War III. However, Brezhnev was already disposed to give Carter "30 minutes to decide" on such succor to Peking during the month of January of this year, and the strategic situation has deteriorated qualitatively since then. The imminent unleashing of an Israeli "breakaway ally" operation against Syria, and threat of U.S. military operations in the Gulf region already constitute more likely triggers of World War III than the Sinkiang deployment. Whereas, a Sinkiang deployment which did not trigger World War III would change the world situation qualitatively, to about the same effect as the 1962 resolution of the Cuban missile crisis.

It is unnecessary to list the contingencies of present developments, in addition to the Israeli and Gulf situation, which contribute to motivating a Sinkiang decision. The Southeast Asia and Assam situations are leading among such typical contributing considerations. We are very close to the circumstances in which a Sinkiang operation would become a "characteristic" action.

How it hangs in the balance

At this moment, we are in the order of a fortnight at most away from the moment of truth. This could be changed, but it is the situation since Carter's actions of this weekend. (The new Cossiga government in Italy is the mediating cause for the present deterioration of the situation. Those, including Dorothean Piccoli, who capitulated to U.S. pressure to prevent a new Andreotti government, will bear an awful moral burden for their corrupt actions, if war erupts because of the current developments.)

There is a balance, at this moment, between Western continental Europe's willingness to push the Carter administration into an internal crisis, and the Carter administration's capability of exploding the Gulf region to shut off the petroleum supplies of continental Europe and Japan. If Europe acts to bring Carter's administration into immediate "lame duck" status, and prevents both the Gulf and Israeli operations afoot, there will be a cooling off of the strategic situation.

Otherwise, the Middle East already qualifies as the 1914 Balkans of 1980.

Unless forces led by Giscard and Schmidt have the temerity to denounce the Carter administration openly as "lunatic," the matter is left entirely in the hands of the Soviets, giving Moscow no choice but to hope that calling the bluff of Carter, et al. will prove the last choice of successful options for preventing war. In that geometry, such operations as preemptive action into Sinkiang become "characteristic" responses.

Iran crisis: 'Reichstag fire' and blackmail of Europe

by Robert Dreyfuss

The Carter administration has begun a headlong drive toward a "Cuban missile crisis"-style thermonuclear confrontation with the Soviet Union over Iran and the Persian Gulf, timed to erupt between late April and May 11, for the purposes of blackmailing Western Europe and Japan into submitting to Anglo-American political and economic dictates.

In official statements, American government figures have made it clear that the issue between the United States and Europe has little, if anything, to do with Iran, but is instead a test of the cohesion of the NATO alliance. Despite repeated warnings from the Soviet Union that Moscow would not tolerate American military intervention into the Persian Gulf, Washington told the Europeans—both privately and in blunt, undiplomatic televised interviews—that Europe's refusal to mimic U.S. political and economic sanctions against Iran would result in a decision by Washington in favor of "unilateral action," i.e., the use of military force against Iran.

That action, the Europeans were told, would result in a forced shutdown of the oil production of the Persian Gulf, with disastrous effects on West Europe's industrial economy.

According to sources in Paris and Bonn, Western Europe pointed out that any unilateral military action in the Gulf would not only result in a strategic disaster, but probably would lead to Soviet intervention in Iran. Zbigniew Brzezinski, the president's national security adviser, replied that "it is now up to Europe to prevent the outbreak of World War III," reported the West German Frankfurter Rundschau.

Soviet warnings

The Soviet Union's *Pravda* warned April 11 that President Carter's threats to invade the Persian Gulf are

a "risky bluff," and that Washington was "brandishing a torch near a powder keg."

The Soviet statement, which was hardly noticed in the U.S. press, is tantamount to placement of a Soviet military umbrella over the Persian Gulf and Iran. "Washington is aiming not only at aggravating its conflict with Teheran," said *Pravda*. "Judging from everything, it is venturing a risky bluff: blackmailing Iran, as well as America's allies who depend on oil deliveries from the Persian Gulf, with the threat of direct military intervention."

That American strategy, warned *Pravda*, "puts Western Europe and Japan in the position of being forced participants in a game which is designed to strengthen the shaken position of American imperialism in the Near and Middle East." Among our allies, said *Pravda*, "the prospect of being deprived of Iranian oil doesn't provoke any enthusiasm, especially not in Tokyo, Bonn, or Paris."

A commentary from the Soviet news agency Tass, issued the same day, declared that in Moscow's opinion the United States is using the crisis in Iran merely as a pretext for carrying out an invasion of the Persian Gulf. Washington, said Tass, is seeking to give the impression that it has exhausted all peaceful means and that only recourse to force remains. "But they must be ready to see this policy turn against themselves," concluded Tass.

Threat of confrontation

Undeterred by the Soviet warnings, the Carter regime refused to change course and, if anything, escalated its threat of using force in the region.

Top administration officials even acknowledged that the Soviet Union had built up enormous, mobile force immediately north of the Iranian border. Speaking in a

televised interview, Brzezinski asserted that "there are reports, credible reports, of a Soviet buildup in the Transcaucasian Military District" north of Iran that, he said, were "in some patterns reminiscent of the Soviet buildup north of Afghanistan" last December, before the Soviet intervention there.

Yet, according to Washington analysts, the United States has set a May 11 deadline for European compliance with U.S. demands for sanctions and breaking diplomatic relations with Iran. Otherwise, reports the Boston Globe, Carter is ready to order a naval blockade of Iran, halting vessels coming from or going to Iranian ports in the Arabian Sea. Such action would be ordered despite the urgent danger that the Soviet Union would attempt to break the cordon sanitaire by sailing a cargo ship toward Iran.

At the same time, American officials began an unending stream of invective and rough language concerning Europe's alleged refusal to live up to its commitments as part of the Atlantic Alliance. President Carter, speaking to the American Society of Newspaper Editors, issued a virtual ultimatum to Europe and Japan: "I expect them to comply with the political and economic sanctions against Iran," said Carter, adding that otherwise the U.S. response "may well involve military means."

The following day, Deputy Secretary of State Warren Christopher announced on the ABC-TV "Issues and Answers" that regarding Europe, "Washington is looking for action, not words." Also on April 13, Senate Foreign Relations Committee Chairman Frank Church attacked Europe for what he called its "policy of appeasement."

In Europe, Undersecretary of Defense Robert W. Komer, the administrator of the Phoenix Project during the Vietnam War, met with the NATO Military Committee in Brussels to present a brutal set of demands. He requested the immediate acceleration of nuclear and conventional weapons "modernization," the buildup of military reserves, war materiel stockpiling, and NATO rights to requisition the capacity of West European commercial airlines for military airlifts in the Middle East.

The Soviet Union responded with some pressure of its own on Europe. On April 15, President Brezhnev issued an urgent personal invitation to Chancellor Helmut Schmidt of West Germany to visit Moscow, an offer that was merely taken under consideration "depending on the climate of East-West relations." The same day, the Soviet Ambassador to Paris Stepan V. Chervonenko, speaking to the Diplomatic Academy in Paris, broke tradition and delivered a harsh speech in Russian, charging that the "brutal hardening" of American policy had collapsed the basis for arms limitation talks in Europe.

And on April 22, Soviet Foreign Minister Gromyko

arrives in Paris. According to Helmut Sonnenfeldt, Trilateral Commission member and Kissinger protege, the Soviet Union has placed a "precondition" over talks with Western Europe to stabilize the Gulf situation: "The Europeans have to lobby in Washington to get the Americans not to escalate militarily in the region."

But the consecutive visits of Egypt's Anwar Sadat and then Israel's Menachem Begin to Washington underscored the American commitment to make matters worse. Both Israel and Egypt are viewed as the cornerstones of a new, NATO-style Middle East pact that would have as its first task the implanting of a permanent U.S. military presence in the area. Sadat, just before he left, told an interviewer that he would be happy to offer the U.S. facilities for direct intervention into the Gulf. The small Gulf states like Kuwait and Bahrain, along with Saudi Arabia, "are shaking," said Sadat. As he spoke, the commander of the U.S. Air Force General Lew Allen was reviewing facilities in Egypt on a tour of the Middle East.

West Germany pressured to join in war policy

by Rachel Douglas

The Carter administration and the supranational institutions that control it are sparing no effort to press West Germany into line with their policies. The immediate issue is whether Chancellor Helmut Schmidt's government will join Carter in economic sanctions against Iran; but what is at stake is the survival of the Franco-German alliance for economic recovery and preserving peace.

Despite the fact that West Germany's leaders know, and have said, that the world is now on the very brink of World War III, thanks to the Carter administration's conduct of foreign policy, they appear to be yielding to the extreme pressure. Despite the fact that the Germans were shocked and outraged at Carter's latest ultimatum to them on boycotting Iran, delivered this past weekend through the undiplomatic channel of a TV interview, leaders of Schmidt's own party are reportedly calling German participation in the sanctions "inevitable."

Two days ago Handelsblatt newspaper, the mouthpiece of German industry, leveled an unprecedentedly blunt editorial attack on Washington's failure of leadership and declared that the Bonn government will not growl on command like a dog at an obedience school.

But the West Germans are being brought to heel behind what Handelsblatt scored as "dilettantism" contributing to a "security risk."

In the United States, the press of the Council on Foreign Relations-centered "Eastern establishment" has targeted Schmidt as the weak link in continental Europe's resistance to Carter's policies, especially now that Italy is under the thumb of a new government that is congenial to Washington and London. A series of editorials such as "What Is An Ally?" (*Washington Post*, April 11) and "Allies Are What Allies Do" (*New York Times*, April 13) put Schmidt on notice that, even if he wished to sit tight while Carter's overseas endeavors played themselves out, he would not be allowed to.

An inside-outside job

West Germany is a bullseye for Washington and London because, with France, it is a founder of the European Monetary System, the institution for financial stabilization and potentially a global trade and development-based economic recovery. Without Germany, they surmise, the French will be isolated and ineffective.

In an April 13 column on the European community's declining to go along with Carter's sanctions against Iran, the *New York Times'* Tom Wicker specified, "Chancellor Helmut Schmidt appears to be the key to the case, not only because his nation is the most powerful of the allies, but because he also seems the most inclined to take action." Schmidt should be privately "brought around," then turned loose on France, concluded Wicker.

The operation to bring Schmidt around—or down—is a classic inside-outside job. The external leverage is straightforward: if, failing European endorsement of the sanctions, the U.S. went ahead with unilateral military blockade of Iran, West Germany would face a cutoff in its oil supplies from Iran just as certainly as it would by applying sanctions.

The inside effort aims to topple Schmidt's government. For this purpose, an Anglo-American fifth column consisting of the environmentalist "greenies," opposition candidate Franz Josef Strauss, and Schmidt's own coalition partner, the Free Democratic Party.

The FDP, whose tiny number of seats in parliament is the margin for the government majority, is functioning as a lever of influence and blackmail against Schmidt. His Foreign Minister, FDP leader Hans-Dietrich Genscher, is always the first to second the latest demands from Washington that are couched as a requirement for "Atlantic solidarity." The threat of FDP withdrawal from the government, to ally instead with the Christian Union opposition parties, is always implicit.

Tomorrow a meeting of the elite Bilderberg Club will convene in the West German city of Aachen. Fully one-

fourth of its 20 German participants will be FDP executive committee members. Furthermore, as the Bilderberg conspiratorial group will elevate its first new president in 20 years: Walter Scheel of the FDP.

Strauss, who had a glowing reception from Carter and elite policymakers in Washington last month, has gone on the offensive against Schmidt. Seizing on Schmidt's warnings about the world moving inexorably towards war, Strauss accused Schmidt of playing "a pitiful game mixed of megalomania and irresponsibility," preparing to take West Germany out of NATO, and forcing the country to choose either "war or total capitulation."

Helmut Kohl, the Christian Democrat leader, told his party's presidium that Schmidt was to blame for "drastic deterioration" in relations between Bonn and Washington.

'Germany is not America's shepherd dog'

The West German business daily Handelsblatt published the following editorial on April 14. It was headlined: "Europe and the U.S.A.—Entente Triste."

Often enough, history takes place across the back doorstep. Contrary to the materialist historical conceptions of the communists, it takes place because a German Kaiser insists on imposing a "bodyguard" spirit on politics; or because a Bohemian corporal becomes a megalomaniac; or because an American president was a gentleman who had hooligans for alliance partners and they remained loyal to him even after victory was achieved.

Wars are tragic, when they happen, especially when it is because people's leaders were schizoid, criminal or merely naive. The world is in a crisis today because a Persian scholar who was born at least 1,000 years too late wants to make the Koran the rule book for a people. It is also in crisis because a Red Czar in Moscow believes he has the right to domesticate a free people with helicopters and tanks. But it is also in crisis because an unfortunate constellation of personnel in the Western world has prevented the formation of an entente cordiale to respond to these events.

To put the matter most clearly: the security risk to us all is immense indeed, when the American President, Carter, who never knows whether he would rather be a Methodist preacher or a bulldog, deals with his alliance partners in ultimata, as happened this weekend, and

when such an ultimatum is even delivered via a press interview.

That is a bit too much diletantism. In 1980, telephone calls can be patched through at the speed of light. If Carter thinks he has to deliver an ultimatum to the Federal Republic through a press conference, specifying that the Federal Republic is supposed to act the way the U.S.A. wants it to act within a certain time span, this is a policy which would lead to dismissal in any international company.

It is naturally the duty of the Germans to represent American interests without reservations and, more to the point and in the interest of the hostages in Iran, without any "ifs" or "buts." Naturally, too, the Federal Republic must reject invasions like that of the Russians into Afghanistan in its own interests, even at the expense of its idea—or *idée fixe*?—of an understanding between East and West. But since such a policy signifies increased risk for the Federal Republic, its government should at least be able to expect that these risks be calculable. The government is not a German Shepherd dog which bares its teeth on the command of "sic 'em." One must convince the government that a concept is rational. An ultimatum is not persuasion. Helmut Schmidt is right: the leading powers of the East and the West are presently sailing without a compass. There is a great danger that they will run aground.

Schmidt: 'superpowers are moving toward war'

What follows are excerpts from West German Chancellor Helmut Schmidt's April 11 address to a Hamburg conference of his Social Democratic Party.

Policy concerns over world peace make it difficult for me to concentrate on the electoral race. Unlike the situation in the summer of 1914 that led to the First World War, today the military no longer plays a decisive role. Yet military doctrine continues to have great significance, especially for the Soviet Union.

We have four spheres of crisis to contend with: the Mideast, the hostage seizure in Teheran, the continuing Soviet occupation of Afghanistan, and the danger of a gigantic arms race stemming from the failure to ratify SALT II and the Soviet refusal to negotiate on medium-term missiles. Neither world power wants war; on both sides, however, there exists no adequate war-prevention

strategy, and both sides speak with insufficient frequency about their basic goals and interests....

We have abstained from military action. For a long time, however, we have declared our readiness to participate in economic sanctions on a European-wide basis, with the qualification that we do not consider them practical. Since this is a matter of American hostages, however, this must be an American decision....

The interests of the Soviet Union must also be taken into consideration in this situation. Only once, and that was three months ago, has the Soviet Union called for the freeing of the hostages. I deeply feel that this is insufficient. I believe that the Soviet Union is holding open the possibility of its military intervention, especially in the event that the United States becomes militarily active. The Afghan occupation has considerably improved the Soviets' position for such an intervention. For its part, the Soviet Union must hope that Iran seeks to align itself with the U.S.S.R. Europe's interests are above all to preserve peace and the system of international law, and naturally we also have an interest in the continued flow of oil supplies. And our vital interests in the alliance require solidarity with the United States even if the economic damage is greater for ourselves than for others....

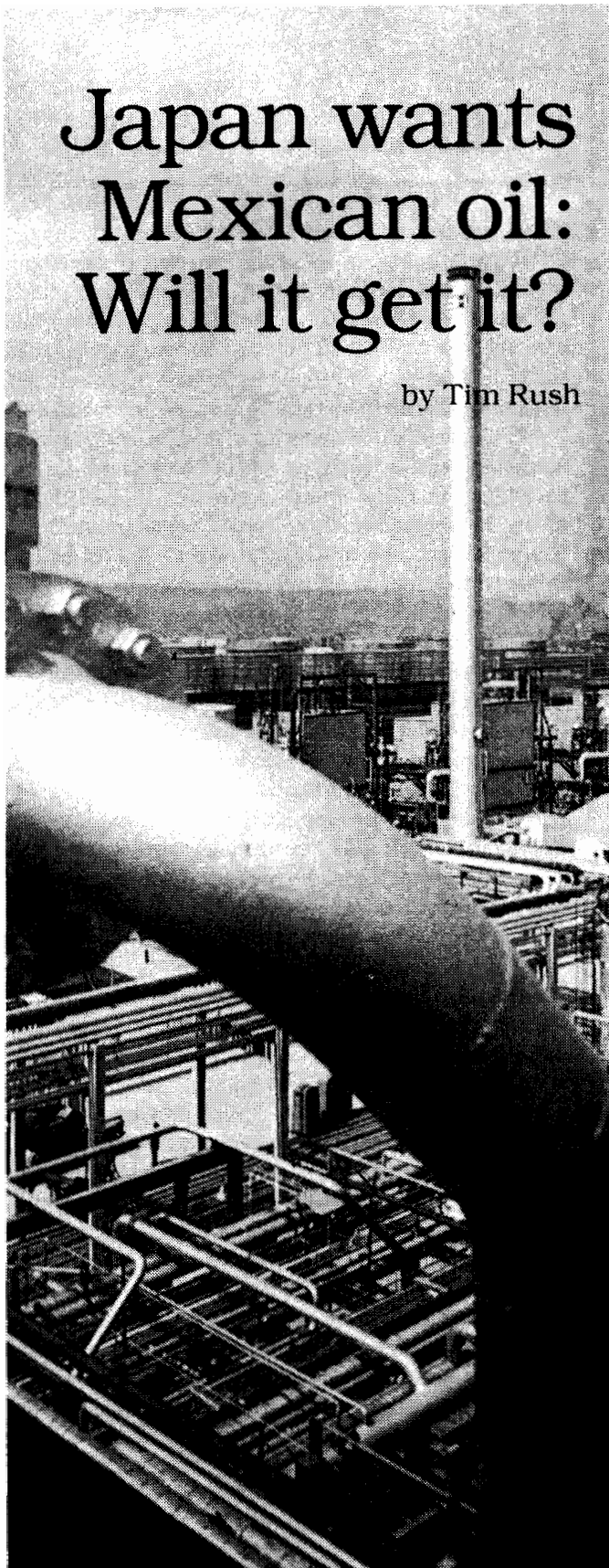
Afghanistan neutrality

If the U.S.S.R. was compelled by its own security requirements to invade Afghanistan, at the very least this was a strong exaggeration of its own security needs. If they believed that the world would accept this as a move internal to the Soviet sphere of influence, this has proven a dangerous miscalculation. Assisting a solution to the Afghanistan problem can only involve a combination of diplomatic pressure on the Soviet Union, measures which the Soviets consider face-saving, steps guaranteeing the justified security interests of the U.S.S.R. This is the background for the European Community states' proposal to guarantee the neutrality, independence, and integrity of Afghanistan. I do not expect too much from the concept of neutralization, because it is impossible to enforce neutrality from the outside.

I read a few days ago in the widely circulated American foreign policy journal *Foreign Affairs*, one scholar comparing today's situation with the situation in 1914. This comparison is not far-fetched. In 1914, too, none of the involved powers wanted a world war. Although then events took only a few months to develop to the outbreak of war, nobody should be confused today just because the process is slower. ... As Defense Minister Apel has said, "From which cannons do we shoot once the propaganda guns have used up their ammunition? We do not need a tough, muscle-flexing policy! We are fed up with this."

Japan wants Mexican oil: Will it get it?

by Tim Rush



On May 1, Japanese Prime Minister Masayoshi Ohira will be arriving in Mexico City for a three-day state visit of the greatest strategic importance for both nations. For Japan, it comes at the point of maximum danger to its supply of vital energy since World War II, as a direct consequence of the Carter administration's pressure on Japan to break ties with Iran, which provides a full 10 percent of Japan's oil. If Japan (and Western Europe) don't break with Iran, Washington is threatening, the U.S. will unilaterally blockade parts of the Persian Gulf, which would cut off vital oil supplies for America's allies. But on the other hand, if Japan follows Washington's orders and breaks relations with Iran, Khomeini and Co. will undoubtedly retaliate by suspending oil deliveries to Japan.

In either event, Japan is likely to get the Iranian 10 percent of its oil supply cut off in the coming weeks. So guaranteeing increased deliveries of Mexican crude has become paramount for them.

For Mexico, the Japanese negotiations are also critical. Miguel de la Madrid, Mexico's Minister of Programming and Budget, announced late this week the adoption of a three year Global Development Plan which calls for the investment of \$50 billion of oil revenues in massive industrial and infrastructural projects. Mexico is looking to Japan and Western Europe as the crucial providers of the capital goods necessary to meet this plan.

In addition to the Ohira summit, President Lopez Portillo will be travelling to France, West Germany, Sweden and Canada in late May, to try to line up oil-for-technology accords with those countries as well.

For Mexico, more is at stake in these negotiations than its traditional policy of diversifying trade away from excessive dependence on the United States. Highly reliable sources in Mexico have told *EIR* that President Lopez Portillo is currently *totally reviewing* the nature and strategic potentialities of Mexico's ties to Japan and Western Europe. This is being done in light of the economic collapse besetting the United States and Washington's persistent strategic insanity—euphemistically referred to in private by one Mexican cabinet minister as “systematic imprudence.”

Thus, much is riding on the Ohira-Lopez Portillo summit for both sides. If things work out, Japan could well get as much as 300,000 bpd of Mexican oil, three times as much as the Mexicans have so far agreed to. In return, Japan will play a major role in meeting Mexico's capital needs, including direct participation in the construction of industrial ports in dimensions that can only be described as unprecedented. If everything goes

through as it is now being negotiated on the highest levels of the two governments, most *EIR* readers—and world governments!—will probably be stunned by the scope of the accords. The strategic implications for North-South relations will be no less significant.

But will it go through?

To hear Prime Minister Ohira tell it, everything is honey and roses. Yesterday, he predicted to visiting Mexican journalists that “Mexico and Japan are going to be eternal friends,” and that “there is no factor between Mexico and Japan to impede mutual understanding and reciprocal confidence.”

But Mr. Ohira was being less than totally frank with the Mexican reporters. The fact of the matter is that the scheduled summit talks could as easily be an unmitigated disaster as a great success. The reason for this is twofold: first, Ohira will be stopping through Washington *before* he arrives in Mexico City; and second, he is reported to be bringing with him a proposal for Mexico to join a Pacific Basin Community.

Japan has historically molded its foreign policy to American demands. But Mexico, in a word, is profoundly distrustful of Washington's intentions, and believes that the Carter administration's motives are to sabotage independent oil-for-technology accords between Mexico and Japan. Throughout the Lopez Portillo administration, Washington has maintained a policy of strident opposition to Mexico's ambitious industrial development plans, and has tried to convince the Europeans and Japanese that Mexico is “American turf” and that they should keep out. Washington will also be using the Iranian blackmail to try to whip Japan back into line across the board.

If Ohira reflects this in any way, or tries to obtain Mexican oil *without* committing Japan to transfer of technology to Mexico, Mexico will unquestionably take its orders for capital goods—and *its surplus oil*—elsewhere: to France, to Spain, to West Germany, and so forth.

As for the Pacific Basin Community proposal, Mexican officials are profoundly hostile to the concept, since they equate it with Washington's “Hemispheric Energy Reserve” and similar proposals designed to appropriate Mexican oil for America's strategic designs. As we explain below, if Ohira attempts to make this proposal the basis of the Mexican-Japanese negotiations—either on his own initiative or under Washington's duress—then it is also likely that he will go home empty-handed.

In a word, Mexican-Japanese relations have reached a crossroads after three years of intense negotiations. Whether or not they go forward from here depends largely on how Prime Minister Ohira handles the immense pressure he will with certainty be subjected to by Washington before he sets foot in Mexico City.

MEXICAN VIEW

There is no question that Mexico is looking to Japan as potentially one of its prime partners in development. Since Pemex director Jorge Díaz Serrano laid out a strategy 18 months ago to diversify Mexican oil exports into a 60-20-20 percentage breakdown with the U.S., Europe and Japan respectively, negotiations with Japan have grown rapidly in scope and intensity.

The first milestone was set in August, 1979, when Mexico agreed to sell Japan 100,000 barrels per day in exchange for a first found of transfer of technology deals. In December three major Japanese trading companies acceded to Mexican wishes and formed a single consortium to negotiate participation in the \$2 billion expansion of the Las Truchas steel mill on Mexico's west coast. Mexico announced in mid-February it definitively would proceed with the project.

At the end of March, Toshio Doko, the head of the most powerful industrialist association in Japan, the Keidanren, arrived in Mexico for 3 days of talks. And a week later the Mexican Industry Minister, de Oteyza, left for Tokyo for five days of discussions. His approach was “flexible,” according to sources on both sides. His primary goal: locking up the financing and technology for Las Truchas.

The Mexicans have made it clear to the Japanese: “no technology, no oil.” Last summer, the Mexicans dangled up to 200,000 barrels per day in front of the Japanese. When the Japanese dragged their heels on the corresponding financing and technology packages, they ended up with only half that amount.

Mexico is well aware that Japan has always “cleared” its moves into Latin America with Washington. As one State Department official confirmed it to *EIR* this week, America “has had close discussions with the Japanese both before and after” all Japanese visits to Mexico and Latin America.

Any sign of U.S. interference to cool off the Mexico-Japan deals will be like pouring oil on a fire, in terms of U.S.-Mexico bilateral relations. Bad as relations have become, such action by Washington could make current relations look rosy in comparison.

And there will be little Mexican sympathy for Japan if it accedes to U.S. pressure. “Does Japan have to ask Washington permission for *everything*?” queried one Mexican official this week.

JAPANESE VIEW

The upcoming trip of Prime Minister Masayoshi Ohira to Mexico is viewed in Tokyo as a mission of vital importance to Japan's future, as Mexico's huge oil reserves are a possible source of supply for Japan.

Japanese premiers are not known for their trips abroad, and very careful preparations are made for all such jounries. In the case of Mexico, the Ohira trip will be the culmination of more than three years of slow and cautious (many say too slow and too cautious) efforts by Tokyo to develop ties with Mexico, by walking a thin line between Mexico's demands for advanced technologies, and American demands that Japan not move in on the U.S. "backyard."

It should be noted that Japan's opportunity for successful talks with Mexico is a recent development. Indeed, the Japanese alienated many officials in Mexico when the serious talks for expanded ties began three years ago. At that time, representatives of the Japanese business group Keidanren made the blunder of opening negotiations with the controversial Monterrey private sector in Mexico, and went so far as to suggest that Mexico alter its labor laws so as to make the investment climate "more favorable." Naturally, these Japanese tactics did not wash too well.

It was only after Japan's Ministry of International Trade and Industry centralized all economic negotiations with Mexico, including the vital question of importing oil, that chances for successful relations between the two countries opened up.

With the Japanese-Mexican bilateral relations pretty much set to go, the big question mark is what will happen when Ohira stops in Washington. Japanese sources say that public opinion in Japan is running high against the United States, angered by the pressure on Tokyo from Washington to abide by the sanctions against Iran. This atmosphere has put both Ohira and Foreign Minister Saburo Okita in a corner, as their natural inclination is to follow Washington policy to the proverbial "T."

Japanese officials have let it be known that Ohira's less-than-24-hour stop-over in Washington is largely a formality, and of secondary importance to the trip to Mexico. Japanese sources report that Ohira plans to bring up Mexico in his talks with Carter, to emphasize the importance he places on his visit.

THE U.S. VIEW

There are several factors determining Washington's attitude toward the Ohira trip to Mexico at this time.

Foremost on the minds of Carter administration officials is forcing Japan (and the European countries) to submit to the policy dictates of Washington by adhering to the boycott of Iran. Of only slightly lesser importance to Carter officials is breaking the back of the "maverick" nationalism of Mexico, and getting the Japanese to help in that task.

Sources in Washington report that Carter officials are considering trying to "kill two birds with one stone," by linking the issues of Iran and Mexico during the Ohira stopover at the White House. There are several options under discussion in this regard. The first is to argue to the Japanese that, due to the crisis in the Middle East, Mexican oil has become a vital part of the strategic "reserves" available to the "Western alliance," and therefore "bilateral" relations with Mexico must be subjected to "multilateral, strategic" considerations. As part of this option, Mexico's refusal to make its oil available for use by the "Western alliance" must be broken by denying the country any independent oil-for-technology arrangements.

The other option under consideration in Washington is to tell the Japanese that the Carter Administration will aid in procuring more oil for Japan from Mexico, in exchange for Japanese compliance with the sanctions against Iran—a ludicrous proposition given the disfavor with which Mexico currently views Washington.

Despite these policy "options," however, Carter officials are in fact fretting over what to do. Many officials contacted admitted that the pressure on the Japanese may not be sufficient, and keeping Mexico and Japan apart will not be an easy proposition. One top American expert on Japan with ties to the State Department acknowledged that Ohira plans to raise the issue of Mexico as a snub to Washington, and said that Carter officials will try and insist that discussions focus on Iran. Other, medium level Carter officials insist that Mexico will not even be discussed between Ohira and Carter, indicating they are either not briefed on the policy options, or are fearful the Japanese will use the issue of Mexico as a snub to Carter.

Mexico: no to 'Pacific community'

by Valery Rush

The widespread reports that Japanese Prime Minister Masayoshi Ohira will discuss with Mexico the idea of forming a Pacific Basin Community, has raised a huge question mark as to the fate of his upcoming trip to Mexico City. If Ohira sticks to the fundamental issues of oil-for-technology accords between Mexico and Japan, there is little to block a successful outcome of his visit. Should he choose, however, to raise in a big way the Pacific Community idea, which is championed by Trilateral Commission leader and Foreign Minister Saburo Okita, a failure on the trip is guaranteed.

Mexican officials have been careful up to now not to publicly reject the Pacific Community idea, choosing instead to keep a polite "open mind."

In private, however, Mexican officials are strikingly direct in rejecting the Pacific Basin Community idea.

One Mexican source commented last week that "nobody here gives the proposal priority or viability." The major reason for this, the source said, is that it involves the participation of the United States, and appears aimed at forming a security pact in the Pacific with China.

This Trilateral Commission version of the plan hasn't always been the only one in existence.

An old idea

The idea of a Pacific Basin Community has existed for many years and is an almost natural outgrowth of the geography of the resource-rich region. With the United States lining one side of the Pacific and Japan lining the other, the productive potential exists to develop the enormous human and material resources of the remaining nations of the region.

In the post-War period, the Pacific Basin concept has been a controversial subject, due largely to Japan's colonial conquest of the region in the 1930s and 1940s. Starting in the mid-1960s, however, influential Japanese policy makers—typified by the Industrial Structure Council of the Ministry of International Trade and Industry, and such private bankers as Mr. Schei Nakayama of the Industrial Bank of Japan—began to seriously discuss how Japan could "restructure" its domestic econ-

A Pacific Basin 'community'?

The following are excerpts from a document issued by the Pacific Basin Cooperation Study Group entitled "Interim Report on the Pacific Basin Cooperation Concept" and dated November 14, 1979.

Though the document is, for the most part, self-explanatory, readers should note especially the section dealing with industrial development of the developing countries. The wording is almost identical to that used by such groups as the Brandt Commission, which are seen in Mexico as simple rehashes of already rejected World Bank policies.

"The Pacific Basin study group, established as a private consultative council to the prime minister, is a body to study how to enhance regional cooperation and harmonious relations within the Pacific Basin region. The group, chaired by Mr. Saburo Okita, then chairman of the Japan Economic Research Center, held its first plenary session in March of 1979. Mr. Okita resigned the chairmanship of the group upon

assuming the position of Minister for Foreign Affairs on November 9, 1979.

"The Pacific Basin Cooperation Concept"

"For the first time in history, all the prerequisites are ripe for the creation of a true regional community in the Pacific Basin region. . . ."

"Such Pacific Basin cooperation should aim at a regional community composed of internationally open countries, but it is premised, needless to say, upon their cultural independence and political self-determination. Such independence and self-determination must be mutually respected, and therefore should not bring forth exclusionist nationalism and protectionism.

Tasks for the Pacific Basin Cooperation

"... Since we live in the so-called resource-limited age today, there are a number of possible areas of strengthened international cooperation among the Pacific Basin countries in order to tackle the problems of energy, food and other resources." Although the solution of the energy problem requires global cooperation, and specially cooperation and self-restraint both by the oil-producing and oil consuming coun-

omy. They urged the export of heavy industries such as steel and petrochemicals to the developing countries of especially Asia, while raising Japan's economy to the "Knowledge Intensive" era of computers and other high technologies. This became the essential content of discussions for a "Pacific Basin Community."

Since that time, however, all talk in Japan of such large-scale transfers of industry has virtually stopped, and discussions of a Pacific Community now largely revolve around creating an OECD-style organization, in which member countries would be pressured and cajoled into tailoring their economic policies to the views of the American Treasury Department.

What remains of the Pacific Basin Community idea is typified by the report issued late last year by Japan's Pacific Basin Cooperation Study Group, chaired at that time by current Foreign Minister Okita. The report is filled with talk of the need for "free trade" and reductions of "nationalism and protectionism" throughout the Pacific region—precisely the concepts rejected by Mexico in the GATT treaty as harmful to the nation's nascent industrial sector.

Former Ambassador to Japan James Hodgson, was very explicit on this shift when he said in a recent interview that the old Japanese "grandiose schemes" for

Asia must change. There is no room for large industrial projects in the region, he said. A Pacific Community must be oriented around raw materials and energy resource development.

In the Mexican view, the versions of the Pacific Community concept now in circulation are little different from the so-called "North American Common Market" and "Western Hemisphere Strategic Reserve" strategies envisioned by many influential American policy-makers. Both the Common Market and Strategic Reserve ideas are seen in Mexico as attempts to gain control of the hemisphere's raw material wealth—above all Mexico's energy resources.

It should also be pointed out that Mexico, aside from seeing a U.S.-dominated Pacific Community as a direct threat to Mexico's national sovereignty, also rejects the broader American strategic goal of allying with the People's Republic of China. Officials note that many of the Americans involved in this effort, such as those organizing the new Security Conference on Asia and the Pacific, are also promoting the Pacific Community idea. This is also the case on the Japanese side. Nomura Research Institute head Saeki as one who is promoting increased security arrangements in the region led by the United States.

tries, it is extremely important for the region's future development that the Pacific Basin countries on their part work out a framework for regional cooperation, not only to advance the exploitation of petroleum resources and the utilization of coal, but also to promote expanded use of nuclear power and further research and development on such new energy resources as solar energy ..."

The advancement of modernization/industrialization of developing countries in the Pacific Basin region is an indispensable prerequisite for the prosperity and stability of a harmonious regional community within the Pacific Basin ...

Of course, modernization/industrialization of the developing countries could not be accomplished just by the emulation of the advanced industrial countries. Rather, it would be achieved in harmony with their unique historical, social and cultural systems, accompanied by balanced development" between the urban and rural areas. ...

The role of overseas investment in economic development of the Pacific Basin region will become more important in the future. ...

In order to further facilitate such capital flow among the countries of the region, it is imperative that

the investing countries aim such investment which would be welcomed by the recipient countries and that conclusion of investment protection agreements and other measures of improving in the investment environment be facilitated.

Reviewing monetary problems and improving financial market conditions.

The international and financial system has been maintained on a managed float system since the collapse of the Bretton Woods system. The IMF's concept of substitution account is one approach to this problem based on a medium- and long-term perspective. Whatever the ultimate approach would be, the Pacific Basin countries should make more realistic and overall review on the monetary problem in the Pacific Basin region not only from their respective positions but also from an international perspective.

At the same time, we must note that a major role can be played by financial capital markets. For example it is of great importance for facilitating the economic development of the Pacific Basin region that the Tokyo market be further internationalized and linked to other markets such as those in Hong Kong and Singapore.

Britain's defense policy: aura of power

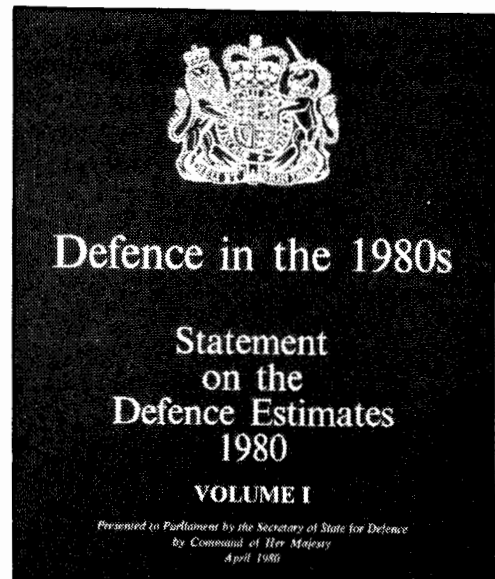
by Susan Welsh

The first defense White Paper of Britain's Thatcher government was published April 2. It provides for a 3.5 percent increase in real military spending for 1980-1981. Military spending will continue to rise by 3 percent or more (in real terms) in each of the following three years, despite the fact that total public expenditure will fall over the same period.

The White Paper is the first phase of a policy review that is due to be completed soon, and will include a decision on the replacement of Britain's nuclear deterrent, the Polaris submarine-launched missiles, when the Polaris becomes obsolete in the 1990s. Pending decision on that controversial issue, the White Paper initiates the "study" of the possible creation of a British "rapid deployment force" along the lines of that being developed in the United States for intervention in world "hot-spots". The British Defense Minister Francis Pym also announced that his government is considering the development of a chemical warfare capability, reversing the policy of seeking an international ban on chemical warfare.

The White Paper's orientation parallels precisely that of the new U.S. defense budget, emphasizing the global "projection of power" through a mobile strike force, cheap and dirty chemical and biological "deterrence," alongside the dismantling of in-depth war-fighting capabilities as represented by conventional forces, ground troops, and so forth.

For Britain, this is nothing qualitatively new, but a variation on the "Aldermaston approach" which has dominated British military thinking since World War II, when Britain was "dethroned" as queen of the waves. British policy has been to devote relatively large resources to the military R & D facilities at the ultra-secret laboratories at Aldermaston, thereby hopefully ensuring that "whatever anyone else has, Britain has one too."



This, combined with political manipulation of the American "dumb giant" both inside and outside NATO, was presumed to be sufficient to guarantee Britain the military leverage necessary to achieve its foreign-policy goals.

The White Paper is emphatic, however, that Britain's independent "deterrent" must be maintained, hinting at the unreliability of the U.S. "nuclear umbrella." "The presence of enormous destructive power in independent European hands" is an important insurance against any "misperception" by Moscow, which might wrongly conclude that the U.S. might some day waver in its determination to defend Europe with the full force of its nuclear arsenal. After all, "the decision to use United States' nuclear weapons in defense of Europe, with all the risk to the United States homeland this would entail, would be immensely grave."

The new White Paper continues to reflect the traditionally high investment in military R&D (taking note of Soviet R&D advances which have "eroded" NATO's technological lead in many areas in the last decade), with about 31 percent of overall procurement spending devoted to it (just under £1.5 billion). But this is now shaped within the broader framework of the Thatcher government's austerity budget and deindustrialization policy, causing what is termed a "redefining of priorities" toward such schemes as the mobile strike force. The White Paper admits that "the scale of our defence effort cannot be divorced from our general economic capability, and we all know that Britain is going through difficult economic times. Within these constraints, our task is to get the balance of priorities right again, to restore our defence effort to the level needed to give the best possible guarantee of safety, using the most economical means available...."

The internal reorganization of Britain's defense

budget "priorities," however, is strictly secondary to the political goal of achieving what is known as a "new division of labor" within the North Atlantic Treaty Organization. As viewed from London and Washington, this will force West Germany (and maybe eventually France) to align with the "rapid deployment force" concept of "confronting the Soviets" globally. If successful, this strategy would destroy what remains of détente, fracture the Franco-German alliance which is the foundation of the European Monetary System, and probably bring about World War III.

The NATO "Eurogroup" of defense ministers will meet May 12 to discuss "problems connected with the creation and preassignment of a so-called rapid deployment force and the participation in it of the bloc's [NATO's] European countries," said Radio Moscow April 6, citing reports in the French magazine *Nouvelles Atlantiques*. West Germany has refused to deploy its forces outside NATO's treaty-mandated area, Europe and the North Atlantic. But pressure is growing from London and Washington for Bonn to abandon this position.

The London *Financial Times* in an editorial April 3 admitted frankly that the key to the success of the new White Paper will be the incorporation of continental Europe into its strategic framework:

Britain has more, and more extensive, commitments than any other European member of the alliance: not only the strategic nuclear force and the defence of the UK base, but also the defence of the Channel and Eastern Atlantic as well as the central region of the European continent. The White Paper is now suggesting new commitments outside the NATO area.

Too much?

No doubt that is a good example to set politically, both to the Americans and to the Europeans. Yet with existing forces undermanned and under-equipped, there must also be questions about the money....

The crucial point is that there needs to be yet more alliance consultation about who does what, or what the Germans have recently taken to calling the "division of labour." It may well be that Britain is still trying to do too much or, to put it the other way round, the others too little. That is a further reason why it is essential to settle Britain's other problems with Europe. It is time to move on to more talks about European defence.

While Britain has not yet formally decided to create a "modest" mobile strike force to operate alongside U.S. forces, several steps have already been taken in this direction. Effective immediately, one parachute battalion

will always be ready on seven-days' notice for deployment anywhere in the world. The Royal Air Force's transport force will probably be upgraded so as to improve the armed forces' ability to operate globally, and joint Anglo-American tests will be held during the summer to improve the "reach" of the allied forces by equipping merchant ships to carry antisubmarine helicopters.

Defence Minister Francis Pym announced last week that Britain is considering equipping its troops with chemical weapons such as nerve gas. The main reason given is the allegation that Soviet troops have used chemical weapons in Afghanistan, while the United States recently charged that a leak of outlawed biological warfare toxins in the Soviet Sverdlovsk region led to widespread livestock deaths.

The Soviet press has angrily rejected all these accusations, charging that the United States and Great Britain are using them to bolster their own chemical and biological warfare capabilities. Reports of chemical warfare in Afghanistan derive from Afghan rebel sources which have proved highly unreliable. All are second-hand, and none substantiated by any medical evidence, according to the London *Observer* April 6.

The Soviet embassy in Switzerland issued a statement April 3 claiming that the CIA is supplying poison gas grenades to Afghan rebels. Grenades found in rebel vehicles bore the stamp "made in Carlsburg, Pennsylvania, U.S.A.," the Soviets declared. The new U.S. FY1981 budget calls for \$20 million for the production of nerve gas, and a projected \$1.3 billion will be spent in the next five years to develop a new generation of chemical weapons for U.S. land forces, according to *Newsweek*.

Britain's Chinese mentality

The British government's new Defense White Paper demonstrates that London is suffering from a Chinese syndrome, commented *Pravda's* former London correspondent V. Ovchinnikov April 7.

Citing Britain's intention to spend millions of pounds on chemical weapons and other means of mass destruction, *Pravda* asked: "Where does this sick fascination for nuclear and chemical weapons come from? Could it be that the British Defense Minister during his recent visit to Peking found himself in agreement with the theory there that poor countries have nothing much to lose from war and suffer much less from it than rich ones?" Britain is continually trying to prove to its European Economic Community partners that it is the poorest among them, *Pravda* said.

The church goes political

On the eve of a meeting of one of the highest church bodies in the land, the Interior Minister has delivered a sharp warning to the priests

For the second time in the current administration of President Jose Lopez Portillo, the Interior Minister—the most powerful member of the cabinet next to the President—has found it necessary to remind the Mexican clergy that the Constitution prohibits them from participating in politics, and will not be changed.

Two years ago it was then-Interior Minister Jesus Reyes Heróles who put a stop to promoters of the idea of a political clergy.

This week it was the current Interior Minister Enrique Olivares Santana. His condemnation, making banner headlines here, invoked Article 130 of the Constitution, which firmly prohibits the Church from taking a political role. "We will always strive to maintain this principle of the Constitution inviolable," he stated. "Priests will not have even the slightest chance of political activity."

His April 14 statements came one day before the beginning of a conference of the Mexican Episcopal Council (CEM), the highest ecclesiastical body in the country. The warning followed a particularly intense week of polemics highlighted by demands of the secretary-general of the CEM, Monsignor Genaro Alamilla, that priests can and should participate in the "social movements" of their countries, and if this is what is meant by political activity, they will do it. Alamilla is closely tied

to the faction of the "red bishop" of Cuernavaca, Sergio Mendez Arceo, who directs Mexico's so-called "Theology of Liberation" movement in conjunction with the Society of Jesus.

Here in Mexico there is no mistaking the powerful overtones set ringing by Alamillo's call. All Mexicans recall the "social movement" called the Cristero Rebellion, the period of bloody uprising in the late 1920s when priests led backward peasants in assaults on the secular, republican progress-oriented institutions of the Mexican Revolution.

What might surprise many is that the theologians of liberation have a Trojan Horse in Mexico: the Mexican Communist Party (PCM). Although the PCM's promotion of a role for clergy in politics is not new—Reyes Heróles was warning against it two years ago—it has recently reached new heights. This is particularly so with the incorporation of people educated by the Society of Jesus, such as Roger Bartra and Enrique Semo, in their national leadership. Strangely, the PCM now shares its demands with the party of the most engrained rightwing tradition in the country, the National Action Party (PAN). PAN secretary general Abel Vicencio Tovar declared April 14 that "priests should not be banned from politics; they in fact have an obligation to participate in politics."

This "dialogue" has gone so far that, in a demonstration protesting the death of Salvadorean Archbishop Romero, the PCM and the clergy marched side by side to the largest and most sacred shrine in the country, the Basilica of Guadalupe. Aghast, the rest of the left termed this a "pilgrimage."

However even more astonishing than finding the communists and the clergy together in the Basilica was finding the Homosexual Front for Revolutionary Action in the front lines of the marchers, supporting the PCM's demands for "liberation."

Although this situation might seem merely humorous, what's certain is that the debate coming alive here is not one of faith against atheism, but a purely political issue: the attempt by elements seeking the destabilization of the Mexican government to reproduce an Iran-style "religious fundamentalist" base using any and all "social movements" that are at hand.

It is also, just as in the 1920s, tied into oil. At that time U.S. and British oil interests funded the Khomeini-like, Jesuit-directed, Cristero fanatics in order to force the Mexican government to repeal restrictions on foreign oil control in the country. Now it is the theologians of liberation and the "left Jesuits" in the PCM and other parties who make attacks on the Mexican oil development program and industrialization.

Jesuits Porfirio Miranda and Miguel Concha made little attempt to hide the connections, when they recently traveled to Iran, met personally with Khomeini, and returned bemoaning the "horrors" of modern life, like industrialization.

Iraq poised to knock out Khomeini

Iran is no match for their well-trained and equipped neighbors, whom Khomeini is now provoking toward war.

An entire armed division of Iranian troops, numbering up to 20,000 men and commanded by Iranian generals, is presently in Iraq under the sponsorship of the Iraqi government, according to Iranian sources. Its mission: to carry out the overthrow of the regime of Ayatollah Khomeini.

Iraq, which has bitterly opposed the Khomeini regime from the beginning, has fostered the establishment of an exile government in Baghdad, in association with Prime Minister Shahpour Bakhtiar, who was forced to flee Iran when Khomeini's coup was launched in February 1979. Under its umbrella, a group of Iranian military leaders and political figures opposed to the Khomeini dictatorship has gathered in Baghdad.

Iraq's intention is to defend, by military force if necessary, the interests of the nation-state in the area against the encroachments of the spreading Islamic fundamentalist cancer. The disintegration and balkanization of Iran under conditions of ever worsening chaos has posed a threat to every Muslim nation in the region, especially oil-rich Saudi Arabia. And Iran has openly pledged its support to Shiite radical and Muslim Brotherhood elements in various Arab countries.

Since the start of the looming Iraq-Iran confrontation, with both armies and navies mobilized and scattered reports of border clashes

and aerial dogfights along the frontier, virtually every Arab country has acknowledged Iraq's leadership. Saudi Arabia, Jordan, Kuwait, and the smaller Gulf states have sent messages to Iraqi President Saddam Hussein in solidarity with Iraq against the Iranian kooks. Even Syria and the Palestine Liberation Organization have shown signs of wanting to mend fences with Baghdad, and are distancing themselves from Iran's radical Muslim extremism.

Iraq-Iran parameters

The mechanics of what Iraq eventually intends to be a surgical-procedure to eliminate the ayatollah involve some of the most complex and risky maneuvers imaginable.

First, there is the question of backing. Iraq is well aware that the Iranian regime is supported, covertly, by Zbigniew Brzezinski's National Security Council—and that any Iraqi showdown with Iran would raise the gravest alarm in Washington. Worse, it might give Washington and Teheran a pretext to upset and destabilize the entire oil-producing area. Thus, a key question is whether in the next days ahead—possibly during Soviet Foreign Minister Gromyko's visit to Paris April 22—Iraq can get a green light from France and the U.S.S.R.

Militarily, Iraq is far superior to the Iranian armed forces, which

have crumbled into utter disarray since the revolution. According to informed military sources, "The Iranian Army will not fight on behalf of Khomeini." Very little of Iran's equipment is in working order, while Iraq has a battle-tested army with very sophisticated Soviet-made weapons.

On April 10, Baghdad's Al-Thawra ridiculed the U.S.-Iranian conflict, calling the break in diplomatic relations "fabricated" and "a new chapter in the exposed theatrics between Washington and Teheran." Khomeini, said Al-Thawra, "is playing the U.S. game" in direct coordination with the Camp David powers of Israel and Egypt.

That fact was underscored last week with the Israeli invasion of southern Lebanon. According to Washington analysts, the Israeli move could not be justified from any other vantage point except that it was meant to distract Iraq from its confrontation with Iran by creating the threat of a second front.

Inside Iran, the steady Iraqi pressure has led to panic among the ruling clique. Most of Khomeini's closest aides, such as President Bani-Sadr, Foreign Minister Ghotbzadeh, and Ibrahim Yazdi are specialized agents of the Anglo-American intelligence services and the Mossad of Israel. Now, faced with the Iraqi challenge, they face the difficult task of trying to mobilize a population for a war to support a hated and incompetent regime. Threats of military action by Washington have served somewhat to rally the country behind Khomeini, but they are not enough.

As a result, the Iranians have responded by lashing out against Iraq with barrages of propaganda and sponsoring terrorist attacks.

International Intelligence

MIDDLE EAST

Anglo-American forces ready Saudi coup d'etat

In a front-page feature yesterday, the *New York Times* signalled that a military coup is being prepared for Saudi Arabia. The *Times*' article zeroes in on "corruption" in the Saudi Royal family, going after a son of ruling Crown Prince Fahd, in particular. It is Fahd and his commitment to the development of the Arab world, in cooperation with the Europeans, that the controllers of the *Times* find unacceptable. The newspaper demands: "The Royal family must adjust ... or face challenges to its authority."

The article dangles Iran as an "example." "Because of differences between Saudi Arabia and Iran, officials doubt that corruption could fuel the kind of broad-based opposition that led to the overthrow of Shah Mohammed Reza Pahlevi. Instead ... resentment about Saudi corruption could conceivably mix with other factors, including the development of an independent military, to set the stage for a coup."

According to observers, such an independent military faction would most likely be led by the pro-British Prince Abdullah, head of the National Guard and leader of the Muslim Brotherhood in Saudi Arabia. The Brotherhood, which controls Iran under Khomeini, was a 1929 creation of British intelligence's Arab Bureau.

Abdullah is playing a suspicious role in a scandal over a new British film, that relates the execution of a Saudi princess because of her love affair with a commoner. Although Prince Fahd is trying to cool down the uproar that the film has ignited in Saudi Arabia, Prince Abdullah is demanding that Saudi Arabia impose an oil embargo on any na-

tion that shows the film. Yesterday, Dutch television ignored government requests and announced it will show the film. In the United States, the Public Broadcasting System, controlled by the British Broadcasting Corporation, which was created and is still run by British intelligence, has announced a decision to air the film May 12, one day after Jimmy Carter's "deadline" for European cooperation around the Iran crisis.

EUROPE

Schmidt wants freeze on Euromissiles, alarms Washington

West German Chancellor Helmut Schmidt has proposed a freeze on the production of medium-range missiles in Europe pending the results of arms control negotiations. American sources in Bonn reacted to the proposal with surprise, since this would seem to bypass NATO's Dec. 12, 1979 decision to produce and deploy the Pershing II and cruise missile in Western Europe.

Schmidt's proposal followed meetings with Soviet ambassador Vladimir Semyonov, in which Semyonov delivered an invitation for the Chancellor to visit Moscow. While the Bonn government denies that there is any connection between Schmidt's arms offer and the invitation, government spokesman Armin Gruenewald admitted that the arms issue would undoubtedly come up at any Soviet-West German meeting. A spokesman for the Chancellor's office declared that Schmidt is presently determining whether a Moscow trip could be arranged for the late summer.

Meanwhile West German industrialist spokesman Otto von Amerongen gave an interview to the daily *Die Welt* April 16 in which he qualified his pre-

vious statement that U.S. sanctions against Iran were no longer avoidable. He underlined that West Germany should take no unilateral actions to support the U.S. moves, but act only in concert with the rest of the European Economic Community. He ruled out any West German backing for an embargo against the Soviet Union. "We will be in a cold war again."

Soviet ambassador in Paris warns Europe against U.S.

Central Committee member Stepan Chervonenko, Soviet Ambassador to France, invited himself to a meeting at the International Diplomatic Academy in Paris to deliver a blunt warning to both the United States and Europe. Referring to the destruction of detente by U.S.-NATO policy, he said, "It is not necessary to examine in detail the consequences of this political shortsightedness. Since the U.S.S.R. and the U.S. are the greatest thermonuclear powers ... the destiny of universal peace depends on these two powers."

If Western Europe goes ahead with the controversial medium range missiles deployment it agreed to under U.S. pressure, warned Chervonenko, the Soviet Union would increase its own armaments in turn. In the meantime, if the decision sticks, the basis for any arms negotiations is "collapsed."

Chervonenko called the dispatch of American naval ships to the Persian Gulf "a direct threat to the southern part of the Soviet Union," and urged the allies to reject American pressure to hitch their wagon to U.S. policy. This, he said, would make NATO an "instrument for America's global policy."

Chervonenko's themes were echoed in a Tass release April 14. The Soviet news agency accused the U.S. of "black-

mailing" Europe into support for Washington's Iran policy. Moscow takes note of the "confusion and unconcealed irritation" in Europe as a result of high-handed treatment on the one hand, and arm-twisting on the other, by the U.S.A.

French press blasts 'puppet' Carter for pressure tactics

An April 16 editorial in *Le Monde*, the French daily, attacks U.S. pressures against European governments, advising Europeans that they are much stronger in the face of the U.S. than they seem to believe. The editorial is entitled "A Transatlantic Crisis."

"This world is not mono or bipolar but rather multi-polar, and against the weakness of the dollar and the collapse of U.S. productivity, the old continent is in fact stronger than it believes itself to be," says *Le Monde*.

"Actually the United States presently needs its allies more than ever before, and this at the very moment when the Europeans are more and more convinced that the United States is not politically credible. ... It is getting less and less credible to ask sanctions against whomever it may be ... Carter is trying to address himself to the European populations above the heads of European governments ... What doubtful means are those. But who would believe that the European or French citizen will be more interested in defending American interest than the American citizen himself?"

"Detente, with or without Afghanistan, is fundamental to European solidarity ... Europe will not try to punish Moscow. The Atlanticism created in post-war times is not standing up to the tensions of the 1980s ..."

On the same day, the newspaper for northern France, the *Republican Lor-*

rain, reports that Jimmy Carter is nothing but a puppet of the Trilateral Commission, that "it is actually the City of London's oligarchy which has the real power in the Trilateral Commission," and Europe, not the Soviet Union, is seen as the main enemy.

LATIN AMERICA

New U.S. provocations against Cuba

Just a few days after 10,000 people invaded the Peruvian embassy in Havana, an incident the Carter administration has used in an effort to isolate Cuba in the region, the U.S. Defense Department announced it would carry out massive land and naval maneuvers in the Caribbean region, beginning May 8.

With the participation of over 200,000 men and women, 42 ships, and 350 airplanes, the "Solid Shield 80" maneuvers will last for three weeks and include a provocative landing of 2,000 marines on the U.S. Naval base at Guantanamo, Cuba.

Political observers have termed the Defense Department announcement a dangerous escalation of the "flight forward" mode now characterizing the Carter administration in various "hot-spot" regions, which could be the prelude to "live" military action in the region. The administration has long sought an excuse for action against Cuba, and also to seize Mexico's vast oil wealth for a Western Hemisphere "strategic reserve."

Cognizant of the motives behind Washington's provocations, Mexican President López Portillo announced last week that he would accept Cuban President Fidel Castro's long-standing invitation to visit Cuba at the end of July.

Briefly

● **THE ASSASSIN** unsuccessfully deployed against Indira Gandhi this week has been linked to Second International circles of George Fernandes, a former Industries Minister. The brother of Mrs. Gandhi's assailant was implicated in a terrorist bombing (the "Baroda dynamite case") several years ago, masterminded by Fernandez. One day before the attempted assassination, "100 intellectuals," largely Second International, gathered to denounce Mrs. Gandhi as "anti-people."

● **GUNTER GRASS**, West Germany's most influential literary figure, signed a letter to Chancellor Schmidt warning him that capitulation to the foreign policy of the U.S. Carter administration would lead to thermonuclear war. Mr. Grass appealed to Schmidt "not to let the American government ... draw you into a policy that could result in the destruction of life on this planet. ... Nobody is attacking us, nobody is threatening us..." The letter called for West German participation in the Olympics and renunciation of all sanctions. "These attitudes must take the place of half-baked declarations of steadfastness and loyalty. ... No nation on earth ... has a stronger obligation than the Germans" to prevent world war.

● **GENERAL ZIA** of Pakistan, under mounting pressures to negotiate with the Soviet-backed government of Afghanistan, had a "chance meeting" with Indian premier Indira Gandhi in Salisbury during celebrations marking the independence of Rhodesia-Zimbabwe, according to sources. The meeting is viewed as "a good omen" in southwest Asia.

● **JEAN-PAUL SARTRE**, author of *No Exit* and *Being and Nothingness*, exited from being into nothingness on April 16.

Opposition mounts to Volcker's austerity

by Marcia Merry Pepper and Bonnie Mesaros

On Oct. 6, 1979 Federal Reserve Chairman Paul Volcker announced his so-called anti-inflation, tight-credit policy whose implementation has since made good on his statement to the congressional Joint Economic Committee that "the standard of living of the average American has to decline."

As the result of repeated Federal Reserve interest rate rises and related administration policies, every sector of the U.S. economy is now in rapid collapse. The construction trades are virtually all out of work. By conservative estimate, housing starts are dropping from over 2.1 million in 1979 to less than a million in 1980. Auto dealers are daily going out of business, and the 68,000 auto workers "indefinitely" laid off April 3, on top of 270,000 already unemployed epitomize the situation, across the board, in heavy manufacturing. Real farm income is expected to drop by fully one-third nationally this year; farmers are operating at below production costs.

The Volcker depression is here.

During the six months since the onset of this collapse, the national scope and impact of Volcker's policy has scarcely been reported, with the exception of *EIR* and a handful of other periodicals. Even more thoroughly blacked out of the nation's press is the national picture of resistance to these policies.

Numbers of institutions and individuals are taking public action against Volcker and the administration's depression. On April 8, a special resolution was passed in the Pennsylvania House of Representatives calling for a

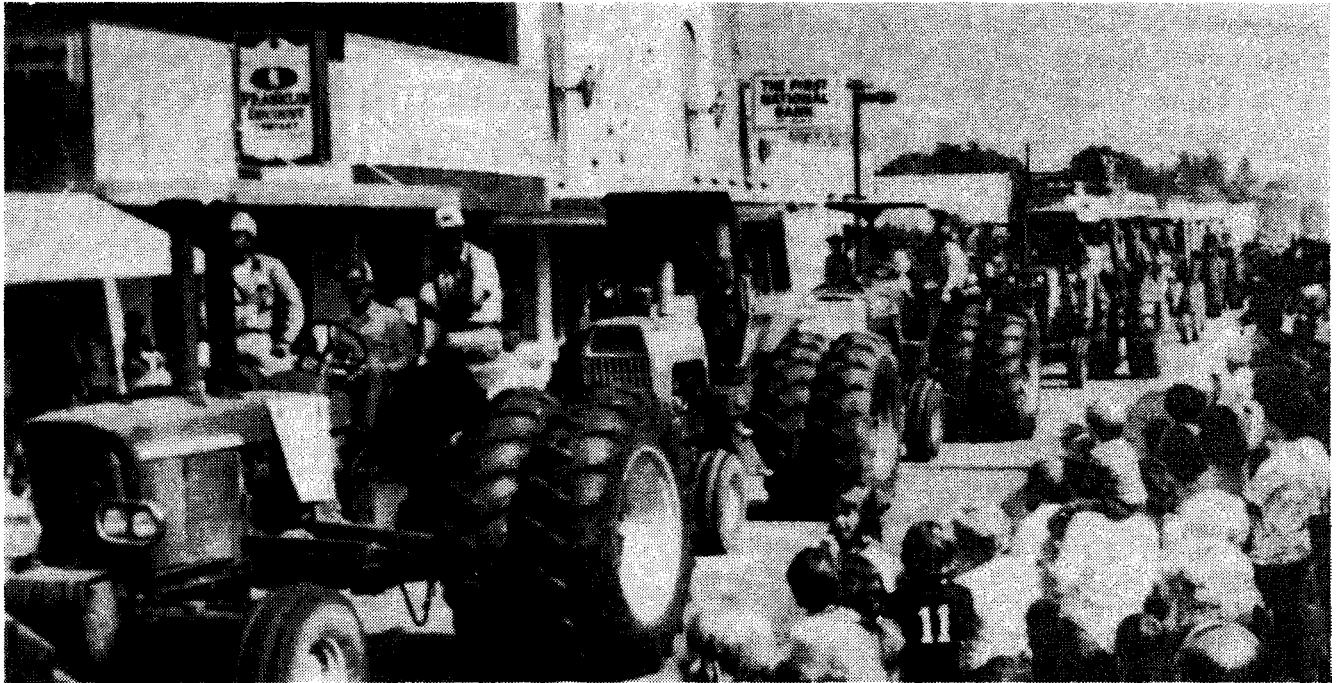
reevaluation of the tight-money policy. Albert L. ("Dapper") O'Neill, the chairman of the Boston City Council, is expected to introduce a similar measure.

A summary of these actions is presented here. What stands out, even in this limited survey, is the unprecedented degree of active opposition. The question remains whether this fragmented activity will coalesce into effective political action which can reverse the collapse-policies. On the answer to that question rests the future of the United States of America and much of the world.

State government

Legislatures demand more credit at lower rates

State legislators are now enacting legislation calling on the U.S. Congress to reverse—or at least reexamine—current tight-money credit policies. To date two state legislatures, Illinois and Pennsylvania have passed resolutions critical of Federal Reserve chief Volcker's interest rate hikes. The resolutions point up the threat of urban disintegration and economic chaos if these interest policies stand. Similar resolutions are pending in other states and more are expected to be introduced as minority, trade union and constituency political groups put pressure on their state legislators.



Farmers ride through a town in Georgia, protesting the farm policy of Jimmy Carter and Paul Volcker.

In **ILLINOIS**, the first anti-Volcker resolution, passed by both houses of the Illinois State Assembly Nov. 1, 1979, was endorsed unanimously as the result of bipartisan action by Democratic and Republican party leaderships. Introduced by Chicago's black Democratic State Representative Larry Bullock and 35 cosponsors, the measure reads in part:

"Be it resolved that the Illinois congressional delegation requests that Fed Chairman Volcker immediately lower interest rate levels and loosen tight credit money policies... or that President Carter accept Mr. Volcker's resignation."

Among the cosponsors of the resolution were representatives of business, labor, farm, and minority constituencies, as well as supporters of Republican presidential aspirant Ronald Reagan and Democratic contenders Edward Kennedy and Lyndon H. LaRouche. In November, LaRouche, the only presidential candidate who had called for Volcker's impeachment, issued a telegram of congratulations to the 177 members of the Illinois House:

"Today's actions by combined Republican and Democratic forces of the Illinois state legislature may prove to be the spark which leads our nation from the brink of a threatened deep recession."

The **PENNSYLVANIA** House of Representatives, following the Illinois example, passed a special resolution on April 8, 1980 calling for a "reevaluation" of the Federal Reserve's credit measures. The resolution was passed by a margin of 135 to 38, despite extraordinary

measures to kill the initiative coordinated by Pennsylvania's Republican Governor Dick Thornburgh. State Representative Joseph Zeller (D-Lehigh), who introduced the original version of the bill Nov. 14 just after the Illinois resolution was passed, led a strong fight for its adoption.

Zeller is active both as a legislator and as a member of the IBEW (International Brotherhood of Electrical Workers) in promoting industrial growth in his home state. Zeller also helped form a commission to investigate environmental sabotage at the Three Mile Island nuclear plant in Harrisburg last spring.

The Pennsylvania bill, House Resolution #154, states that the "economic and social well-being of Pennsylvania is dependent upon the availability of a plentiful supply of low-interest credit which allows for the continuous growth of businesses, agricultural and manufacturing concerns that are located in this Commonwealth." It cited especially the disastrous effects which high interest rates would have on the homebuilding industry in terms of jobs lost in the building trades and related sectors.

The bill had languished in the legislature's Federal-State Relations Committee for several months, where it was watered down by a faction led by committee chairman Jeff Piccola (R-Dauphin). The resolution was finally scheduled for a vote when Zeller, with the support of 25 Republican and Democratic legislators, initiated an extraordinary "discharge" procedure to speed its passage.

When the bill easily passed on the first vote by 170 to 3, Governor Thornburgh's colleagues insisted that the

tally was not trustworthy because electronic tabulation machinery had malfunctioned! During the "retally," attempts were made to arm-twist legislators into voting against the bill, but with little effect.

In **NEW JERSEY**, the "Illinois resolution" was adopted by the State Assembly in December 1979. Sponsored by Assemblyman Robert Burns (D-Bergen County), the bill had the support of trade unionists including the county laborers, Steelworkers Local #2399 and Steamfitters #475.

In the **MARYLAND** State Senate, a resolution similar to the Illinois Bullock resolution is now pending, Senate Joint Resolution #58, introduced by Baltimore legislator Clarence Mitchell III, chairman of the National Conference of Black Legislators, calls for Volcker's firing if interest rates are not lowered. In an unusual move, black community leaders from Washington, D.C. have become involved in the Maryland fight to get the Mitchell resolution passed. Jonas Milton, former chairman of the Washington, D.C. Steering Committee of PUSH (People United to Save Humanity), Ralph Greene, Secretary of the Federal Printers Union, and Rev. John Shaw, Grand Master of the International Masons Washington, D.C. chapter, have forwarded a special statement to Mitchell and to Harry McGuirk, chairman of the House Economic Affairs Committee, urging passage of the bill.

In **CALIFORNIA**, 125 out of 500 members of the California Democratic Council signed a resolution last month urging the repeal of the Volcker's high interest measures. In its March meeting, the influential CDC voted to table the resolution for further study. The resolution is now circulating among state legislators.

In **MICHIGAN** in early April, Mary Sutter, president of Democrats for Progress in the city of Melvindale, and Michael Brow, a former Democratic delegate candidate from the 78th election precinct in Taylor, endorsed a strong anti-Volcker resolution which is being circulated among city and state political layers. The text notes that the Volcker credit squeeze is triggering the collapse of Detroit's auto and homebuilding industries, along with Michigan agriculture:

"We as Democrats call on our presidential candidates to assume leadership in demanding an immediate rollback of the Volcker high interest rates to the 7 percent level. The economist Milton Friedman is wrong: we do not need wage and service cuts to industry in order to control inflation. If anything, these are the very policies that have caused a 20 percent inflation rate..."

The resolution calls on the Democratic Party to select a "presidential candidate committed to industrial expansion through cheap credits as the means to expanding productive employment. This is the old American way of ending inflation and creating jobs."

City government

Budget-cutters face strikes and protests

Volcker's depression is hitting American cities hard. Cuts in municipal services, transportation, police and fire protection, and public education are leading to dangerous depopulation of once great urban areas. The escape of productive industries to suburban locations, or their collapse, has decimated the tax base upon which cities depended for revenues.

All this is leading to opposition to the most visible cause of the economic collapse: the spiraling interest rates mandated by Paul Volcker's Federal Reserve.

The most graphic example is New York City. Here, the Transport Workers Union (TWU) returned to work April 12 after an 11 day strike—the first in 14 years and only the second in its history. The union was up against not only a city administration led by Mayor Ed Koch, who was promoting the transformation of the city into a replica of Maoist Peking (from which Koch recently returned), but also the Metropolitan Transit Authority, which is carrying millions of dollars in ancient debt service. This week members of the TWU will be voting on their contract while the Koch administration prepares for the next round of negotiations with police and firefighters. Unlike the mayor's office, most political observers realize that the budget slashers face serious opposition to any further degree of austerity.

A number of U.S. cities have had, or are about to have, anti-Volcker-interest-rate resolutions introduced.

In **NEWARK, N.J.**, the Newark City Council unanimously passed a motion Nov. 7 similar to the Illinois State General Assembly resolution introduced by Democratic State Representative Larry Bullock Nov. 1. The Newark bill was introduced by Democrat Henry Martinez and seconded by Donald Tucker.

In **MILWAUKEE, Wisc.**, a resolution was passed Nov. 15 in the City Council based upon the Illinois mandate. On April 11, the Milwaukee County Homebuilders held a 3,000-person rally at the Fair Grounds. Participating along with the Homebuilders were the Milwaukee County Building Trades and Realtors. Citing the fact that five years ago there were 15,000 housing starts in Milwaukee County and today, at current start-up rates, this will drop to *less than 500* for 1980, James Elliott, president of the Building Trades Council, demanded:

"We must reverse the high-interest-rate policy. ... these people (Volcker and the administration—ed.) are out to destroy the American dream. ... We're going to

hell in a handbasket. ... We need to fight for decent wages, decent profits, and let them know in Washington that their policies are killing the American dream!"

In **BOSTON**, Mass. during late April City Council Chairman Albert "Dapper" O'Neill will introduce a resolution to the Council based on the Bullock bill. This version stated that the national consequence of current interest rates will include the loss of 800,000 construction jobs and deadly cuts in police and fire protection as states and cities are driven from money markets. Massachusetts has already withdrawn from the bond market as the 20 percent prime rate has made it impossible for the public sector to compete. This, in turn, has led to the shutdown of 13 public schools in the city of Boston alone. Boston Mayor Kevin White recently announced 500-600 municipal layoffs among nonuniformed city workers, including health and hospital employees.

In **WASHINGTON**, D.C. one of the most severe urban austerity drives has been initiated under Mayor Marion Barry. Twenty-two schools have been closed and 1,000 teachers laid off under budget cuts of \$50 million. Political insiders are predicting race riots in the prisons for the summer, when 100 guards will be laid off simultaneous with greatly increased inmate population.

In this context Calvin Lockridge, president of the D.C. City Council, will introduce later this month a resolution calling for immediate reversal of high interest rates. Supporting Lockridge is the Coalition of Citizens to Save Washington, D.C., which sponsored a 50-person rally against budget cuts in the City Council Chambers April 10.

Labor movement

Unions lead the way against Volcker

Action against Volcker's policy, particularly in key states like Pennsylvania and Illinois where the state legislatures are on record opposing tight money, have received most of their impetus from organized labor.

For six months, the building trades, immediately sensitive to the impact of a credit squeeze on the construction industry, have been especially outspoken. Now, with the cumulative effect of Volcker's policies being felt in widespread auto and other heavy-industry unemployment, union backing for the extended unemployment benefits has become a generalized part of labor's anti-Volcker efforts.

- Nine hundred United Auto Workers members rallied

the second week in April at Cobo Hall in Detroit to show support for Senator Riegle's new bill mandating unemployment benefit extensions from the current 26 weeks to 39 weeks. Along with Sen. Riegle, Detroit-based Congressman Carl Levin, a cosponsor of the bill, and Detroit Mayor Coleman Young, like Riegle both Democrats, used the rally as the occasion to attack administration economic policies.

- In March in Detroit, several hundred Teamsters, members of IBT local #299, demonstrated against a campaign appearance by Ted Kennedy and particularly against Kennedy's program for deregulation of the trucking industry which was identified with the economic destruction implied by the administration's overall domestic policies.

- On "Save Our Housing Day," April 8, Building Trades members in a number of Michigan cities formed the backbone of anti-high-interest-rate rallies.

- At the beginning of April, the Wisconsin State Laborers Council met to discuss a resolution demanding Volcker's resignation and launching a statewide labor rally in Madison to back this demand. The resolution was introduced by local union President Roy Cronin, who endorsed the LaRouche presidential campaign in the state's April 1 primary. Cronin also led the discussion, which ended with a temporary tabling of the resolution.

Wisconsin Building Trades executive board members have individually endorsed the resolution, including: Darrell Lee, president, Laborers local #140; Don Brandt, president, IBEW local #195; Elmer Kuepel, vice president, IBEW #195; and Roy Cronin.

- On April 8, the Milwaukee "Save Our Housing Day" demonstration drew 3,000 participants. Wisconsin Building Trades President James Elliot addressed the rally with a harsh attack on high interest rates as the destruction of laborer and contractor alike.

- In early April Robert Gibson, newly elected president of the Illinois state AFL-CIO, predicted "woes ahead for the labor movement" unless the Volcker measures are reversed. In his first public address as AFL state president, Gibson pinpointed the destruction of homebuilding and purchasing, and union-busting, as immediate results of the administration's stance.

- In mid-April, Buffalo, N.Y. Teamsters local #375 President Charles David and Binghamton IBT #693 business agent John Tarr endorsed a resolution modeled on the Wisconsin State Laborers Council formula denouncing Volcker and endorsing the Riegle bill.

- During the Transit Workers Union strike in New York

City, which ended April 12 pending further negotiations, citizens groups intervened effectively against the austerity package being promoted by Mayor Ed Koch, Governor Hugh Carey, and the White House. A mass leaflet comparing Volcker and Koch's austerity program to the genocidal depopulation of Cambodia by Pol Pot appeared throughout the city. TWU leaders publicly identified the Koch-Metropolitan Transit Authority posture as one of "planned shrinkage," and other unionists, including State AFL-CIO head Ray Corbett, floated general strike threats. The 100,000 or more citizens group leaflets which flooded the city are thought by many to have hastened the end of a strike which Koch originally announced would be prolonged for months.

- Three Central Labor Councils in New Jersey—Bergen, Passaic, and Camden counties—have endorsed a similar anti-Volcker, pro-Riegle-bill resolution, as has the Bergen County Building Trades Council. The president of the Cumberland County Labor Council, Henry Hill, has also endorsed the measure, and resolutions are under discussion before all the councils to establish statewide hearings on the economic crisis. Hudson County Carpenters executive August Ebel and Bernard Johnson of the Bergen Carpenters are backing the resolution.

- On April 10, LaRouche campaign representative Lawrence Freeman addressed an anti-austerity rally in the nation's capital which drew representatives of government employees, police and teachers.

On the farm

Farm organizations demand probe of Fed

The American farm sector is in acute crisis due to Volcker's high interest policy and related administration measures such as the Soviet grain embargo. George Stone, president of the National Farmers Union, described the situation simply in an April 14 *Chicago Tribune* article:

"...Farmers are operating at below production costs... many are threatened with bankruptcy. The most immediate problem facing farmers, is the cost of operating loans that are as high as 22 percent...."

Dozens of farm associations are in motion against the Volcker-Carter austerity and credit control policies that are provoking bankruptcies and production cut-backs.

- On April 10, a group of 10 leaders of major farm organizations confronted Paul Volcker in his Washington offices, demanding that the Fed chairman authorize

a liberalization of seasonal borrowing privileges for the rural banks to funnel urgently needed cash into the farm sector. "Agriculture is at the lowest ebb ever," Merlyn Carlson, president of the National Cattlemen's Association, told the press, "and that message came across loud and clear to the Federal Reserve." A spokesman for the American Agriculture Movement condemned the Carter-Volcker policies, saying they were "like pouring gas on a fire; they're making it worse."

- Also in April, Rocky Mountain Farmers Union President John Stencil called for a congressional investigation of the Federal Reserve. Citing the "tremendous economic pressure" crushing farm families in Colorado and Wyoming, the area Stencil represents, Stencil stated:

"Now, with record high energy rates creating an unbearable burden for agriculture farmers and ranchers are beginning to question their very survival.

"The Federal Reserve Board keeps telling us that high interest will slow the use of credit. But for the past 30 years, the economic policies of this government have made agriculture dependent on credit. If farmers and ranchers cannot obtain the credit they need at a price they can afford, they have no choice but to go out of business or cut back production. I think it's about time we find out who the Federal Reserve is serving."

- On March 28, the American Farm Bureau Federation formally withdrew its support for the Carter administration's embargo of more than 17 million tons of wheat and feed grain shipments to the Soviet Union. In repudiating the embargo, the Farm Bureau—representing more than three million farm families—charged that the grain trade cut-off was "ineffective and damaging both to American agriculture and to the nation's economy."

Bureau President Robert Delano pointed to the fact that Agriculture Secretary Bergland had promised farmers that they would not incur losses as a result of the embargo. "We have waited for three months," Delano said. "It is past the best time to act in keeping this promise." On April 14, the Commodity Credit Corporation—the federal agency chiefly responsible for intervening in the grain markets to buy and finance sizable amounts of grain for export—announced that the latest administration policy would be to cease attempts to mitigate the loss. Immediately, wheat prices fell between 10½ and 13½ cents a bushel on the Chicago Board of Trade.

- On April 4, the Farm Bureau leadership of several Illinois farm counties held press conferences demanding appropriate emergency action by the federal government for the farm sector. Illinois Farm Bureau President Harold Steel called for President Carter to agree to an "emergency discussion" by phone or in person.

When will America's lights go out?

by Marsha Freeman

Not once in the history of this nation has there been a condition where inadequate electric power supply with extended shortages had to be faced by electric power users—not even in wartime. But today, according to sobering estimates by the National Electric Reliability Council (NERC) and studies done by industry organizations, the United States is facing an “inevitable shortfall of electric generating capacity.”

The shortfall could hit as early as this year or, at the latest, in the mid-1980s. It is the result of extraordinary delays in bringing new generating capacity on line, delays caused by environmentalist interference and a growing, more complex maze of governmental regulation. The end of reliable, adequate electric power will signal the end to U.S. standards of living and industrial quality.

The U.S. economy's ability to grow has been directly dependent on the shift from burning fossil fuels to the production of universally usable electric power. While total energy consumption growth in the U.S. has averaged under 3 percent per year since 1920, the rate of growth in the consumption of electricity has averaged 6.6 percent per year over the same period, with rates as high as 8 percent per year over the decade of the 1960s.

Since the 1960s, the pacing technology for the rate of growth of electric power has been nuclear energy. As direct electric power production replaced burning fossil fuels, nuclear power replaced the use of those same finite fuels in a cheaper, more efficient process to produce electricity. Between 1968 and 1976, fossil fuel plants went from 233 gigawatts of capacity to 415 GW, or a 78 percent increase over 8 years. In the same period nuclear capacity went from 2.8GW to 42.9GW—a *fifteen-fold increase*.

The 1970s destruction of nuclear power

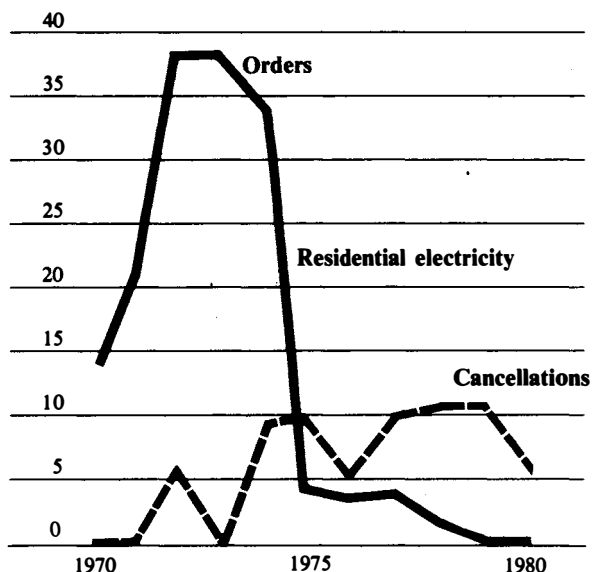
Beginning in the early 1970s, just at the point when the oil embargo was to make the point that nuclear

power was critical for the economy's health, environmental interference and regulation-gone-wild began to strangle the utilities. In 1968, a utility applying for a construction permit to build a nuclear plant was required to answer about 120 questions from the government.

Ten years later the number of regulatory questions to be answered had mushroomed to over 700. Estimates by the industry indicate that if the government had instead encouraged the development of standardized plants, the questions would number about 200, cutting licensing delays substantially.

In the early 1970s, the 700MW H.B. Robinson nucle-

Nuclear plant orders and cancellations since 1970



Source: Department of Energy.

ar plant was brought into operation in 54 months from the date of announcement to fuel loading. Latest estimates from the utilities point to 17 year lead times. Due to the unstable economic situation over the past decade, load forecasting has become a game of Russian roulette for the utilities, and now they are forced to project needed capacity into the early 1990s in deciding whether or not to begin the procedures for building a nuclear power plant.

As is common knowledge, some of the utilities have almost given up. Consider the state of nuclear orders and cancellations since 1970. One would assume that since orders remained healthy until 1974 serious problems would not arise until the mid-1980s when the fall-off in orders from the mid-1970s would begin to hit. Over 1979, however, eight reactors ready for operation did not receive operating licenses from the Nuclear Regulator Commission, as the result of hysteria over the Three Mile Island incident. Since only 13 plants were ordered since 1975 and 53 were cancelled, it is clear that many units scheduled for operation in the early to mid-1980s will not be built.

The effect of government "forecasts" is of equally critical importance in the electrical industry. Especially when utilities have to plan more than a decade in advance, and unlike steel or shoes, a shortfall due to faulty predictions cannot be temporarily made up through imports and government predictions serve as guidelines for the industry.

The trend of government predictions since 1970 of needed capacity in operation by the year 2000 shows

dramatically the government's complicity with the environmental movement, essentially agreeing that the "climate" of public acceptance for nuclear energy changed drastically from the 1960s. Looking at government figures, no utility executive in his right mind will believe there will be a growing, developing nuclear industry by the end of the century.

How it happened

Load forecasting by the utilities has never been an exact science, contingent as it is on government policy that affects economic growth and hence electric power needs. In the decade of the 1960s, the industry found itself caught short as the Apollo space program brought whole new high-technology industries into existence.

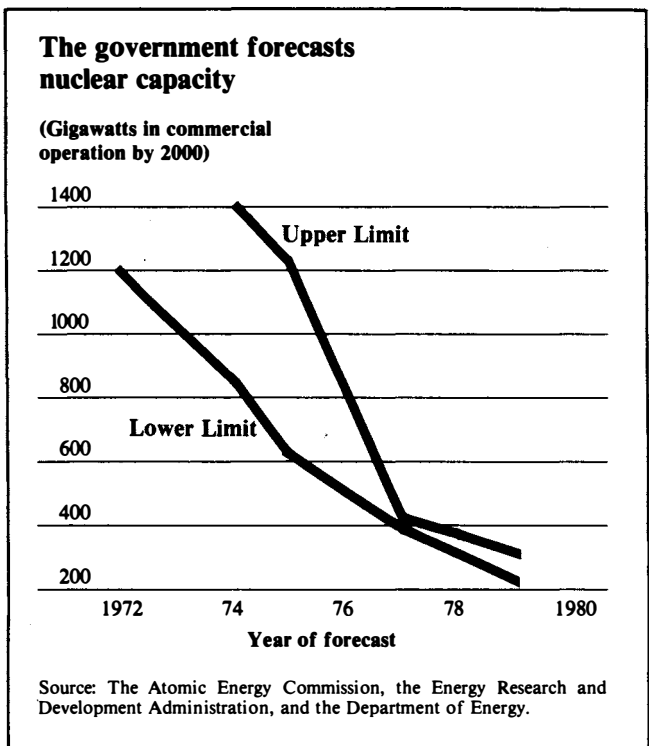
But in the past decade the only thing that kept electric power shortages from already taking place is the *slow-down* in real economic growth. For example, the map published by NERC in its 1977 annual report projected shortfalls in the grid area covering the TVA in 1979. This did not materialize because of a drop in peak load demand growth to 4.7 percent from the projection of 5.2 percent made the previous year.

NERC has projected that problems in providing adequate service are already inevitable; daily the situation is getting worse. During the year 1978, 55GW of nuclear capacity experienced some amount of delay, with an average of one year per unit. Licensing procedures alone can now take up to six years, which was the time needed to complete the entire project a few years ago!

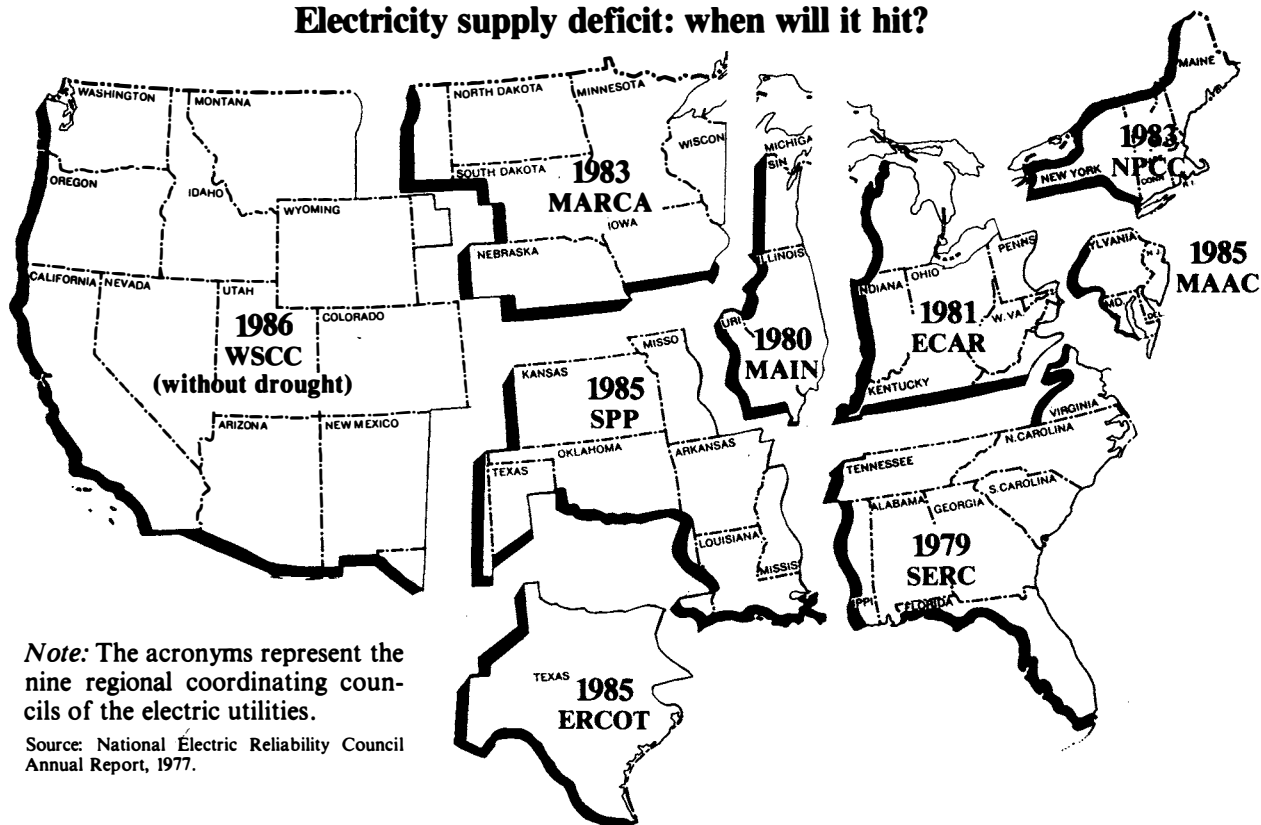
NERC estimates that even if load growth over the next decade is only 50 percent of the historical trend of a ten-year doubling time, the capacity needed to meet this lowered demand is not likely to be completed on time. Of the 250GW now projected to begin operating by 1988, 107GW are slated to be nuclear. Most of the coal capacity of 125GW is under construction, but according to the NERC's 1978 annual report only 60 percent of the planned nuclear capacity for service during 1984-1988 is under construction.

The NERC report states that "the implementation of the coal and nuclear programs forecasted by the utilities face serious obstacles. It is highly probable that the completion of many of these units will be delayed—in some cases for at least three years. Also, there are likely to be outright cancellations of some projects. . . . The likelihood of delays in the completions of the projected generating capacity program raises serious concerns regarding the adequacy of bulk power supply in the United States during the next ten years."

The impact of an unreliable and inadequate electric grid on the economy as a whole is clearly stated by the utilities. "The overriding concerns of NERC at this time are the discernible and disturbing trends which point to a future bulk power supply system which will be unable



Electricity supply deficit: when will it hit?



to maintain an adequate and reliable electric power supply for the United States—a requirement which NERC believes is essential to maintain a viable economy and to provide for the well-being of society.”

In January, the energy committee of the Computer and Business Equipment Manufacturers Association (CBEMA) completed a study entitled “Electrical Energy in the 80s.” They felt it necessary to assess the future of the electric power supply system because “electrical energy is the life blood of the computer.” Current installed computer capacity in the United States represents an investment of over \$50 billion, with a continued growth of 12-14 percent forecasted, according to the report. “Since every major industry and business is now computerized, the business and economic climate of the U.S. is dependent on the reliable operation of these equipments. Some businesses, such as airlines, essentially are helpless if their computer system network is nonfunctional.”

The report explains that the “redline” or reserve margin for the electrical utilities is that level of reserve below which brownouts are likely to occur. Until the mid-1970s that “redline” capacity reserve was considered to be 15 percent. After that, the “redline” was placed at 20 percent because economies of scale had made larger

power generating units the favored option for new capacity.

At the time of the 15 percent redline, average utility capacity was 850MW. Today, that average is 1,000 MW. Consequently, when a unit is taken out of service for maintenance or becomes unavailable, the percentage reduction in the entire system is greater. The report states that, in 1978, General Electric asked Data Resources, Inc. to do an analysis of the impact if no nuclear plants were added between 1981-1985 and only half of the President’s coal targets were met.

The analysis indicated that the nation’s reserve margin would drop to about 13 percent under those circumstances—way below the “redline.” The report also projects that electrical energy shortages can be expected by 1985, with some regional shortages likely by 1983. If the weather is worse than now projected, some regional shortages could appear in the 1981-1983 time period. All of these projections assume load growth to be half of their historical rate.

The CBEMA report ends by stating that “any shortfall of the anticipated magnitude would affect the growth rate of CBEMA-represented businesses by 50 percent.” That is, the fastest growing sector of the economy (com-

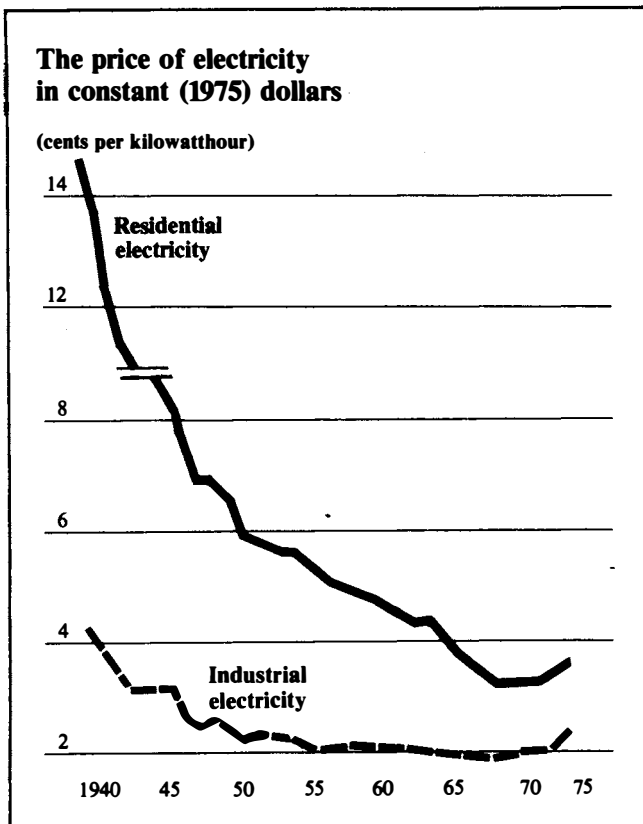
puters and electronic data processing), will be slowed down by the lack of available electric power!

The computer and electronics industries represented by CBEMA consume less than 1 percent of total energy in the United States. As they are the first to point out, the really electric intensive industries, such as aluminum and other specialty metals, will be hit much harder. The aluminum industry has been forced to do research and development into new energy sources on their own because they have already experienced shortfalls in electric power availability.

If, through some miraculous act, you could keep U.S. industry going despite a lack of reliable and adequate electrical power, the labor demands on the economy would be astounding. It also becomes clear in a negative way how our economy was able to progress at unimaginable rates after the commercial introduction of electrical energy.

No worker using his muscles alone can produce the energy represented by one kilowatt of electricity. In 1974, a factory worker used on average almost 48,000 kilowatt-hours of electricity—or the energy equivalent of 715 men. The ability of industry to substitute technology for human labor was dependent upon one primary parameter—an exponentially decreasing cost of delivered electric power.

This cost trend is shown in the graph on electricity



prices for residential and industrial customers from 1940 until the quadrupling of primary energy costs in 1974. Industrial users have always been given a lower per kilowatt hour rate since they are bulk users. The decrease in cost of delivered power was a function of improvements in technology and in economies of scale.

The transition from fossil fuels to nuclear continued the downward price trend. Even with today's 12-14 year lead-time for nuclear power plant completion and the millions of dollars incurred by utilities in legal fees to defeat environmental interference, nuclear power is cheaper than the energy it replaces—oil.

Virginia Electric & Power Company, for example, announced in March 1980 that even though the North Anna nuclear Unit 2 will add \$46 million to the rate base, fuel savings are estimated to be \$78 million. This will result in a 3 percent rate decrease for VEPOC customers.

But this trend of cost reduction is not immune to the government's economic policy decisions, like those of Federal Reserve chairman Paul Volcker. In September 1979, the Department of Energy released their National Power Grid Study, in which they discuss the fact that the electric power supply industry is the most capital intensive industry in the U.S. economy, requiring one fifth of all national construction expenditures and one third of all long-term financing. This means that the industry is highly affected by the cost and availability of credit for expansion, and declines in rates of construction and expansion in general affect the total employment picture for the country.

In the same study, after reviewing some of the stern warnings of the recent NERC reports, the DOE admits that "both public and private utilities are encountering serious difficulties in bringing into service planned new generation and transmission capacity...this situation could conceivably lead to shortages implying blackouts and brownouts or managed power curtailments to consumers."

It is difficult to imagine what life would be like without reliable, available, and affordable electric power—except for those populations of the developing sector that have virtually no education, no industrial or agricultural technology and a life expectancy 25 years less than the advanced sector.

Among the "economic planners" in the Club of Rome, the Council on Foreign Relations and the United Nations there is a policy for economic collapse and a "controlled disintegration" of the advanced industrial societies like the United States to the status of worse than a Third World nation. If the 17-year nuclear plant lead times are reversed right now and power plants are built as fast as possible, power brownouts may be avoided.

If not, the coming of a New Dark Age will no longer be a metaphor, but reality.

'Civil disobedience' at the DOE

There appears to be very little difference between those occupying the DOE right now, and those who plan to occupy it on 'Earth Day.'

On "Earth Day," April 22, an antinuclear umbrella group called Coalition for a Non-Nuclear World plans to stage a one-day occupation ("civil disobedience") at the Department of Energy offices in Washington. It may interest my friends to know that the group's organizing and transportation to Washington is being paid for by ... the Department of Energy.

If this makes you think the antinuclear movement and the U.S. Department of Energy are the same thing—or that, indeed, the environmentalist movement with all its fascist precepts has been organized *top-down*—you have the picture.

In point of fact, "Earth Day" this coming April 22, with its nationwide rock-concert festivities and the like, would not be possible but for the Carter administration's infusion of funds and other aid.

"Earth Day" is the annual dionysian festival of pot-smoking sun-worshippers initiated in 1970 by the late Dame Margaret Mead, the medievalist "anthropologist," who was a professed worshipper of the ancient Egyptian cult goddess Isis. Yearly since its inauguration, "Earth Day" has grown from a gathering of a few extremist "greenies" to the rallying point for masses of antinuclear zero-growth drug "freaks" to protest technology and science in all forms. That

growth mushroomed after the Carter administration assumed office, and began to support "Earth Day."

This year, Energy Secretary Charles Duncan has publicly extended a personal endorsement to "Earth Day," proclaiming that "the objectives of Earth Day '80 are consistent with the objectives of the National Energy Plan." Moreover, the DOE has offered its offices and personnel around the country to assist in building events. A department spokesman informed me that there is more than \$140,000 being funnelled out to the sundry rag-tag radicals for "community organizing and educational projects." On the receiving end are the organizers of the one-day occupation of the DOE office, among others.

This is not inadvertent. The environmentalists have been taken into the bosom of the department, and the administration more generally; they now occupy, like a "termite infestation" in one author's words, a variety of key posts. Take Charles Warren, who is a member of the White House Council on Environmental Quality (CEQ). Warren, before his Federal appointment, drafted much of the energy legislation introduced in California by Gov. Gerry Brown. Brown, as you should know, believes in "cosmic energy" obtained through "psychic exploration,"

not nuclear energy for industrial development. Warren, in 1976, authored an article for the magazine of the Friends of the Earth, a British intelligence creation effected through the Club of Rome and the Aspen Institute, entitled "Cornucopians vs. Malthusians," declaring himself decidedly a Malthusian.

Take Amory Lovins, the head of the Friends of the Earth druid-cult; he is now an "advisor" to the Department of Energy.

Or, take Denis Hayes, one of the founders of "Earth Day." Hayes, on the strength of his radical zero-growth advocacy, was named to head the federal government's "Solar Energy Research Institute" in Colorado, the first non-scientist, as well as the first man who absolutely opposes science and its arguments, to ever head a government scientific laboratory. He recently proposed in the DOE newsletter that the entire western United States be converted into one, vast, passive solar reflector.

Hayes's appointment was the personal initiative of the Deputy Secretary of Energy himself, John Sawhill. Take John Sawhill. A recent president of New York University, he was also a recent member of the Club of Rome, and is a current leading member of British intelligence's Aspen Institute for Humanistic Studies, the two agencies that combined resources to produce Friends of the Earth.

It thus becomes clear that, on April 22, when a gaggle of bedrugged "green freaks" charge into the office of the U.S. Department of Energy in Washington, D.C. to announce they will spend the day, no one can credibly say they don't belong there.

Trucking deregulation passes Senate

By a vote of 70 to 20, legislation to substantially deregulate the trucking industry passed the U.S. Senate on April 15. While the vote on final passage of the legislation was never in doubt, the industry and the Teamsters union hoped to pass several amendments which would ameliorate some of the effects of radical deregulation. Under heavy administration arm twisting, the amendments lost.

Capitol Hill sources pointed out that Senate passage of the legislation occurred in the same atmosphere of thuggery that had marked its introduction. Commerce Committee chairman and the bill's sponsor, Howard Cannon (D-Nv), is widely perceived to have changed his position from anti-deregulation to pro-deregulation under the orchestrated pressure of the "Brilab" scandal which allegedly tied him to the Teamsters union. However, despite the array of a blackmailed Cannon, the administration, and Senator Kennedy and his machine lined up against them, the trucking industry and the Teamsters were reported to be making headway in a last minute lobbying mobilization to secure passage of key amendments by Senators Ernest Hollings (D-SC), and Warren Magnusen (D-Wa) which would maintain some order and regulation in the industry. Recognizing this, the administration pushed the vote on the legislation up by 24 hours, leaving many industry and teamster supporters caught out of town because of travel during the Easter Recess. That plus the loss of a vital 24-hours in which to mobilize spelled the critical margin of defeat for deregulation's opponents.

The Magnusen Amendment which would have forced the Interstate Commerce Commission to continue keeping tight control over the ability of new firms to enter the market was defeated by a vote of 56 to 34. And the Hollings amendment which would have restored regulated status to the shipment of processed foods (currently, unprocessed foods are deregulated and the Cannon bill added processed foods to that list) was defeated by a vote of 47 to 39.

The battle now moves to the House side where Public Works Committee Transportation Subcommittee chairman James Howard (D-NJ) has to decide whether to mark-up the Senate bill or his own bill which is considered much milder than the Senate version. However, on occasion, Howard (who was mentioned, but not directly implicated in the Abscam scandal) has threatened to push complete deregulation of the industry—even beyond the Senate version. With a self-imposed deadline of June 1 looming before the Congress, Capitol Hill observers predicted that the arm-twisting and blackmail of the administration will continue.

Iowa Senator opposes Fed nominee

The growing opposition to the Federal Reserve Board's tight money policy coalesced around a fight to prevent the nomination of Lyle Gramley to a 14-year term on the Federal Reserve Board's Board of Governors. Led by Senator John Culver (D-Iowa) who is facing a tough reelection fight and whose

state is tottering on the edge of a Fed-provoked economic disaster, the battle is drawing widespread support from Democratic and Republican senators alike.

In testimony before the Senate Banking Committee on April 16, Culver said "the impact of present government monetary and agricultural policies on the Midwest threatens the very survival of the economy of the nation's greatest food producing region ... monetary policy is a highly complex tool of economic policy and ... it is not a tool to be placed under the control of narrow special interest. By the same token, the exercise of monetary authority should not be concentrated in the hands of a group of narrowly focused individuals with homogeneous experience, philosophies and intellectual backgrounds."

Culver's opposition to Gramley, who is currently a member of President Carter's Council of Economic Advisors and who was faulted for not having small business or agricultural background and sensitivity, was echoed by other members of the banking committee. Senator Donald Stewart (D-Al), an early opponent of Volcker's tight money regime, announced that he would support Culver and oppose Gramley. In an exchange with Culver, Stewart recognized that one appointment would not change the make-up of the Fed, but stressed that this was a political message that needed sending. Ranking Republican on the committee, Jake Garn of Utah, said that he was leaning in the direction of supporting Culver because he was tired of stacking the Fed with "liberal, northeastern, Harvard-trained economists."

British gold standard pushed at banking hearings

Senator Jesse Helms (R-NC), a long-time advocate of a return to the gold standard, and J. Louis Lehrman, advisor to Reagan supporter Jack Kemp, testified before the Senate Banking Committee April 16 and urged a return to the gold standard. Helms, who apparently only understands the value of a gold-backed currency in a mystical way, has fallen into the trap of supporting Lehrman's proposal for a rigid fixing of the value of the dollar, and hence, the amount of available credit for international trade, to the amount of gold mined in the world. Such a proposal would result in a deflationary collapse of world trade immediately, and would ironically strengthen the stranglehold of the International Monetary Fund over credit-starved nations. Helms is a long time opponent of the IMF.

Submitted for inclusion in the hearing record, was Democratic Party presidential candidate Lyndon LaRouche's proposal for a return to the gold exchange standard which would use gold to settle trade imbalances between nations and as a backing for development bonds to the Third World, but would not rigidly fix the amount of credit available in the world to existing gold stocks.

Reuss's next legislative thrust revealed?

A private dinner meeting between Citibank President Walter Wriston and 15 members of Con-

gress may provide the key to Henry Reuss's future legislative goals. Speaking at a gathering of the Congressional Clearinghouse for the Future on "The Future of Banking," Wriston advocated complete, unfettered deregulation of the commercial banking industry, saying that "commercial banks are losing customers to American Express, Merrill, Lynch, Pierce, Fenner and Smith, and the Sears Roebuck Finance Company because those entities can offer services which regulated commercial banks cannot. If commercial banks are to survive, Wriston counseled, they must be completely transformed by total deregulation.

House Banking Committee chairman Henry Reuss (D-Wi) was the organizer behind Wriston's appearance before the group, the first in a series of "corporate dialogues" which the Clearinghouse is sponsoring.

Reuss's sponsorship of Wriston's appearance is believed to be the opening salvo in a campaign to deregulate banking completely and allow for unfettered competition between all credit and investment entities. In his introductory remarks to Wriston, Reuss lauded Citibank's recent circumvention of regulations which prevent interstate banking, by opening up a credit card center in South Dakota. Reuss also praised Wriston as a modern-day Rothschild.

The inevitable result of deregulation of the banking industry would be the swallowing up of small heartland banks which specialize in agricultural and small business lending by the giants such as Chase Manhattan and Citibank.

Reuss invited members of his Banking Committee to attend the

dinner and contemplate the future of banking as Wriston described it.

Unemployment legislation awaiting action

Congressman Brodhead (D-Mich.) has introduced several bills that would extend the length of unemployment insurance coverage and give the federal government an increased role in funding unemployment insurance funds. While Brodhead has endorsed legislation introduced in the Senate by Senator Reigle (D-Mi) which would extend the length of unemployment insurance from 39 weeks to 52, he has also introduced H.R. 6540. This legislation extends the unemployment benefits to 52 weeks, but also mandates that recipients be paid 100 percent from federal funds. Aides to the Congressman stated that he included this provision because the unemployment problem is now a national issue. At the same time, some states are finding that their funds are running out of money because of the economic crisis, which has increased the unemployment rolls.

Brodhead has also introduced H.R. 6324 which would eliminate the changes the Carter administration made earlier in the criteria for extended benefits. In order to extend benefits, the state unemployment figures had to reach 5 percent. The administration move ensured that the 5 percent unemployment figure did not include those people currently unemployed, too discouraged to look for work, or holding only part-time jobs, thus making it more difficult to claim the extended benefits.

National News

'Carter has no policies'

During a recent discussion on U.S. foreign policy aired on New York City cable TV, Hans Morgenthau, a former presidential policy adviser, and Arthur Schlesinger, an aide to the late John Kennedy, ridiculed the current U.S. defense posture and Carter foreign policy. Schlesinger termed the idea of building a rapid deployment force a "fool's errand, a joke," part of an incorrect strategic doctrine known as "flexible response."

Schlesinger, who supported that doctrine while Kennedy's adviser, said the time has come "to repudiate it ... it was wrong when McNamara was pushing it and it is wrong now. We don't need to build up conventional forces for some theater deployment."

Morgenthau declared that the entire policy of the Carter administration is premised on an "incorrect assumption" that the Soviets will fight the United States in some kind of escalating conventional war, then a limited nuclear war. "That is totally wrong. Soviet doctrine is quite clear, and goes for the Persian Gulf or anywhere else a shooting war starts. They will fight only one kind of war with another superpower: all out, total nuclear war. If there is a war over the Persian Gulf, it means World War III." The chances of war, he said, "is absolutely not low because incompetents are now making our policy."

A startled and defensive Winston Lord, president of the New York Council on Foreign Relations and an adherent to the rapid deployment force strategy, insisted that the United States had failed "to use the Iran crisis properly" to build a consensus for "national sacrifice for energy self-sufficiency." The U.S. and its allies have failed to develop a "strategy for the long haul ... that goes beyond tomorrow and puts everything together."

Morgenthau was more blunt. "I am ashamed. The world is ashamed of U.S. foreign policy. The Carter administra-

tion has no policies, only symbols and hyperbole. Symbolic action has no effect on the Soviets and only hurts us with our allies. The U.S. should keep quiet when it doesn't have a policy and not confuse the Soviets. That could lead to war."

'They cheered Hitler in Berlin, too.'

The 11-day New York transit strike ended on April 11, when Transit Workers President John Lawe ordered his men back to work, pending the outcome of a rank and file mail ballot vote on a tentative contract.

According to well placed sources in the Koch administration, the terms of the final settlement, had they been offered prior to the strike deadline would have formed the basis for a settlement.

This source and others familiar with New York's peculiar mayor, say that he viewed the strike as necessary preparation for the next round of austerity cutbacks in city services. "The idea was to do something dramatic, to get people to acclimate to a severe psychological shock," said one individual who speaks regularly to the Koch "inner circle," which includes David Margolis of Colt Industries and Felix Rohatyn of Lazard Freres, the chairman of the Municipal Assistance Corporation.

"Koch sees himself as a salesman of austerity. He was deadly serious when he spoke about New York becoming like Peking. He really believes that stuff."

The lockout was carefully managed by Koch's crisis management command center, set up with a grant from the Federal Emergency Management Agency. All contingency plans were worked out well in advance. Koch's planners assured the mayor and everyone else who would listen that they could crisis manage the city for as long as it took to break the Transit Workers union.

The union was slapped with a million dollar fine and each worker lost two days of pay for every day on the picket

lines. Koch sat back and egged on the union, claiming that "New Yorkers back their mayor in his will to resist the strike."

For the first several days, despite massive traffic snarls on the east side of Manhattan, Koch appeared to have at least tacit support for his "project." But late last week, the mood began to change. Some people in Governor Carey's office began to pick up signals that trouble was brewing. "People started getting damn angry at Koch and his obstinance," said a source.

If the strike went on too long, no one would believe the MTA attempts to blame the union. Riots, especially in some of the ghetto areas paralyzed by the lockout, would have meant that "all bets are off," said a source who knows people in Governor Carey's circle.

So late last week, Carey went behind the back of Koch and produced a contract. Koch was furious. "Ed just doesn't know how far he can push things. He listens too much to his own PR," said someone familiar with the negotiations.

A Koch aide reportedly told a Carey aide that New Yorkers were still cheering the mayor for his "tough stand." The Carey aide replied: "They cheered Hitler in Berlin, too."

Carter advisory group says, 'don't fight drugs'

The Drug Abuse Council, a Washington-based thinktank that advises the White House on drug abuse, issued a report last week calling for public policy makers to accept the inevitability of continued, increasing drug abuse, particularly psychoactive drugs.

According to the *Los Angeles Times*, the report calls for "a basic rethinking of national goals, policies and strategies regarding the use and misuse of psychoactive drugs. ... To state it plainly, the challenge facing America regarding drugs is to determine how best to live with the inevitable availability of psychoactive drugs."

Briefly

The report dismisses antidrug laws as useless, and calls for the President and the Congress to "encourage more realistic expectations" about what law enforcement agencies "can do and cannot do about drugs." It urges "new efforts to remove criminal penalties for private marijuana possession and use"—a proposal championed by both Senator Ted Kennedy and Jimmy Carter—and attacks as an "unrealistic expectation" the hope that drugs laws can "contribute substantially to ... social objectives, such as reducing crime, increasing employment or restoring family cohesion."

The report's authors term a "denial of history" any attempt to remove the use of mind-altering substances from American society. "Psychoactive substances have been available for use since the beginning of recorded time and will predictably remain so. ... Man will undoubtedly continue to use much substances for a variety of reasons: to relax, to escape, to enjoy, to worship, to delude, to destroy."

Finally, the report calls for the creation of a "concerted research program" to study "the possibility of providing heroin to addicts as a means of coping with addiction," a program first popularized in Great Britain.

The Drug Abuse Council has a straight line into the White House: Its board members include Dr. Peter Bourne, the psychiatrist said to have been responsible for Jimmy Carter's strange "born again" religion, and an official White House adviser on narcotics until he was forced to resign after writing a false prescription for quaaludes for a member of his staff. Its director, Dr. Thomas E. Bryant, is Rosalyn Carter's chief adviser on mental health issues.

Reagan to head national unity government?

Ronald Reagan is actively considering naming well-known Democrats to key Cabinet posts should he be elected Pres-

ident next November, sources say. Richard Allen, policy coordinator for the Reagan campaign, has been actively exploring the feasibility of such a move for the past few weeks. As a first step in that direction, Allen has recruited several prominent Democrats to serve on Reagan's issues advisory committee. So far, Dr. Ernest Lefever of Georgetown University's Ethics and Public Policy Center, and Jeanne Kirkpatrick of the American Enterprise Institute have agreed to sign on as foreign policy and defense advisors to the former California Governor. According to Lefever, who describes himself as a "life-long Democrat," many conservative Democrats, particularly the pro-Zionist grouping around the Jackson-Moynihan Coalition for a Democratic Majority, "will definitely be voting, if not actively campaigning for, Reagan. If anyone has the ability to forge a bipartisan government," continued Lefever, "it's Reagan. I would not be at all surprised if he named someone like Jackson or Moynihan as Secretary of Defense or some other cabinet-level post."

Senator Jackson publicly hinted that he would be willing to serve in a Reagan administration. Appearing on the April 13 Meet The Press, Jackson said he would not rule out the possibility of becoming Reagan's defense secretary. "If we were truly in a national emergency," he said, "everyone would want to serve his country where there is the need for unity."

A "bipartisan national unity" government is being touted by, among others, Henry Kissinger and James Reston of the *New York Times*. Kissinger—who a few weeks back announced that he would be more than willing to act as Reagan's Secretary of State—told the American Society of Newspaper Editors April 9 that the only way America could stand up to the Soviet menace would be through a bipartisan approach to foreign policy, while Reston, writing in the April 13 *Times*, said that a "non-partisan national government (could) help restore a sense of unity and purpose in the nation."

● **BARRY COMMONER**, the Citizen's Party's newly nominated presidential candidate and the nation's leading advocate of windmills, waterwheels and solar power, has admitted that it would cost \$10,000 to run a toaster for a year. This prompted one Columbia University student to ask the environmentalist, who spoke there recently, how he planned to make solar energy a viable economic (if not political) option.

● **DR. STEPHEN BARDWELL**, director of plasma physics for the Fusion Energy Foundation, was presented with the keys to the city of Flint, Michigan by a representative of the Mayor's office April 10. The FEF is a private, non-profit institution dedicated to the most rapid possible development of all nuclear technologies including fission, fusion, fast-breeder and magnetohydrodynamic (MHD) systems. Participants at a meeting of the NAACP where the scientist received the award included Congressman Dale Kildee, and a regional director for the United Auto Workers political action committee.

● **JOHN MACY**, director of the Federal Emergency Management Agency, helped create the "Delphi Technique"—a method of brainwashing which involves deliberate misinterpretation of concepts to mean something close to the opposite of their original content, according to an intimate. Macy helped found the First Future Institution with two members of the Rand Corporation who are usually credited with the Delphi Technique, Olaf Helmer and Olaf Dalkey. "Helmer and Dalkey wanted the Delphi Technique to receive the widest possible publicity and use throughout the U.S. government and industry, and founded IFF for that purpose," said the source.

Hare Krishna: from cult to terrorism

A major arms cache was discovered on premises operated by a well-known, mystical cult.

Within the past two weeks a series of police raids in California have uncovered massive stores of weapons along with enough ammunition to fight a small war. The cache was found on property owned by the Hare Krishna cult. Police investigations into a stolen credit card ring in Berkeley, Calif. had led investigators to the Krishna mountain-top ranch, "New Mount Kailasa," 15 miles south of Ukiah. Since the 1920s, Ukiah has been a center for cult activities. During that period, leading British intelligence kooks including Sir Aldous Huxley, Christopher Isherwood and Lord Bertrand Russell, helped found cult groups in the Ukiah area. These cults used peyote, mescaline and other psychotropic drugs. More recently, Ukiah was the West Coast headquarters of the Peoples Temple of Reverend Jim Jones.

At the ranch, police found an arsenal of rifles, shotguns, a grenade launcher and thousands of rounds of ammunition. Several days later, the same investigation led police to the El Cerrito gun shop of Roy Walters, a Krishna member, where they discovered nine tons of gunpowder, 300,000 rounds of military type ammunition, and 50,000 copper jacketed slugs. Police are presently searching for three German nationals whom they believe to have been involved in training the Krishna cultists in weapons use.

While the Hare Krishna cult

has been engaged for years in criminal activities similar to this new stolen credit card operation and have also been linked to criminal violence, this new pattern of evidence strongly indicates that the cult is being molded for terrorist actions.

The Krishna cult's orientation toward violence extends back a number of years. In the mid-1970s, Krishna members were frequently involved in physical attacks on other organizations or individuals who criticized their cult. In 1978, five Krishna members were indicted in a California court on charges of hiring three mafia hit men to assassinate Steven Boven, a man who had maintained business dealings with Krishna members. Following an unsuccessful hit attempt, police were able to track down Krishna member Alexander Kilik who had ordered the hit. They discovered nearly 1.1 pounds of pure "China white" heroin in his possession. A Krishna spokesman immediately denied that Kilik was a member of the cult and succeeded in insulating themselves from further investigation.

During this same period, the Krishna group began a recruitment drive among prisoners, former prisoners and Vietnam Veterans which corresponded to an increase of violent attacks against "outsiders." Among those recruited were former Green Beret special forces personnel and others trained in assassination techniques.

The Krishna cult was originally set up in the East Bengal province of India during the 1920s by a wealthy family engaged in international commerce. The cult was initially a tax shelter and a channel for laundering funds in and out of the country. Strong evidence suggests that from this early period, the cult was a front for international contraband, likely including large shipments of heroin.

Among the current U.S. operational centers of the Krishna cult are: Houston, Tex., where the cult retains a computer bank and commercial enterprises shipping "incense" and other products in and out of Mexico; Moundville, W. Va., where they have a second weapons cache and retain a federal weapons purchase dealers license; and Los Angeles, where the cult owns an entire several city block square area, suspected of being a center for drug dealing.

As usual, in response to this new exposé, the Hare Krishna have denied any and all charges against themselves. The cult officer who was caught using a stolen credit card has disappeared from the New Mount Kailasa ranch and a new director, Tapanacarya Das (teacher of austerity), has been brought in to carry out the cover-up. In an interview with a *New York Times* reporter several days ago, Das stated: "Well yes, we do have some guns. But the armament isn't for ourselves. I want to protect the deity, Lord Krishna. I want to protect my God-brothers. Any bona fide religion can be persecuted. We're here to protect our God." ... People think there's another Guyana going on, because this guy Jimmy Jones is from around here."