

# EIR

Executive Intelligence Review

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# EIR

## From the Managing Editor

Our Special Report this week presents the proposal for a Global Infrastructure Fund (GIF) originally developed by Masaki Nakajima, Chairman of the Mitsubishi Research Institute, and currently sponsored by, among others, Japan's economic elder statesman, Toshio Doko. The irony will not escape the reader that, while the U.S. administration proposes to chop down the infrastructural supports essential to its own industry, in order to "save money," these Japanese business leaders have concluded that recovery requires vast outlays of credit and investment in the underdeveloped sector, which will repay themselves manyfold as new wealth is created.

Looking to its own history of dirigist development of a "resourceless" territory, and its own experience of fueling South Korea's growth, Japan does not fear new competitors. What it fears is a return to the 1930s momentum of depression and war. The generation of young Americans whose direct experience has only been of economic and moral decline at home, is not facing up to this stark choice between industrializing the world and relegating it to the Four Horsemen; but Americans who recall what could and should have been done to develop the postcolonial sector after World War II will readily grasp the GIF conception and purpose.

In this issue, we also introduce a regular new feature. At a recent State Department briefing, *EIR* asked Alexander Haig to comment on the Italian revelations linking terrorism to Swiss banking, to Thomas Puccio of the Justice Department, and to his own adviser, Michael Ledeen. Mr. Haig replied, "I don't read the Italian press." Because so many executives and diplomats share his uninformed status, if not his motives, we introduce a weekly dossier of investigative leads concerning international terrorism and its controllers. This week's dossier begins with the Italian authorities' evidence that "all roads return to Venice."

*Susan Johnson*

# EIR Contents

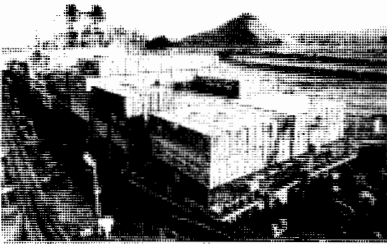
## Departments

- 10 Energy Insider**  
Nuclear activists and the NRC.
- 26 Interview**  
Masaki Nakajima, Chairman of the Mitsubishi Research Institute, and author of the draft proposal for a Global Industrial Fund.
- 50 Middle East Report**  
The 'business' side.
- 51 Dateline Mexico**  
Probe International and the Hank scandal.
- 60 Congressional Closeup**
- 64 Editorial**  
A warning to subscribers.

## Economics

- 4 Gold emerges as a strategic issue**  
By means of "swaps," the U.S.S.R. is selling without driving down the price, and Europe is expanding its gold reserves.
- 7 Double blow against the U.S. economy**  
The budget deficit is pushed up by Volcker's high rates; the budget cuts would slash essential infrastructure.
- 8 Currency Rates**
- 9 Sterling National's unsavory history**  
Even before its association with Michele Sindona.
- 11 Agriculture**  
Congress spotlights farm crisis.
- 12 Debasement Index**  
A new service.
- 13 World Trade**
- 14 Computerized economics as an instrument of brainwashing**  
The second and final part of Economics Editor David Goldman's account of how the Strategic Bombing Survey-RAND Corporation crew used electronic gimmickry to force-feed zero-growth economics.
- 22 Business Briefs**

## Special Report



The Panama Canal, which greatly reduced world shipping costs, exemplifies the kind of gigantic projects the Global Infrastructure Project (GIP) would initiate.

J.P. Laffont/Syigma

### 24 Japan's \$500 billion plan for reversing world depression

The proposal to regenerate the advanced sector by developing the Third World.

### 32 The text of Nakajima's plan for global economic recovery

### 36 The Global Infrastructure Fund: evaluating methods and projects

The fundamental question of energy development and specific feasibility questions.

### 42 The financial and political feasibility of the GIF approach to investment

## International

### 44 Exchange controls: the new debate in Mexico

The President has attacked capital-flight promoters as traitors. The leading newspaper chain comments that only those with ill-gotten funds have the liquidity for substantial currency transfer.

### 46 Italians pursue upper levels of terrorism

Six new leads on the financiers and deployers of the Red Brigades, in dossier form.

### 48 The Muslim Brotherhood threatens to assassinate President Mubarak

Sources in the Israeli intelligence circuit which promotes Islamic fundamentalism say Egypt's new leader will be eliminated by April.

### 52 International Intelligence

## National

### 54 A 'guns-not-butter' policy pushed by Kissinger faction

A 1983-87 commitment to a gimcrack conventional buildup and/or "Space Wars" *Wunderwaffen* would entail draining the civilian economy and estranging the United States from its allies.

### 56 The actual stakes in Central America

The buildup toward U.S. military involvement there is part of the "guns-not-butter" preparation.

### 57 Volcker rides herd over the Congress

Apart from the revival of Senator Melcher's resolution to bring down rates, no action against the Fed is in the works.

### 58 The Weinberg death could boomerang

Where Abscam stands.

### 59 Anglican elite runs the B'nai B'rith ADL

Founded by a lawyer for the Moore interests, the Anti-Defamation League is still largely funded and controlled by the patricians.

### 62 National News

## Gold emerges as a strategic issue

by Montresor

No wittier comic tableau could have come from the pen of Henry Fielding than the spectacle, in Rome Feb. 8, of central bankers cautioning against the use of gold before a public audience, whilst basing a large part of their private financial arrangements on the reserve metal in other negotiations. Yet the importance of a gathering rarely devolves upon what is said, but is to be found in who meets whom where. That the entire senior staff of the Bank for International Settlements past and present, various European central banks, and all the major gold dealers in the world convened for the "International Gold Conference" in Rome was sufficient cause for that city's newspaper *Il Tempo* to portray the event as "the most important international monetary conference since Genoa in 1922," citing the meeting which planned the establishment of the Bank for International Settlements.

The central bankers in attendance, such as Dr. Henry Wallich of the Federal Reserve Board, gave no more enlightening advice than the imprecation that nothing should be done with gold: it had better not be bought, nor sold, nor swapped, nor collateralized, until events came more clearly into focus. Yet Dr. Wallich's comments are of less interest than the quiet message he has given to friends he and I have in the Federal Republic of Germany: that both he and Paul Volcker will be looking for other employment by midyear.

Nor could the bland remarks of the chief of the Banca d'Italia, Mr. Lamberto Dini, obscure what was known to the monetary professionals in the audience: Dini's central bank, along with other European central banks, *had just*

*concluded the largest gold swaps in monetary history, and with no less a partner than the Soviet Union.* According to my acquaintances in the South African government, at least several hundred tons of gold have been assigned to different European central banks on behalf of the Soviet Union, in a "swap" (in fact a gold-collateralized short-term credit) arranged by the Bank for International Settlements, which has among its stockholders no Americans, but both East and West European central banks—as well as the Swiss private banks, who control about 20 percent of its outstanding stock.

### The Soviet gold puzzle

Some private sources in Johannesburg have put the total gold involved in this delicate matter at 1,000 tons, with a present market value of \$12 billion—which report, were it true, would show the Soviets willing to pawn about half their total reserve fund of gold in return for cash. These reports appear exaggerated, as does the report that the South Africans have bought substantial amounts of Soviet gold, aired in the London *Economist*. What appears to be the case is this: the Soviets sold between 100 and 125 tons of gold in the 10 months through October 1981 on their own account. Some market observers overcalculated Soviet sales because perhaps 90 to 100 tons of Turkish and Iranian flight capital in the form of gold reached Western Europe via the old Balkan route, much of which sold through channels that handle Soviet gold transactions, such as the Monte dei Paschi Bank of Siena.



*Gold reserves at the West German Bundesbank.*

Starting in the last two months of the year just ended, however, the Russians thought better of selling more gold into a declining market, and approached the Western European central banks. Up until 1980 the Europeans actively supported the gold price, hoping to maintain a higher value for their monetary gold, which had already been pledged in part to the European Monetary System, which supported their mutual currency-support activity. Then came the doubling of oil prices in 1979 and the end of the European current-account surplus, the collapse of European currencies against the usury-borne American dollar, and the abandonment of the gold market.

By November the Europeans had calculated that the collapse of the OPEC surplus, from \$110 billion in 1980 to a projected deficit of perhaps over \$40 billion in 1982, left them potentially swimming in liquidity, and they relegated the dollar to the vultures of the foreign exchange markets. Spirit and flesh were again strong, and Europeans welcomed the chance to absorb—if only for swap purposes—large amounts of monetary gold without driving the price up, as the Soviets desired to sell more gold without driving the price down.

In December came the Polish events and the dashing of all Anglo-American hopes that the Russians might find their empire crumbling. That the Russians emerged from the crisis stronger than ever is well understood in all the world's capitals. European commercial banks were anxious to resurrect their loans to Poland from evident bankruptcy and maintain trade flows to the

East, without which the Eastern economies were naked to the wind of depression from across the Atlantic; according to Federal Reserve sources, the commercial banks themselves began a myriad of gold swaps, gold purchases, and gold collateral agreements to ensure the continued flow of credit eastwards.

Through the mediation of the Bank for International Settlements, the European central banks and the Russians have, at one blow, ensured the Soviet payments position for the interim period of poor harvests and substantial imports, until the giant foreign-exchange earnings from their gas exports appear in 1986. They have also ensured the financial stability of Eastern Europe; pushed the United States into the dunce's corner in world financial matters; and made gold the covert center of all world monetary considerations. The Federal Reserve is behind events, rather than leading them, as it has during the two grim years past; each week its staff people scrutinize the reserve data released by foreign central banks to discover how money may have been pumped into the Soviets' purse, frustrated by the ultimate master of banking secrecy, the Bank for International Settlements itself.

At the Banca d'Italia, which did not sponsor the Rome meeting (its host was the Banca Nazionale del Lavoro, the principal financier of Socialist leader Bettino Craxi), but still overshadowed the deliberations, gold enthusiasm is muted but fierce. Gold swaps among central banks will now abound as the dollar disappears as an effective reserve asset, Italian officials say; the

central banks will never control the gold market, but will nonetheless have need of a price at which swaps may be conducted, and that price will be divergent from market. The Bank for International Settlements will become the arbiter of a gold market among central banks, as the latter act under compulsion to bring to bear their "reserve asset of last resort."

They envision a world in which an autarkical United States menaces an autarkical Soviet Union, and the world monetary system devolves onto a type of gold-based barter, at miserably shrunken levels of trade and industry. To the wizened Swiss and Italian bankers, this state of affairs is to be desired. Anyone who scoffs that they are mad, gravely underestimates them.

But, in the sense that they accommodate useful trade and shed light on underlying reality, the gold swaps are potentially of great usefulness. Jacques Rueff's conception of gold discipline, denominating currencies in gold, and settling international balances in gold transfers between central banks, would put the great benign discipline on the United States: that it must export what it imported. Such a policy is the only one that might save the dollar. No useful results may be expected from the President's Gold Commission. Its chairwoman, Dr. Anna Schwartz of Princeton University, had already sunk so low in life as to ghost-write the *opus magnus* of an economist distinguished only by his ignorance, Mil-

ton Friedman. Its principal purpose appears to be to bore the White House, the Congress, and the public on the subject of gold to the point that no serious deliberation could be possible.

Nonetheless Europe's interest in the monetization of gold provides an example for the United States that is hard to put aside. America may save the dollar and its own credit structure in two ways. At best, it would take Dr. Rueff's advice and remonetize gold at \$500 per ounce, fix the dollar to gold, and concentrate on rebuilding its industries that may export. Less to be preferred, but with good chances for success, it might adopt a formal gold standard, with specific gold cover for currency, using national monetary reserves as a limit for the issue of new money. Such a system would be workable only at a gold price of \$1,000 an ounce or more, in order to avoid the terrible contractionary effects of an absolute ceiling on the supply of money.

In all, provided that the national monetary authorities are competent to extend credit for productive investments, and not to accommodate the manic acquisitiveness of some corporate treasurers, the gold-reserve system, rather than the gold standard in the formal sense, will do all required; but should the ideological bent of the present U.S. administration require a more rigid adherence to a gold system, it must be at \$1,000 an ounce or not at all.

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# Double blow against the U.S. economy

by Richard Freeman

Following the advice of OMB head David Stockman, President Reagan announced in his annual budget message to Congress Feb. 8 that he will continue for several years to endorse budgets based on interest rates remaining at least as high as they are now. The President also acknowledged that his fiscal year 1982 and 1983 budget deficits will be the largest in U.S. history—each close to \$100 billion. He did not acknowledge that the size of those deficits chiefly results from Federal Reserve Chairman Volcker's usurious interest-rate policies.

The President has set himself to be driven from office in the biggest market crash in U.S. history—if the industrial economy doesn't collapse first. The set of budgets for 1983 through 1986 formulated by Stockman slash farm, science, and industrial infrastructure programs. The economy cannot withstand such a package. Moreover, Mr. Reagan is endorsing the very policy of interest-rate savagery that cost him \$100 billion deficits in his 1982 and 1983 budgets.

Reagan stated in his budget message that three-month Treasury bill rates will average 11.7 percent in calendar year 1982, 10.5 percent in 1983, 9 percent in 1984, and above 8 percent in 1985. "Since market confidence has been so badly shaken by runaway inflation and interest rates in the past three years," he said, "it is apparent that interest rates over the next several years will fall less rapidly than we had originally anticipated. Between the huge inherited base of national debt, the higher interest rates, and the large prospective additions to the national debt in the next several years, our total debt service cost will rise substantially." He continued, "Interest payments on that debt will exceed our original projections by \$18 billion in 1982 . . . and \$182 billion over 1982-86 taken as a whole."

Despite this admission of the damage wrought by Volcker, Murray Weidenbaum, the head of the President's Council of Economic Advisers, Feb. 6 told reporters who had received drafts of the budget, "Progress in curbing inflation requires slow-down of growth of money supply and continued monetary restraint." And White House Counsel Ed Meese told the NBC news "Interview with David Brinkley" show Feb. 8, "We [the administration] give Volcker a vote of confidence. You can't just

reach up in the air and boost investors' confidence. It takes time."

## Reagan's problems

But Reagan has not reckoned with the full extent of his problems. To achieve a projected \$91.8 billion deficit in his fiscal year 1983 budget, which will go into effect Oct. 1 of this year and run through Sept. 30 of 1983, Reagan will have to force congressional passage of \$55.9 billion in budget cuts, new taxes, and "user fees," a level of projected austerity that even leading Republicans are balking at. Furthermore, he would have to achieve the stated 5.3 percent real (i.e., inflation-adjusted) rate of growth in the economy when the economy may not grow, when measured in GNP, by even 1 percent.

It is thus likely that the fiscal year 1983 budget deficit could be \$150 or even \$200 billion. Morgan Guaranty Bank is predicting the deficit will be \$120 billion, while the Congressional Budget Office says it will be \$153 billion.

Since October 1979, when Paul Volcker began his high-interest-rate policy, it has been clear that the usury policy would blow the budget deficits out of control.

In October 1981, *EIR* predicted that Volcker would add \$55 to \$60 billion extra to the fiscal year 1982 budget deficit, projecting an overall deficit of \$97.5 to \$102.5 billion. This prediction was greeted with howls of protest that such a large deficit was impossible.

Then Stockman's Office of Management and Budget was saying the fiscal year 1982 budget deficit would only be \$42.4 billion. The Congressional Budget Office then claimed the deficit would only be \$43.1 billion. Meanwhile, the leading financial pundits on Wall Street, Evans Economics and Fidelity Bank Econometrics, claimed that the deficit would be only \$13.6 billion and \$33.5 billion respectively.

## Backfire effect

There is no mystery as to why we were right, while every other leading authority was wrong. High interest rates, applied to a run-down and over-indebted economy, must destroy that economy.

- Usurious interest rates swell the interest on the public debt, which is now on a gross level over \$120 billion, or more than one-seventh of the entire budget.
- High rates destroy the tax base of an economy, and are causing a loss in the 1982 budget of between \$25 and \$30 billion.
- The high rates force an increase in programs such as unemployment, food stamps, etc. on the order of billions of dollars.

But following the advice of the Mont Pelerin Society free-enterprise advisers in his cabinet such as Stockman, Reagan disregarded these backfiring results and is

plunging ahead with the Stockman budget. If the Reagan administration had launched the economy on the path of mammoth exports, capital investment, and counterinflationary remonetization of gold, the budget deficits would be wholly manageable and soon reverse themselves. Under present circumstances, they are indeed a time-bomb.

Because the budget deficits require large financing at the same time that state and local governments, industry, farms, consumers, and others are in desperate straits and competing for funds, two consequences will follow:

The weaker forces contending for a severely limited volume of credit will be crowded out of the market into bankruptcy, intensifying the rate of economic collapse.

The intense competition for funds will force the price of the limited resource of funds upward, meaning interest rates will go higher.

Wall Street will not need a second invitation to use the bloated budget deficit to begin a run on the markets, with masses of bankruptcies the result.

Monte Gordon, the chief of research for the Wall Street firm Louis Dreyfus and Company, predicted Feb. 9, "I see the economy not pulling very much out of the current recession, and then because of the high deficit caused increase in interest rates, I see the economy going into a collapse in 1983 and again in 1984."

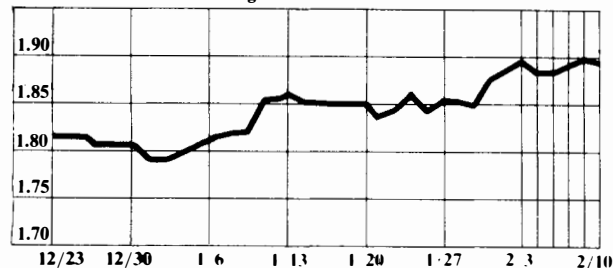
Moreover, the Reagan budget has cut to the bone many basic programs. The Farm Home Administration loans to farmers will be cut in half from 1981 levels. Highway construction will be cut by 21 percent from 1982 levels. The job-creating Export Import Bank will be cut by 18 percent. One billion dollars in new fees, including an 8 percent travel tax, will be imposed for users of the nation's airports; and \$448 million in fees will have to be paid by the ships that want to use America's barges and waterways. Education will be cut by \$5 billion, job training by \$2.2 billion, and federal employee pensions cut severely.

Thus, while Volcker hammers what remains of productive industry, the prerequisite for a modern economy is being dismantled. Not only are the "users' fees" a peculiar expression of "free enterprise"; U.S. productivity itself is at stake. The transportation system is equivalent to a conveyor belt for industrial producers, considered as one large factory. When it is gutted, the producers are disabled. Even more obvious should be the consequences of reversing the already degraded American tradition of broad-based higher education and first-rate scientific R&D, consequences for both the civilian economy and the military base. Mr. Reagan has recklessly jeopardized his own political fortunes; the question is now whether Congress will allow him to lock the United States itself into the Second Great Depression.

## Currency Rates

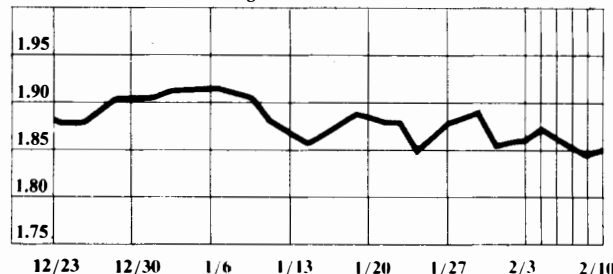
### The dollar in Swiss francs

New York late afternoon fixing



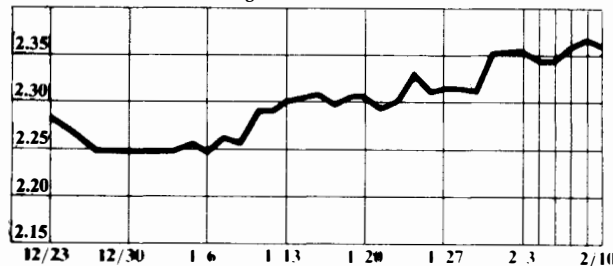
### The British pound in dollars

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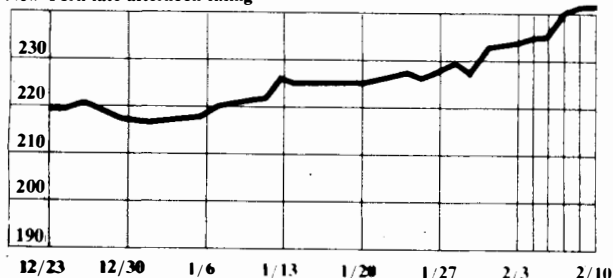
### The dollar in deutschemarks

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### The dollar in yen

New York late afternoon fixing



# Sterling National's unsavory history

by Leif Johnson

Sterling National Bank and Trust Company, recently sued by the Italian government for aiding and abetting mobster Michele Sindona's looting of the now-defunct Banca Privata Italiana (BPI), is also the defendant in two other New York fraud cases involving the draining of assets from corporations.

In the first of the two suits filed in Federal Court in New York, the plaintiff, Daniel Meister, charged that Sterling aided Marvin Tallerman, head of Latin American Resources, to steal \$900,000 from the company through a New Jersey dummy corporation into Sterling Bank. Sterling, the suit charges, then conduited the funds into Swiss and Panamanian banks while Latin American Resources was allowed to collapse.

In the second suit, David Haber, an investor in the bankrupted Investors Funding Corporation, charged that Sterling, together with the Israeli Discount Bank, Union Bank of California, Barclays, Chase, Chemical, and the Trust Company of New Jersey artificially kept Investors Funding Corporation alive while funds were drained to defraud the investors.

These two suits are similar to the most recent charge filed by the Banca Privata Italiana liquidators and the Italian government. The Italian suit describes how mobster Sindona allegedly diverted \$27 million from the BPI through dummy corporations to purchase shares in the Sterling Bank-connected Talcott Corporation, a New York-based company which like Sterling is heavily involved in "factoring" in New York's garment district. Factoring is lending at exorbitant interest against accounts receivable, a preferred occupation of the mob that controls the district.

Months after Sindona's Franklin National was publicly known to be bankrupt (and days before it was officially declared insolvent), three weeks after Sindona's West German Bankhaus Wolff was put in liquidation, and one day before the BPI was declared insolvent, Sterling Bank loaned Sindona \$2.5 million on the security of Talcott shares which Sindona had obtained with the \$27 million drained from BPI.

The Italian suit makes special note of the fact that the former BPI liquidator was murdered. It states: "The initial liquidator of BPI, Giorgio Ambrosoli, was murdered in July 1979. In or about July 1981, a warrant of arrest for the murder of Ambrosoli was issued against Sindona by the Inquiring Judge of Milan, in the framework of the penal proceeding commenced in Milan in or about 1980 against Sindona and another."

In the summer of 1981 the Italian government began their policy of "squeezing" known mob bankers, including their Swiss protectors, to crack the drug and terrorism apparatus run by the Venetian-Sicilian-Swiss mafia. This "squeezing" resulted in the successful liberation of General James Lee Dozier from the Red Brigades.

## Sterling's shareholders and officers

The suit against Sterling is seen as an Italian move against the strong mafia connections in New York and the financial interests and persons "above suspicion" there. One of the first to run from the light has been the Anti-Defamation League (ADL), whose former Treasurer and Chairman is Theodore H. Silbert, Chairman of Sterling Bank.

The ADL has defamed Lyndon H. LaRouche, Jr., the 1980 Democratic presidential candidate, as "anti-Semitic" since 1978, when LaRouche commissioned *Dope, Inc.*, the book that demonstrated that the world drug empire is run by top-level banks and distributed in part by syndicates run by the Jewish mob.

Recent investigation has uncovered further mob connections to Sterling Bank. According to a banking source, the current largest shareholder in Sterling is Ronald Perelman of Forbes-McAndrews, a privately held corporation doing \$200-\$300 million worth of business yearly importing jewelry from the Far East. Perelman obtained his 8.9 percent share by purchasing Trafalgar Industries, a \$15 million-a-year manufacturer of pinball and coffee-vending machines. Trafalgar's counsel is Paul, Weiss, Rifkind, Wharton & Garrison, whose senior partner, Simon H. Rifkind, is on the board of Sterling.

Trafalgar has on its board Irving M. Felt, a former Sterling director and Chairman of the executive committee of the Plaza Hotel Corporation. Felt has been Chairman of the Arlington Park Race Track, Washington Park Race Track, Roosevelt Raceway, the New York Knickerbockers, New York Rangers, the Federation of Jewish Philanthropies, and Madison Square Garden.

Another director of Trafalgar is Louis L. Geller, Chairman of Reinfeld Distributors, the liquor dealers who inherited the connections of the 1920s Reinfeld Syndicate gangsters. The syndicate was half-owned by the Bronfmans, and originated much of Joe Kennedy's bootlegging.

## Nuclear activists and the NRC

*'Participatory democracy' tactic at NRC hearings used threaten nation's electric power development.*

I recently had the educational experience of attending official hearings of the Atomic Safety and Licensing Board of the Nuclear Regulatory Commission. It was useful for examining a major problem of "national security," the threatened bankruptcy of the nation's entire nuclear generating capacity.

The hearings, over the future of two generating nuclear plants, Indian Point 2 and 3, which provide a major share of electricity for New York City and environs, were instigated by a motley collection of neo-Luddites calling themselves Public Interest Research Group (one of Ralph Nader's fronts), Friends of the Earth, Shad Alliance (presumably "friends of the fish"), Union of Concerned Scientists, and a gaggle of hand-picked "baby-waving" mothers wailing over the purported dangers of nuclear radioactivity. While I waited to testify on behalf of the need for the nuclear plants for the future health of the economy, I realized one obvious but rarely stated point: these entire proceedings are a calculated fraud.

The idea of extending construction time for needed electricity, forcing costs sky-high, holding hearings *ad nauseum* for any and every character who chooses to speak "his piece," is an application of the tactic made popular by Tom Hayden. This is "participatory democracy" in action, the old 1960s SDS ploy to "topple the establishment" by demanding ultra-demo-

cratic participation in each and every decision of government. The strategy's aim, largely successful, is to sabotage the economy by endless sessions with irrelevant NRC officials recording every belch.

But, what is significant and new about the Peekskill, New York attack on Indian Point is that, as I have learned, this plant is only one on a hit list totalling 47 nuclear plants, operating and under construction, across the United States. These 47 plants, which form an absolutely crucial component of the nation's electrical capacity, have been targeted for maximum participatory-democracy sabotage by the rabble of the anti-nuclear hysterics because of their proximity to cities.

What is new about this latest hit list is that the environmentalists are moving lock-step in parallel with Paul Volcker's Federal Reserve high-interest strategy to implement "controlled economic disintegration." As I demonstrated in this space in an earlier discussion of Robert O. Anderson, "environmentalism" is supported by the top level of strategy and corporate funding, a sophisticated weapon of economic warfare.

The operation to undermine this nation's development of the benefits of the peaceful atom begins well before Eisenhower's historic 1954 Atoms-for-Peace plan. We have to trace back to earlier attempts at subverting these goals such as the activities of people like

MIT's Carroll Wilson when, as manager of the U.S. Atomic Energy Commission in the late 1940s, he gave the highest security clearance to a known security risk, the British spy Donald Maclean, second to Kim Philby, the British triple agent in the Soviet KGB. This clearance, which has been covered up, was not even given to General Groves, head of the Manhattan Project.

I bring up this seeming arcana to make a very contemporary point. Carroll Wilson is one of the most impassioned members of the Club of Rome, the foremost voice for a post-industrial society and mass death. The same Carroll Wilson authored the widely promoted 1980 World Coal Study. That study, which argues for a global shift to coal as the "bridge to the future," was part of a carefully orchestrated global economic power shift strategy to lock the industrial economies of Japan, Europe, and North America into a "revitalized" coal cartel dominated by Atlantic Richfield's friends in various London-Geneva financial houses.

It is a sophisticated operation, this destruction of the superior, potentially unlimited resource base offered by nuclear power. Ralph Nader, Jane Fonda and her gaggle at PIRG, and such are the lowest level of the operation.

In a future space, I will elaborate on this strategy behind the resource shift to coal. For now, it is not whether coal, a needed energy supplement, is bad as such, but that the same individuals who sponsored the Jane Fonda "baby-wavers" of the NRC are now behind a far more environmentally dangerous resource. It has nothing to do with this sacred cow known as the environment.

## Congress spotlights farm crisis

*The USDA's actions have already belied its pledge to rescue American food producers from bankruptcy.*

**T**hese farm-loan policies will turn our nation from being the world's breadbasket into being the world's breadline," Rep. Bob Traxler, Democrat of Michigan, charged in committee hearings Feb. 9 and 10, "as farmer after farmer is forced out of production by the inability to get help from the Farmers Home Administration (FmHA)—the supposed lender of last resort that now wants to act like it was Citibank."

Traxler joined other Congressmen, farm leaders, and spokesmen for rural banks in targeting the cut-throat austerity policies of the FmHA. The hearings, which began Feb. 2 with testimony from Agriculture Undersecretary Frank Naylor, the man in charge of the FmHA, and continued through Feb. 9 with an appearance by FmHA Administrator Charles Shuman, were convened by Tennessee Democrat Ed Jones' House Agriculture Committee subcommittee on Conservation and Credit.

The hearings took place as charges of FmHA duplicity escalated. On Feb. 2 the American Agriculture Movement issued a press release questioning the integrity of Agriculture Secretary Block and Undersecretary Naylor's assurances at an earlier press conference that USDA and FmHA would do everything possible to help keep farmers in business. AAM questioned whether, behind the kind words and promises, FmHA was

still pursuing the pre-planned elimination of more than 24,000 borrowers, and circulated a copy of an August FmHA internal directive outlining the plan. Administrator Shuman told the AAM that the memo was a forgery.

On Feb. 9, as his boss Mr. Shuman was appearing before the Jones subcommittee without prepared testimony "to answer questions," a spokesman for the FmHA then told this writer that the unfortunate memo had simply been an effort to try to get county administrators into conferences with delinquent borrowers "right away" to see what could be done to get their accounts into shape. The same individual acknowledged that the government-wide crackdown on "collections" during the summer—the dragnet on student loans, etc. that David Stockman ordered—was the backdrop for the memo.

But the seriousness of the situation is shown by the hasty establishment in January, at the request of FmHA and USDA, of a Task Force on FmHA by the American Bankers Association. The task force is charged with figuring out how to carry out the administration's plan to virtually shut down FmHA and leave its borrowers to the mercy of the private sector "free market." The Task Force completed its meetings Feb. 9, a spokesman for the ABA's Agricultural Division reported, and hopes to make a set of recommendations to the USDA by

early March on "how private lenders might assume more of the agricultural debt."

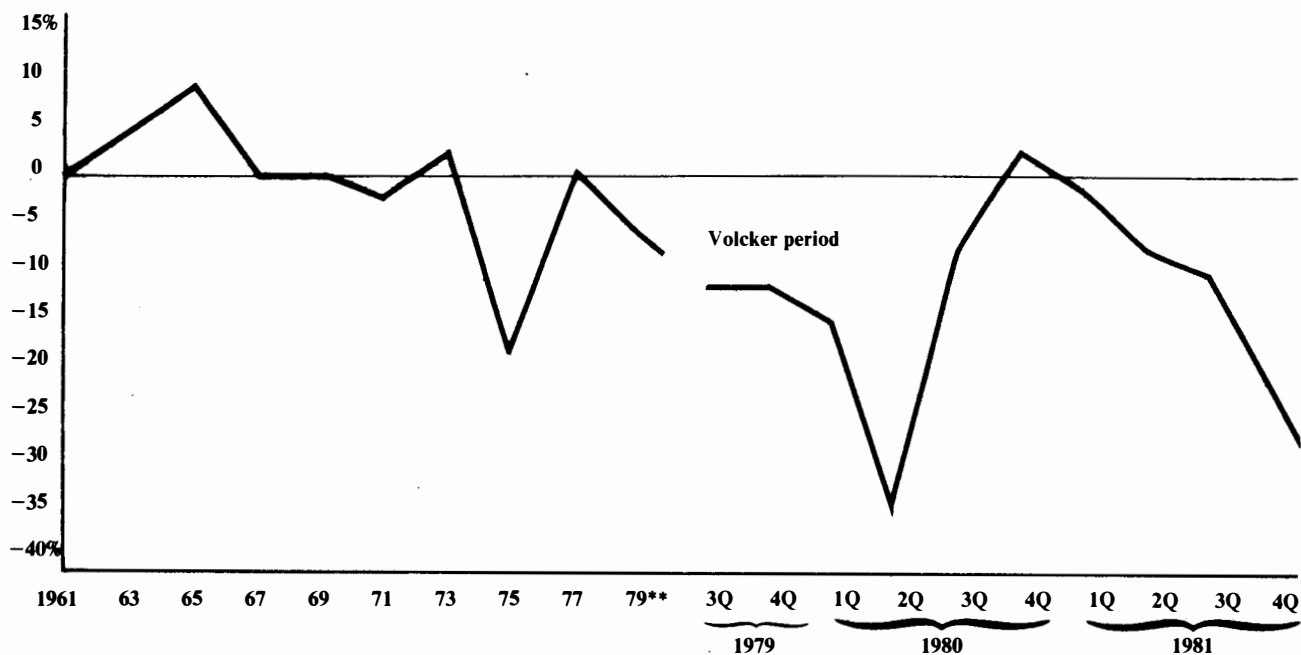
FmHA has already decided to subordinate its liens on FmHA borrowers' collateral to private banks who agree to refinance the producer. As ABA spokesman Stephen Brush emphasized to this writer, producers' "credit-worthiness" is the main problem. Not only are many producers caught with a negative cash-flow—i.e., no ability to make debt payments—but in many cases their equity has already been entirely bled away in a scramble to restructure debt and cover short-term operating loans.

Circumspect as to specifics, Mr. Brush indicated that the kind of things the banks can be expected to rely on to keep farmers in business include debt restructuring, closer monitoring of day-to-day farm operations, and scaling back a producer's operation wherever possible. Any kind of capital expansion, he was careful to note, would not be entertained.

But, as testimony from a spokesman for the MFA Incorporated farmer cooperative from Missouri confirmed—and the near-bankruptcy of International Harvester has already indicated—most producers slashed capital spending in 1981 for the second year in a row. Farmers can only postpone making those equipment purchases and replacements for a short time without beginning to destroy the nation's food-production plant.

As the chairman of the Agriculture Committee of the Independent Bankers Association of America warned Congressmen at the subcommittee hearings this week, "We have about exhausted the ways of buying time."

## Debasement Index Inflation\* plus production



\*Inflation is expressed as a negative. Thus, -40% equals 40% inflation, while +15% would be 15% deflation.

\*\*Average of four quarters; Volcker period began in August 1979 and effects of his policies are shown by accelerated debasement of 3rd and 4th quarters of 1979.

Sources: U.S. Department of Labor's Bureau of Labor Statistics, *Consumer Price Index*, 1960 through 1981  
Federal Reserve Board, *Industrial Production Index*, 1960 through 1981

Beginning with this issue, we start the publication of *EIR*'s "debasement index" in the pages of this magazine. The index, based on a quarterly moving average, will be updated monthly.

We present the index to disabuse Americans and others of the common notion that progress has occurred in "fighting inflation" if inflation is reduced at the expense of the productive base of the economy.

As Lyndon H. LaRouche, who developed the index, wrote in a Feb. 3 memorandum: "Debasement of the economy is the more general phenomenon subsuming, inclusively, monetary inflation. Its function is to include the amount of inflation turned inward against the economic basis. It combines the debasement of purchasing-power through monetary inflation as such with the amount of destruction of productive capacity and infrastructure.

"In brief, to compare properly the amount of deterioration of the economy caused by a certain policy, especially under conditions of increasing recession, we must add the total of recession plus inflation for each interval employed in the comparison."

"Turning inflation inward" is the policy applied by the Nazis, as analyzed at length by de Gaulle's economic adviser Jacques Rueff. To construct the index, we take the change in production and add to it the change in inflation—treating inflation as negative. Thus, for example, in 1960, industrial production grew by 2.3 percent, while inflation grew by 1.6 percent. The index for 1960 is thus 2.3 minus 1.6, or +0.7 percent. This is plotted on the graph.

In 1970, industrial production fell by 3.0 percent, while inflation fell by 5.9 percent. Thus, the index for 1970 is -3.0 minus -5.9, or -8.9.

For the years 1960 through 1966, the index is positive, reflecting the fact that production grew faster than inflation. In fact this period, spurred by the growth of NASA space-related investment and its technological spinoffs in the economy, is characterized by the fact that industrial production grew by 9.9 percent in 1965 and 8.9 percent in 1966.

Toward the end of the 1960s, the rate of industrial growth fell, while inflation growth rose. Inflation, which was in the 3 to 6 percent range for the period of the late 1960s through the early 1970s, exploded under the influence of Paul Volcker's usurious interest rates. For the 30 months that Volcker has been in office as Fed Chairman (he was installed in August 1979), inflation, as measured by the Consumer Price Index, has averaged over 11.5 percent.

The debasement index can be viewed as a rollercoaster which hits lower and lower troughs. The special evil effect of the Volcker policy can be seen in the section of the graph starting with the third quarter, which is contemporaneous with his reign in office. To the extent that inflation has "fallen," during the second half of 1981, each 1 percent drop in inflation has caused 2 or more percent drops in production. Thus, for the fourth quarter of 1981, the index crashed below the level of negative 20 percent.

# World Trade

by Mark Sonnenblick

| Cost             | Principals               | Project/Nature of Deal   | Comment  |
|------------------|--------------------------|--|--|
| <b>NEW DEALS</b> |                          |  |  |
| \$940 mn.        | Cuba/Comecon             | Multilateral agreement signed for East bloc to build 14 new sugar refineries and expand 40 existing ones by 1990. Soviets will build 11 of them, with many Comecon countries participating. <i>Neues Deutschland</i> says Cuba will pay through increased sugar exports to Eastern Europe.   | Brazilian manufacturers trying to get a chunk of Cuban sugar-industry rebuilding, but blocked by military anti-communism.                  |
|                  | U.S.-Japan               | Westinghouse and Mitsubishi Metal Corp. discussing joint refining of titanium and zirconium. Westinghouse wants to use its idle zirconium refinery in Utah, which could turn out 6,000 tpy of titanium sponge. Titanium refining now monopolized by 3 U.S. and 2 Japanese firms.   | Mitsubishi currently imports zirconium alloy sleeves for nuclear fuel rods from Westinghouse.  |
|                  | Japan from Indonesia     | Japan Indonesia Oil Co. has signed agreement with Pertamina for the Indonesian state-run corporation to supply 100,000 bpd of crude oil, including some refined products for 20 yrs. 10-yr. agreement signed 1972 was first govt.-to-govt. oil import deal. The new long-term agreement has been modified to company-to-company format.  | Japanese sources think this rare long-term deal has other ramifications, yet to surface.   |
|                  | U.K. from Algeria        | British Gas Corp. reportedly paid the high \$6.10 per mn. BTU price being asked by Algeria for the single boatload of liquefied natural gas bought from Algeria in January. The 600 mn. cu. ft. of LNG equalled less than 1% of one day U.K. gas consumption.  | U.K. purchase aimed at encouraging Algeria in Algerian negotiations with Gaz de France, which has been paying \$4.35.                      |
| \$80 mn.         | Saudi Arabia from U.S.A. | Chicago Bridge & Iron got subcontract for building storage tanks at the Yanbu refinery, being constructed by Mobil and Saudi govt.   | Chiyoda of Japan is prime contractor.  |
| \$120 mn.        | Saudi Arabia from Brazil | Brazilian subsidiary of Dutch shipbuilding company Verolme received contract for 4 oil platforms from Aramco, controlled by Saudi govt. Brazil, one of Aramco's largest oil clients, has been pushing for reciprocal purchases.  | Brazil's low-cost shipyards are turning out 1,300,000 DWT per year, mostly for Brazilian fleet.  |
| \$14 mn.         | Hungary from Japan       | Sumitomo will build nitric-acid plant.   |  |
| \$10 mn.         | U.S.A. from Japan        | Takeda Chemical Industries, Japan's largest pharmaceutical company, will start construction soon on a small plant near Wilmington, N.C.  | Takeda may build \$100 mn. plant at site later.  |
| <b>UPDATE</b>    |                          |  |  |
| \$205 mn.        | Malaysia from Japan      | Conditions revealed on financing for Malaysian urea fertilizer plant by Japanese govt. \$146 mn. in yens will be from Overseas Economic Cooperation Fund at 4% with repayments spread over 20 yrs., incl. 5 yrs. grace. Japan's Exim loaning additional \$59 mn. Plant in Sarawak will have 1,000 tpd ammonia and 1,500 tpd urea capacity. Project is part of package of joint projects pledged in 1977 by Prime Min. T. Fukuda to the Association of South East Asian Nations (ASEAN). The Malaysian fertilizer plant is owned by Asean Bintulu Fertilizer, in which Malaysian govt. and state oil co. have 60%; Indonesia, Thailand, and Philippines 13% each; and Singapore 1%. | Japan recently signed similar urea plant deal with Indonesia. These projects, put on ice after fall of Fukuda, have been revived recently. |

## Part II: Computerized economics as an instrument of brainwashing

by David Goldman, Economics Editor

One of the surviving founders of “systems analysis” economics, retired Yale Professor Tjalling Koopmans, described the transformation of the economics profession in a recent interview as follows:

The quantitative approach started gaining ground in Europe during the 1930s. We started seeing a lot of activity in new thought in systems analysis. Although we at the time were only a small minority of the economics profession, we drew on the thought of Russell, Wittgenstein, Ernst Mach, and Bortkiewicz, who was a statistician in Germany. In 1931, an econometric society was set up in England, and an econometrics group was established in Oxford. The leaders were Ragnar Frisch, Tindbergen, and someone you could say brought the whole group together. This is Jacob Marschak, who was born in Russia and had studied in Germany during the Hitler years, and who then moved to the United States and established himself at the New School for Social Research. At the same time, Marschak met [Alfred] Cowles, and joined the Cowles Foundation.

As Koopmans described systems analysis, it followed the precise groove dug by John von Neumann in his 1932 paper:

Linear programming describes the production process as a set of alternative processes, each process defined by ratios of inputs of different capital stocks, to one unit of output. We assume that if we double inputs we will get double outputs. For different assumed outputs, we see whether we can reach a production goal and price goal, assuming

constraints on primary inputs.

Two networks in the United States received the gospel according to Russell and Carnap. One was the group around Yale Professor Irving Fisher, now most famous for his predictions that the 1920s stock boom would last forever. Fisher was a failed mathematician whose passion in life was eugenics, the “race science” that became unpopular when the Nazis championed its cause so effectively. He was vice-president for the United States of the Third International Commission on Eugenics under the Theodore Roosevelt administration; Chairman of the Board of Scientific Directors of the Eugenics Record Office as of 1917; Chairman of the Board of the Euthenics Corporation; and a member of the Eugenics Research Association. As a “pioneer” in monetary economics, Fisher was also a father figure to such other committed eugenicists as future Federal Reserve Chairmen Laughlin Currie and William McChesney Martin. Currie, whom J. K. Galbraith praises for stocking the Washington bureaucracy with Harvard Keynesians after World War II, went on to direct postwar World Bank activities in Colombia, and is credited with the first successful program for population-growth suppression in the developing sector.

One of Fisher’s Yale University students, Minneapolis newspaper heir Alfred Cowles, provided the first bankroll for the new “systems science” in the United States. The same year that Abraham Flexner recruited John von Neumann to the new Princeton Institute for Advanced Studies, Cowles engaged Irving Fisher to create the Cowles Commission on Economics Research. A year earlier Fisher had founded, at Yale, the Society for Quantitative Economics, along with the Vienna-



trained Norwegian Ragnar Frisch. The Cowles Commission began quietly in Colorado, and then moved to the University of Chicago, where Milton Friedman was beginning his Ph.D. program under Henry Simons. Future Noble Laureate Kenneth Arrow, one of the authors of the *Triple Revolution* statement on behalf of "post-industrial society," began work with the Cowles group while at Chicago, before departing for Stanford. 1975 Noble Prize winner Koopmans moved the Cowles Commission back to Yale, where it began, in 1955. 1981 Nobel Prize winner James Tobin, the reigning American Keynesian, became a subsequent head of the Cowles Foundation.

### The road to RAND

The other great track of postwar promotion in the economics profession was the one culminating in the RAND Corporation at Palo Alto, the embodiment of what, during wartime, was to be known as "Operations Research" and later the Strategic Bombing Survey.

The same circles at Princeton, Columbia, and Harvard who imported the Russell-Carnap "systems" theory dominated Anglo-American wartime science policy. As noted in *The Ugly Truth About Milton Friedman*, [by this author and *EIR* founder Lyndon LaRouche] the Unification of the Sciences project was imported wholesale into the United States through the U.S. Emergency Committee in Aid of Displaced Foreign Scholars, controlled by Abraham Flexner, by Chicago transplant to Columbia John Dewey, by Dewey's prize student Wesley Clair Mitchell of the National Bureau of Economic Research, and by Oswald Veblen (Thorstein Veblen's younger brother), late of Army Ordnance and then at Princeton.

Meanwhile, at the Massachusetts Institute of Technology, Vannevar Bush had, by 1932, made operational the first electronic differential analyzer, the ancestor of the computer built during the war for military use at the same school. Norbert Wiener, the inventor of the term "cybernetics," was already at MIT collaborating with Bush, the future wartime science chief. Bush was hired in 1932 by the British government to reproduce his work there. With the collaboration of Cambridge University's Sir John Lennard-Jones and others, Bush helped to establish the Cambridge Mathematical Laboratory, which worked jointly with MIT to produce the first computer. Properly speaking, the computer as we know it was hatched at MIT, with refinements at the Princeton Institute for Advanced Studies in cooperation with RCA, under the principal influence of von Neumann.

The computer's initial uses centered on ballistics calculations, bomb site calculations, and strategic bombing battle plans (the Air Force "Project Scoop"). Electronic calculation was only one facet of the project

directed on the American side by Vannevar Bush and by James Conant of Harvard and by Churchill's science adviser Sir Henry Tizard for the British: as Carol Cleary has shown in unpublished manuscripts, the modern system of control of technology through arbitrary classification procedures emerged from this wartime crew. But the dream of "artificial intelligence" was born with the first operational computers; the first response of its makers was to attempt to keep the technology secret, and construct one giant computer capable of containing all the data in the world so that an elite possessed of such superior knowledge might rule the world! However, the limited uses of von Neumann's systems approach, bogged down in the algebraicist prejudices built into the initial logic hardware, qualified the computer more as an instrument for deluding the credulous than for policy planning as such.

Cambridge University's Nicholas Kaldor supervised the construction of the first computer-based econometric model for the Strategic Bombing Survey in 1946, with Wassily Leontief as chief statistician. It brought together the work of 1941-45 in development of computer-based models conducted jointly by Vannevar Bush's National Research Defense Council and P. M. S. Blackett's "Blackett's Circus," the outgrowth of the Cambridge Mathematical Laboratories. Bush's group, headquartered at the Carnegie Endowment in Washington and funded by John D. Rockefeller II when government money ran short, included James Conant of Harvard, sent to London to work with Blackett; MIT President Karl Compton; and Bell Laboratories President Frank B. Jewett.

Integrated into the same effort that developed the first working numerical-computational models were the British psychological warfare command, H. V. Dicks and John Rawlings Rees of the Tavistock Institute, the experts on the impact of strategic bombing on enemy morale and, subsequently, the inventors of the program to sell computers as a means of brainwashing corporations and government.

This is the group that came together under the direction of Prudential Life Insurance Company Chairman Frank d'Olier—the major funder of the Princeton Institute—for the Strategic Bombing Survey (SBS). Its participants, including J. K. Galbraith and George Ball, are a *Who's Who* of the post-war establishment. Air Force Intelligence, which assembled the U.S. SBS team, regrouped the top staffers from the Cambridge-directed survey and from Bush's group in Washington into a semi-official Air Force think tank, the RAND Corporation. RAND was the recipient also of the SBS computer model, the first working econometric model of the postwar period. According to Futures Group officer Wayne Boucher, "It was an entirely East Coast defense establishment operation. None of the people in Santa

Monica knew RAND was there—and the RAND people didn't know Santa Monica was there."

RAND was the hothouse for every "name" economist in the postwar United States. The present chairman of the Cowles Foundation, Herbert Scarf, reminisced in a recent interview:

It was the Air Force that set it up. In the 1950s, RAND was a great place to be. It was like Cowles. Do you know who was in the Economics Department at RAND in the 1950s? All the people who became [Kennedy and Johnson Administration Defense Secretary] Robert McNamara's whiz kids. But these were people who were in the economics group at RAND and include Albert Wohlstetter and [future Hudson Institute founder] Herman Kahn, who were working on analytical formulation; Alain Enthoven, who was a top person at the Defense Department, Daniel Ellsberg, William Gorham, who is the current head of the Urban Institute, and Henry Rowen, the famous defense analyst. At the same time, Paul Samuelson, another Nobel Prize winner [1970] was at RAND at the late 1940s and early 1950s as a consultant.

So were Tavistock's H.V. Dicks and Brigadier Frank Kitson, inventor of the British "low intensity operations" approach used so horribly in Malaysia, Crete, Kenya, and Northern Ireland; both lectured at RAND in 1950, while Dicks spent six months there working on the Russian psychological profile. The new Delphi had been transplanted successfully from Vienna, to Cambridge, to the major East Coast universities, and thence to Santa Monica, where its tendrils overran the American defense establishment of the 1960s.

### **Economics as brainwashing**

The "information theorists" who set out to turn corporate and governmental management into bureaucratic slush built on a tradition that goes back to the turn-of-the-century founding of the Chicago and Columbia Social Work Schools. John Dewey's "social psychology," i.e. the assertion that the human mind can contain no more than heredity and social institutions dump into it, was the core of Chicago monetarism, according to Dewey's student Wesley Clair Mitchell, the man who invented Milton Friedman:

To find the basis of rationality, then, we must not look inside the individual at his capacity to abstract from the totality of his experience the feeling elements, and to compare their magnitudes [as Jeremy Bentham and the other utilitarians had argued]. Rather we must look outside the individual to the habits of behavior slowly evolved by society and painfully learned by himself. Of

course, the use of money is one of these great rationalizing habits. It gives society the technical machinery of exchange. . . . It is the foundation of that complex system of prices to which the individual must adjust his behavior in getting a living . . . since it molds his objective behavior, it becomes part of his subjective life. . . . Because it thus rationalizes economic life itself, the use of money lays the foundation for a rational theory of that life. Money may not be the root of all evil, but it is the root of economic science.

In other words, monetarism is not an instrument for *analyzing* the behavior of firms but rather a method for *controlling* it. That, as LaRouche and I showed in *The Ugly Truth About Milton Friedman*, is precisely what Mitchell's National Bureau of Economic Research, the unofficial thinktank for the Federal Reserve System, set out to do. Its "business cycle theory" insisted that excess investment led to excess capacity and recession, in a way not basically different from the Cambridge view, and therefore recommended tight money policy at any time the economy began to expand—thereby creating a self-fulfilling prophecy of "yin-yang" economic behavior.

To put the matter in perspective, there is no objective need for period recessions: *business cycle theory* creates recessions. If that is true, then what is responsible for postwar inflation? As will be demonstrated shortly, *price theory* creates inflation.

To persuade American businessmen to operate within Cambridge's fixed universe, it was first necessary to make the universe appear as fixed as possible. This task the Federal Reserve, dominated by Irving Fisher and Wesley Mitchell's protégés, carried out unpleasantly well, as documented in the cited work. Both domestic and foreign monetary policy—with the 1944 formation of the International Monetary Fund and World Bank—conspired to place limits on the rate of expansion of the American economy, which could not invest for massively expanding markets without running up against such externally imposed limitations of "effective demand." Only to the extent that the military or the space program have provided a direct or indirect market for capital equipment has American industry invested at anything close to the rate of which it is capable since the Second World War. Before the Great Depression, industrialists like Henry Ford and Samuel Insull had invested with the confidence that the improvements in the auto and electrical generating technology they embarked on would qualitatively change the market and cause sufficient expansion to absorb whatever product they might choose to sell. Now, for the first time in American economic history, the "market" became a fixed and

abstract—if not hostile—entity outside the capacity of individual firms to influence, except as they chose to squeeze better shares out of it.

In business schools as well as economic departments, revealed religion became the “neo-Keynesian synthesis,” the integration of the Cambridge viewpoint with the “theory of the firm” associated with Chicago’s Frank Knight and his “uncertainty principle.” Paul Samuelson, late of RAND, and Robert Solow at MIT, among many others, created a new belief-structure of corporate management that treated all industrial activity according to the principles of ground rent.

Rent of land, in the original Malthus-Ricardo doctrine, was the focus of economic theory. It stated that the price of grain (and therefore of labor, and hence the rate of profit in industry) rose as land was gradually settled and new supplies of land were exhausted. As worse land came into cultivation and more labor was required to yield the same output of grain, the price of grain rose at the “margin,” i.e. was determined by the production cost of the land most recently put into cultivation. Landlords working better land with a lower cost of production therefore drew a premium, being able to sell their grain as well at the higher, marginal cost, yielding a rent. Of course, the theory was nonsense, as the American economist Henry Carey demonstrated: as newly settled areas absorbed sufficient population to drain marshland and other previously uncultivable land, the best land was brought into cultivation well after such an area was settled. Malthus, as noted earlier, freely admitted that drainage, canals, and roads reversed his earlier conclusions.

### **Keynesian curves**

However, by extension, the “neo-Keynesians” transformed economics into a collection of marginal price curves. There is the supply-demand curve, which shows that more supply will come to market as prices increase; there is the utility curve for each consumer item, which shows that consumers will substitute one item for another in their shopping basket as relative prices change; there is a marginal-cost curve, which shows the individual firm’s production costs falling as he produces to scale and then rising as he attempts to increase production by drawing on scarce resources; and there is a point of intersection of all these curves, or “welfare equilibrium.” As Paul Samuelson summarizes the case,

The ideal competitive market is a device for synthesizing (a) the willingness of people to pay for goods with (b) the actual (minimized) marginal costs of all those goods. Without conscious planning, the competitive market does achieve the Robinson Crusoe or the Planning Board most-efficient allocation of resources.

The supply curve for an industry is merely the addition of all the supply curves for individual firms, the supply curve for all consumers is merely the addition of the supply curves for each consumer, the marginal cost curve for all production processes is merely an addition of the marginal cost curves for each production process.

Linear programming, as applied to individual corporations’ activities, merely attempts to show corporate management what will happen if its place on these various curve changes. A producer of refrigerators will have to calculate the combined effects of a movement up the marginal cost curve, e.g., through an increase in the price of its raw materials; the effect on its sales if the firm must increase its price in response (i.e. the “price elasticity” of refrigerators); and the propensity of consumers to buy other goods than refrigerators should the price of refrigerators rise relative to all household commodities. All such analyses, which take the movement of the total economy as a given, most often turn out to be nonsense, since they ignore what sort of general economic shift is associated with such things as a rise in the raw-material costs of a particular firm. The proper place of linear programming is reduced, as LaRouche has shown, to production scheduling, inventory control, and so forth. The premise that the economy works as a simple aggregation of the behavior of individual firms invariably gets management into trouble.

But because, in this equilibrium fantasy-world, no net profits exist, and the profits of individual firms depend on the accidental or other allocation of returns to firms through the workings of the “Knight uncertainty principle,” then it would follow that a firm that reduces its “uncertainty” stands to gain additional profits. That is where the computer became an instrument of seduction and the means of persuading American managers to adopt practices that would have been cause for lynching a generation earlier.

Ensnared at the New School for Social Research—founded earlier by John Dewey and Thorstein Veblen—“the man who put it all together,” Jacob Marschak, propounded a highly specific solution to the Cambridge problem of stopping over-accumulation. “Information theory,” of which Marschak became the leading apostle, had two facets. It offered, through the magic of data-processing, a means by which corporations could reduce the “uncertainty” of doing business and increase their profit share. Defining “information” as a factor of production along with capital or labor, Marschak added to the usual marginal cost curves a “cost of information” curve: a corporation might buy additional information, e.g. econometric models or market surveys, and thereby increase its profits. But it would suffer diminishing returns as it bought more and more infor-

mation. Eventually its cost-of-information curve would intersect its benefit-from-information curve, and the corporation would have reached an "equilibrium" position in the information economy. Meanwhile, Marschak's student, Adolph Loewe at the New School, postulated that the "economic knowledge" industry would suit the Malthusian requirement that unproductive spending must rise to prevent excess accumulation.

Marschak's triumph before the economics profession came in 1968, where he delivered the inaugural lecture to the convention of the American Economics Association. This extraordinary speech began with a declaration that information business would soon dominate all others:

We hear much of today's "informational revolution." We are also told of the rapid growth of the "knowledge industry." Informational revolution is exemplified by TV pictures of the moon surface and also by robotized stock market transactions and, hopefully, by computerized professors. [Austrian School economist] Fritz Machlup defined the knowledge industry to include education and research as well as publishing and broadcasting. He estimated its share in the gross national product of 1958 at 23 percent to 29 percent, and its growth rate at about 10 percent, or twice that of the GNP. Projecting to the present, the share of the knowledge industry would then appear to straddle the 40 percent mark!

There is a suspicious overlap between these activities and those which Adam Smith and Karl Marx called "unproductive" and which include the work of kings and professors, none of whom add to the vendible and visible stocks of the nation.

But, Marschak argued, the old productive/non-productive distinction was no longer relevant after the "information revolution:

A growing proportion of both manhours and machine-hours is not employed for using large amounts of energy, muscular or otherwise, to transform or transport matter. Instead, so-called "brains" (human or otherwise) are employed to manipulate symbols. A sequence or network of such symbol manipulators uses up a minute amount of energy to eventually release, trigger-like, large amounts of energy through the more brutal medium of generators, muscles, and machine tools.

Since Marschak's principle concern was, as noted, to steer investment out of "productive" and into "non-productive" functions, the last statement is in the order of a hypocritical gloss. He proceeded to describe the relation of "utility" of information to the "disutility"

of its cost through such conventional issues as inventory control, asking, "Is this not classroom economics? Yes indeed. But it should include the more advanced parts of it which allow for oligopoly, uncertainty, and other such things, mildly called 'imperfections.'" Unlike hard commodities, which may be assumed to have a statistically meaningful average "utility" for all consumers, information is much more subject to the vagaries of personal taste:

The economic problem of organization is that of allocating numerous kinds of tasks, symbol manipulating as well as physical, to numerous transformers, arranged in a complex yet efficient network. And further complications, of a different kind, arise when a single organizer is replaced by several. Their beliefs and utilities are not the same. They engage in a nonconstant sum game. The economist's problem is then shifted from the search for optimality to the search for stability. . . .

The criterion of survival, viability, stability guides the social scientist who describes, and tries to explain, the existing institutions. . . . Along with the stability criterion, the economist uses a weak collective optimality criterion, a modest common denominator on which people might agree in spite of their divergent utilities and beliefs: an arrangement of tasks and incentives is optimal in this modest sense if there is no feasible arrangement that would be better or at least not worse for all members of the organization.

As Wesley Clair Mitchell had argued two generations earlier for a monetarism that imposed its rationality on the market, so Jacob Marschak announced that information economics would be arbitrary unless the information-economists imposed a consensus among managers as to what the "utility" of information might be. But as Marschak addressed the AEA convention, his colleagues at RAND Corporation had already taken steps to ensure this.

Under the sponsorship of the McNamara Defense Department, the Marschak gospel in its various forms took the corporate world by storm. McNamara and his chief aides at Ford Motor Company had started in Air Force Operations Research production teams, and came out of the same pool that fed the RAND Corporation. After nearly ruining Ford (by insisting on poorly produced, mass-marketed, and heavily advertised cars like the Falcon), McNamara brought to the Kennedy Defense Department the entire RAND armamentarium. Joining him were Daniel Ellsberg and Henry Rowen, among other veterans. The damage to the American military due to the random application of "cost-benefit" analysis to weapons systems, and the "body count"

approach to war-fighting, are sufficiently known to permit only mention here. Less well known is the spectacular impact of McNamara methods played back into the corporate sector, where they had had their first gestation period during the 1950s.

What later spread to boardrooms in the form of the "Delphi technique" made its first appearance in a September 1964 study, declassifying a military project entitled, *Report on a Long Range Forecasting Study*, RAND paper P-2982. A copy was mailed to every Fortune 500 corporation. "The press and publicity in the corporate planning field was explosive," reported Futures Group founder Wayne Boucher in a recent interview. "This study revolutionized corporate planning in the United States. Hundreds of corporations began thinking of setting up their own groups." Ted Gordon, now president of the Futures Group, and Hal Becker, the Group's treasurer, were both consultants to the original study. Corresponding in the study abroad were H. G. Wells' protégé Denis Gabor, the author of *Inventing the Future*, then at Cambridge; Bertrand de Jouvenal; and, according to Boucher, Soviet official Dzhermen Gvishiani, soon to found the IIASA jointly with the American systems analysts.

Corporate nibbles at futurology were hooked in the following year, through the General Electric-Institute for Life Insurance symposium. Wayne Boucher and other futurologists look back to the GE-ILI Symposium as their Council of Nicea. "The press coverage of the ILI symposium alone was huge," Boucher said, "and guaranteed the tremendous corporate attendance." A majority of Fortune 100 corporations sent their planning chiefs to the weekly GE-ILI meetings held in New York City through most of 1964-65. Among the seminar leaders were Ian Wilson, GE's head of strategic planning, now at the Stanford Research Institute; Arnold Brown, now at the commodities firm ACLI, just acquired by Goldman Sachs; Morton Darrow, special futures consultant to the Chairman of Prudential Life Insurance, just retired; Ken Craver, Research and Development director for Monsanto Chemicals; Robert Barmeier, director of corporate planning at Sears Roebuck; Robert Ehrlich, treasurer of AT&T Long Lines; René Zentner, director of corporate planning for Shell Oil U.S.A.; Bill Simmons, director of long-range planning, International Business Machines; Christopher Liu, chief of planning of Weyerhaeuser Paper; and Fletcher Chan, chief of planning at Bank of America, among many others.

What actually transpired inside corporations in consequence is reported by a former Chase Manhattan officer who worked with the futurists from the early 1960s on. Chase Manhattan's International Department was dominated, from the early 1960s, by former World Bank and Chase Manhattan President Eugene Black,

whose small back office was the effective center of planning for the bank's international portfolio. Black picked up a small group of Naval Intelligence types around Hugh Stokely, who proceeded to introduce "McNamara methods" into Chase operations (McNamara himself was to succeed two Chase CEOs, Black and John J. McCloy, at the World Bank in 1968). Stokely introduced the first "country risk analysis" computer model, starting a fad which has since spread to other big American banks. The model was primitive, even silly. It assigned scores of risks on various accounts, such as political, military, sociological, and so forth; a simple computer program then added up the pluses and minuses and told the operator whether a country was a fit participant in Chase Manhattan's loan portfolio. "None of these people believed their B.S.," reports then Chase economist Michael Hudson, who later worked with the Futures Group and the Hudson Institute. "All it did was print out pre-conceived conclusions" specified by Black, Stokely, and the World Bank mafia in place at the bank. "But it had the marvelous effect of taking the bank lending officer off the hook. He didn't have to make a decision. If the loan went bad, it was the computer's fault, not his. Who was going to blame the computer? It rewarded the stupidest possible bureaucratic mediocrity."

In 1975, this writer chanced to dine with the then-reigning futurologist Herman Kahn and with Kahn's close friend, Columbia University Professor Robert Mundell, the guru of what later became known as "supply-side economics," and the inventor of Arthur Laffer. Mundell, whose transparent blue eyes and toneless speech have sent shivers down the spines of two generations of graduate students, said, "Herman, I have a new cycle theory. My theory is that there is a great plague every four hundred years that destroys half the human race, and according to my calculations, one is due in 1980."

Kahn, a 350-pound behemoth who was occupied with a plate of *sashimi* squid, returned in his machine-gun chatter, "I-don't-believe-a-word-of-it. When-I-was-at-the-National-Bureau-of-Economic-Research-I-used-to-give-my-staff-random-data-all-the-time-and-ask-them-to-come-up-with-cycle-theories-and-they-could-always-come-up-with-a-cycle-theory-no-matter-how-random-the-data-was-so-I-never-believed-in-cycle-theories."

Kahn devoured another raw squid. Nonplussed, Mundell returned, "Well, Herman, perhaps you're right. But I only make up these theories for fun."

Chase introduced one of the first Delphi programs, a "decision-making" process dreamed up at RAND for eliciting a "corporate consensus" out of whatever conflicting opinions were hanging around. Chase senior Vice-President Barry Sullivan, who went on to the

chairmanship of First Chicago, pioneered the use of the “consensor,” a computerized device first developed by Bill Simmons of IBM, one of the aforementioned seminar leaders for the life insurance programs of 1964-65. Marketed by Ted Gordon, who in 1967 left RAND to found first the Institute for the Future and then the Futures Group, the consensor worked as follows. Each executive (or military officer—the device is also in use at the Joint Chiefs of Staff) is given a remote hand-held terminal with a scale of one to ten; he may privately rate any proposition on that scale, and a mini-computer with a display device will instantaneously graph the distribution of opinions. Not much different from the “participatory democracy” then coming into vogue in the Students for a Democratic Society organization: use of the device permitted the dialogue-leader to rig virtually any conclusion he wanted.

Vienna positivism had come into its own. Piero Sraffa had insisted that an economy not describable in the language of logical positivism either could not exist or was in crisis, and therefore insisted (along with von Neumann) that the condition for economic stability was an eternally fixed capital-intensivity of production. Now the systems theorists proclaimed that if they could reduce all deliberation to the language of systems analysis, they could control the minds of decision-makers on all issues.

It was predictable that the center of computer econometrics, the Wharton School at the University of Pennsylvania, would also become a chief base of operations of the Tavistock Institute—whose founders had been present at the wartime creation of systems theory. A close collaborator of Tavistock’s Eric Trist at Wharton, Russell Ackoff, who heads the Busch Center for labor relations, summarized this manic self-conception in his 1974 *Redesigning the Future: A Systems Approach to Societal Problems*:

The currently emerging intellectual revolution is bringing with it a new era that can be called the Systems Age which is producing the Postindustrial Revolution. . . .

. . . what we know of reality is conditioned by what language we use; hence the nature of reality is to be found in the analysis of language. In 1949 Claude Shannon, a mathematician at Bell Laboratories, turned attention to a larger process of which language was a part, *communication*. He provided a theory that formed the basis for what came to be known as the communication sciences. Almost simultaneously another mathematician, Norbert Wiener, of the Massachusetts Institute of Technology, placed communication into a still larger conceptual context, control. In so doing he founded cybernetics, the science of control through communication. . . .

. . . One more step was taken. In the early 1950s science went through an “aha” experience and came to realize what it had been up to in the preceding decade: it was becoming preoccupied with *systems* [emphasis in original.]

When the Dennis Meadows-Jay Forrester *Limits To Growth* study appeared in 1972, the extent to which it found an audience is accounted for by a generation of such spadework. But the extent to which it rigged its results to suit the Malthusian bias of its authors was so obvious that even the London *Economist*, not unsympathetic to the Club of Rome goals, had to chuckle that by Forrester-Meadows methodology, London would now be buried several feet deep in horse manure through overpopulation of horse-drawn vehicles.

Computer econometrics, the subject for which linear programming was first invented, became only one track of rampant Vienna positivism, albeit a crucial one. The entire economics profession, including all of the 1970s crop of Nobel Prize winners, came out of the “systems” approach first sponsored by the Cowles Commission, including 1981 laureate James Tobin, Herbert Simon (1978), Tjallingb Koopmans (co-winner in 1975), Paul Samuelson (1970), Milton Friedman (1975), Kenneth Arrow (1972), Ragnar Frisch (1969), Jan Tinbergen (co-winner in 1969), and, most emphatically, the father of modern computer econometrics, Lawrence Klein.

Klein’s career summarizes the role computer econometrics had played. He began as Wesley Clair Mitchell’s research assistant at the National Bureau of Economic Research, and helped construct the first, hand-calculated models of the U. S. economy at the University of Michigan’s Institute for Social Research, another Tavistock implant in the American academic community. A member of the Communist Party, Klein fled the United States during the McCarthy period to work at Cambridge, i.e. with Sraffa, Joan Robinson, and Nicholas Kaldor. He was introduced to Michael Kalecki through Mrs. Robinson (hence his contribution to the Kalecki 1960 *Festschrift* cited earlier). His international reputation secure, Klein returned to America to head forecasting efforts at Wharton, with a brief interruption as candidate Jimmy Carter’s campaign economics adviser in 1976. Currently, at Wharton Economic Forecasting Associates, the commercial spinoff of the Wharton Academic model, Klein directs the first “world model” for short-term forecasting, Project Link.

Throughout this period, the principal efforts of the Cambridge group—which had taken America by storm with J. M. Keynes’ *General Theory*—concentrated attentions on the East Bloc, and the notion that “systems theory” is a “value-free science.” The old Apostles’ companions and Communist Party cellmates of the Cambridge economists, Philby, Burgess, Maclean, and Blunt, attracted more attention, but Mrs. Robinson’s

assiduous efforts in the East bloc may have had an even more profound effect. Von Neumann's model is standard in Poland, Hungary, Romania, and Yugoslavia, and of great influence elsewhere in the East bloc. Typical of East bloc standard economics texts is *Proportions, Prices and Planning*, by Hungarian planning official Andras Brody. The book sports an introduction by Wassily Leontief, the statistician of the Strategic Bombing Survey. Brody casuistically compares von Neumann's arguments to those of Karl Marx, and concludes that systems theory solves the unsolved problem of capital accumulation in Volume II of *Capital*.

All the networks spun out of the University of Vienna in the 1920s re-entwined in 1971, fifty years after Piero Sraffa came to Cambridge, in the Vienna-based International Institute for Applied Systems Analysis: the Cowles Commission economists, the Wharton econometricians-turned-futurists, the MIT doomsday forecasters, the parallel Continental European groups working out of Royal Dutch Shell and the Science and Technology Committees of NATO and the Organization for Economic Cooperation and Development, as well as their Soviet counterparts—whose systems pedigree goes back as far as the capitalists'.

As the meeting place between the Western (MIT and Yale) and Eastern (Cambridge Communist and Vienna) variants of systems theory, IIASA's status is understandably sensitive. Tjallingis Koopman pleaded with a recent interviewer, "Do not write that there is a connection between the Cowles Foundation and IIASA." But he added,

The Club of Rome is a group of people with a great deal of good will and drive. They have drawn attention in a very important way to the problems of too much population, the environment, and so on. However, their economic model, which claims to prove their points, is not a real economic model. Now the economics profession could act jealous and say that the Club of Rome stuff is no good, because their model is not rigorous. But that would be wrong. So we decided to put the Club of Rome model on a rigorous footing, which is the reason for systems analysis, and helped establish the International Institute for Applied Systems Analysis. Kenneth Arrow [1972 Nobel Prize winner] and I were on the committee that helped set up the initiation of IIASA [through the National Academy of Sciences]. So was George Danzig, also of the Cowles Foundation. I was the first head of the methodology department. We looked into population, the allocation of resources, and so forth.

The "improvements" in the Club of Rome model which the economics profession, such as it is, has

proposed are improvements in methods of mass brainwashing. Merely to introduce resource-scarcity constraints on economic growth from the outside, as Meadows and Forrester did, raises some hackles among the victims. The next generation of systems application will seek to persuade the victims to participate in planning their own suicide.

As applied by the Wharton School, econometrics functions like a gigantic "consensor" computer for an entire economy. Wharton Economic Forecasting Associates are now using their appropriately named "Diemex" model of the Mexican economy as such a laboratory. Like the Wharton U.S. model, Diemex is based on the same set of marginal-cost and supply-demand curves that brainwashed a generation of American managers. But its special feature is that the forecasts themselves are based on feedback from the model's users, who are brought together every six months and surveyed in the interim. The victim is told that the Mexican economy cannot sustain the eight percent growth program proposed by the López Portillio government; under conditions of inadequate growth, how would he change his behavior? The responses are then fed back into the central model, to produce a credible "forecast" based on the victims' collective reaction to the earlier, unfounded assertion—based on forged data—that the Mexican economy cannot grow at desired rates. Each victim has "participated" in the formulation of the forecast in the same fashion that the victim of a corporate "Delphi" program has "participated" in the decisions manipulated by the RAND-trained seminar leader.

James Martin, former IBM executive turned star systems consultant to corporations, described a technocratic apocalypse based on this feedback principle in his 1978 book *The Wired Society*. Electronics Fund Transfer and other computer-based payments systems would soon dominate all economic activity, providing an instantaneous electronic information base on the state of the economy. This information would, Martin continued, be collected and put into giant econometric models, which would feed back their results to market participants and enable them to order their decisions accordingly. Martin's vision is not new: it combines the social-control theories that John Dewey taught to Wesley Mitchell and the modern monetarists with the Vannevar Bush plan to construct a single giant computer at MIT with sufficient data to rule the world.

The outcome of the systems takeover would be exactly what the Cambridge Malthusians intended it to be: a means of persuading the world to adopt economic policies that amount to a last cattle-car trip for the human race.

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*Extensive research for this article was conducted by Richard Freeman, Kathy Burdman, and Carol Cleary.*

# Business Briefs

## *Domestic Credit*

### **Downturn in consumer borrowing and purchases**

U.S. consumer credit fell in December by \$173 million, showing the first decline since July 1980. Net new credit extended fell by 2.3 percent; both the level of new credit and paydowns of debt owed contracted, the Federal Reserve Board reported on Feb. 9.

The next day, the Commerce Department announced that retail sales plunged 1.1 percent in January to \$86.12 billion, following a 0.2 percent fall in December.

Ironically, President Reagan's Council of Economic Advisers also chose Feb. 10 to release its annual report. The report forecast that in particular, growth in consumer sector housing and autos would lead the recovery. Consumer-goods purchases account for two-thirds of all final sales in the U.S. economy.

## *Investment*

### **Will the U.S. see a real-estate shake-out?**

The South Atlantic Financial Corporation, a real-estate investment trust (REIT) based in Miami, announced Feb. 10 that it would be unable to pay at maturity \$16.9 million worth of outstanding subordinated debentures that come due within five days. The company said that it will try some way to raise the cash and if it cannot, it will seek a merger or sell itself to some other company. The possibility of bankruptcy, of course, is even greater.

Kenneth D. Campbell, president of Audi Investments, a real-estate advisory service reported Feb. 10, "This [South Atlantic] is largely a condominium and residential land operation, and it's no secret that the Florida land market is extremely weak."

However, it is not just in Florida that

real-estate companies are having problems, because the speculative market is vastly overbid. U.S. Realty Investments, a Cleveland-based real-estate trust with assets of \$80 million, announced in January that it will liquidate itself within 12 months because of substantial losses.

Perhaps the biggest problem case is American Invscos, the Chicago real-estate giant and leading condominium converter, which has interlocking holdings worth over \$1 billion. Invscos's four largest creditors are owed \$340 million, and the company is in such poor shape that as of February, its overdue mortgage payments totaled \$20 million and were growing at the rate of \$5 million per month. One source reports that Invscos, which is owned by the Gouletas family of Chicago and has been linked to organized crime, is kept alive through emergency transfusions from Continental Illinois Bank, its largest creditor.

## *Public Policy*

### **López Portillo blasts Volcker's usury**

Mexican President José López Portillo has charged monetary authorities in the United States and other OECD nations with risking war and depression. In his keynote address to the annual Meeting of the Republic in Guadalajara on Feb. 5, he made the following statements:

"I wish, in a few brushstrokes, to explain the international situation which Mexico faces. The industrialized countries currently have the highest unemployment rates since the Great Depression of the years 1929-30. . . . In 1980 the industrialized countries had 21 million unemployed. In 1981, it increased to 25 million; for 1982, it is expected that this will rise to 29 million. . . . In countries like England, the unemployment rate is the highest in history: 3 million people. . . . International trade, for the first time in 25 years, is falling in volume and value.

"The declining inflation in the industrialized countries is due to depression and not greater productivity. I wish to underscore this in order to establish some contrasts. . . . Countries like ours, which have long-standing under- and unemployment, cannot give ourselves this luxury. . . . The exclusive way that we have to combat inflation—I said it at the beginning of my term and I reiterate it now—is through production and productivity, not through cruel unemployment.

"In this international context, we must note that while raw materials drop in price, money costs are rising as never before in history. A European statesman said it very clearly: 'Since the advent of Christ, never has money been so expensive.'

"This is the international context in which we live, the kind of depression which has not been seen for many years, not to mention the acute risk of armed confrontation. Without doubt you read a few days ago that Brezhnev stated that we have never been so close to the third universal conflagration since the Second World War."

## *Agriculture*

### **USDA Secretary visits Mexico**

U.S. Agriculture Secretary John Block joined Mexican Agriculture Minister Francisco Merino Rabago in Tijuana, Mexico on Feb. 11 to hold a news conference declaring three Mexican states free of screwworms. The victory is the result of a joint eradication effort between Mexico and the United States.

Following the press conference Secretary Block visits agricultural installations in Sonora state, and proceeds on to Mexico City where meetings with the Mexican Minister of Commerce and U.S. agribusiness representatives are scheduled.



Mexico and the United States cooperate in many technical agricultural projects, especially in developing Mexico's dairy and livestock industry. Recently Mexico has become a major importer of U.S. food and feed grains, buying nearly \$3 billion in American farm products in 1981, including large quantities of dry milk stockpiled in government warehouses.

### Trade

## Washington demands Japanese free enterprise

Commerce Secretary Malcolm Baldrige and U.S. Trade Representative William Brock have lined up behind efforts of Sens. John Heinz (R-Pa.) and John Danforth (R-Mo.) to force Japan to accept "free enterprise."

In congressional hearings Feb. 10, William Brock said that while the General Agreement on Trade and Tariffs (GATT) has provided a forum for gaining reciprocity from Japan in regard to merchandise trade, "GATT does not provide a means to gain market access for services exporters and investors."

Brock said he was absolutely sure "that we are going to get equity from Japan," since "they cannot survive without us."

Commerce Secretary Baldrige claimed that Japan will soon accept demands to treat foreign investment and services as they do domestic investment and that "a year from now we will see practical results."

The remarks by Brock and Baldrige parallel the intent of legislation by Heinz and Danforth to scrap the GATT mechanism in order to give the President wide-ranging powers to punish Japan if it refuses to accept unlimited American investment and services.

Implicit in the administration's argument is the assumption that American goods can no longer compete in Japan, but that there exists a large amount of

capital in the U.S. seeking equity and debt positions in Japanese industry.

In a delivery that made the administration's trade-war proposal seem mild, Rep. Fred Richmond (D-N.Y.) demanded legislation that would restrict Japanese imports to the United States to one half U.S. exports to Japan.

### Gold

## Scandal at the Bank of England?

"If the story were ever told, many careers would be ruined overnight," commented a British bank economist on a Feb. 9 exposé of Britain's gold drain published in the London *Financial Times*. Journalist David Marsh reports that Britain's loss of more than 60 percent of its gold between 1960 and 1971 was "one of the biggest financial blunders in history . . . linked up with a range of secret agreements by the Bank of England with the Bank for International Settlements in Basel and other foreign central banks."

According to Marsh, the support packages central banks assembled for sterling apparently involved substantial gold transfers, to Britain's ultimate great disadvantage. The issue of banking secrecy, he adds, which still covers the facts of the matter, is relevant in a world of massive covert gold transfers today in which central banks play a major role.

"In view of its special role as marketing agent for South African gold, the Bank of England was concerned that leakage of information might strengthen the hand of competing Swiss commercial banks. The same rivalry continues today. The Bank has helped ensure that statistics on exports and imports of gold to and from the London market have been expunged from British trade statistics in order to guarantee Swiss-type secrecy. And it gives the London brokers a helping hand by providing high-security vault space."

## Briefly

● **CANADA'S** provincial prime ministers met the weekend of Feb. 6 to address the deepening economic crisis. All 10 provinces attacked Premier Trudeau's "orthodox monetarism" and demanded lower interest rates. However, Newfoundland's Prime Minister, Brian Packford, and others depicted the meeting as "a total failure" because Trudeau rebuffed every provincial suggestion. Quebec Premier René Levesque said that Ottawa "has its hand on the fire hydrant but refuses to provide us with water," declaring that the federal government is attempting "a bloody rape" of Quebec's finances and development projects.

● **LAWRENCE BRADY'S** horror of trade with the Soviets has its counterpart in his esteem for Communist China. The Assistant Secretary of Commerce, a protégé of the Eastern Order of the Knights of Malta, announced during an early-February trip to Peking that the U.S. plans to sell China higher-technology items soon, which may include goods having potential military use.

● **THE QUAD CITIES** area on the Iowa-Illinois border has 350,000 highly skilled industrial workers now hit by Paul Volcker's depression. The International Harvester plant in Rock Island will close for two months on March 8 and may never start up again. Another Harvester plant in East Moline will lay off all but 150 of its 2,000 workers. John Deere, J. I. Case, Montgomery Elevator, and Oscar Meyer have also announced heavy layoffs. Moline Tool & Die has no orders after March 1. Regional banks are charging 21 percent interest to farmers who have huge grain-storage problems. In Davenport, Iowa, a city of 100,000, one-fifth of all homes will be repossessable by July.

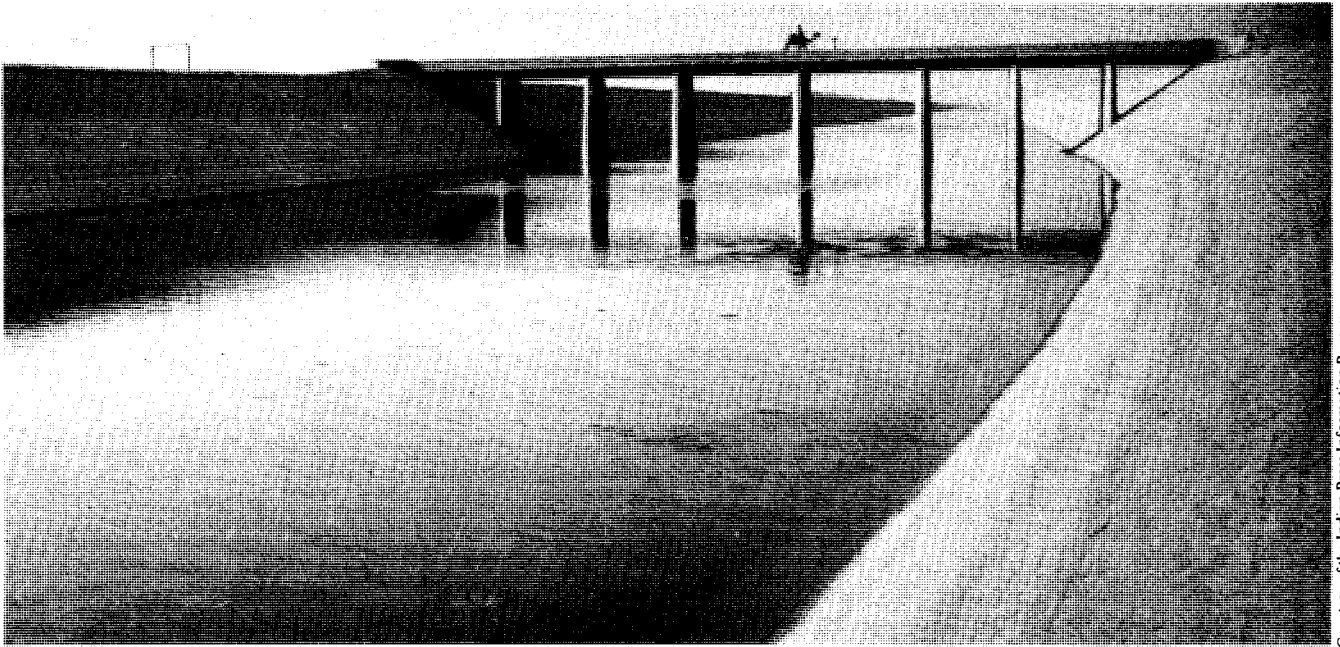
## Japan's \$500 billion plan for reversing world depression

by Daniel Sneider, Asia Editor, in Tokyo

Just before the New Year, one of the most powerful men in Japan summoned 14 of his fellow business and political "elder statesmen" to a special meeting in Tokyo. The convener of the gathering was Toshio Doko, the 81-year-old engineer who formerly chaired the Keidanren business federation. The purpose of the session was to line up support, both in Japan and internationally, for the 20-year, \$500 billion global-development proposal authored by Masaki Nakajima, the founding chairman of the Mitsubishi Research Institute. Nakajima's proposed "Global Infrastructure Fund" (GIF) would finance "super-development projects"—"engineers' dreams" he calls them—particularly in the Third World.

The GIF idea is manifestly a product of the spirit and commitment to economic progress and development that transformed Japan in one generation from a backward, feudal nation to the third-largest economic power in the world. The GIF plan proposes to catalyze the growth of the world economy out of its current fundamental "stagflation" and deep recession through the impact of long-term, large-scale capital infrastructure construction projects. Each project is envisioned to take 10 to 20 years to complete—projects like a second Panama Canal, the greening of the Sahara desert, and massive hydroelectric and irrigation projects in the Indian subcontinent, Africa, and Latin America. Mr. Nakajima's view is that no nation-by-nation stimulus program is sufficient to bring about world economic recovery. Only a program that stimulates investment and technological innovation in the advanced sector through tackling the problem of industrializing the Third World will end stagflation. More important in Mr. Nakajima's mind is that these projects would be the concrete foundation for world peace. Their completion would require East-West cooperation, an issue which is at the core of Nakajima's conception. It is indeed a "grand design" for peaceful construction.

Since 1977 this extraordinary man has been traveling to all corners of the globe to talk about his idea. He first presented the proposal at an international conference in Switzerland. By 1979 Nakajima had been invited to speak about the GIF at such varied bodies as the West German parliament's



Courtesy of the Indian Press Information Bureau

The Rajasthan Canal, built near New Delhi in the 1950s, has turned large portions of the Rajasthan Desert into arable territory, a modest instance of the "greening" projects foreseen by the GIF.

Committee on Economic Cooperation and Georgetown University's Center for Strategic and International Studies (CSIS).

In addition, the plan has been reviewed in several important publications—including *Executive Intelligence Review*, which published the text of the proposal in September 1978—and by such thinktanks as the Munich-based IFO Institute for Economic Research. Moreover, several developing country leaders, including Indian Prime Minister Indira Gandhi, have praise for the concept, reports Mr. Nakajima.

One cannot but be impressed, as I was in my two-hour interview and discussion with Mr. Nakajima, by the dedication with which he has pursued the realization of this idea, at times single-handedly. His main target is to bring the Japanese government into adopting the GIF as its official policy, and to that end he has acted to generate and demonstrate the interest in the idea *outside* Japan, proving to the skeptics and "practical men" among Japan's political leadership that the GIF idea can indeed work. Slowly he has gained many powerful adherents among the leading circles of Japan's power elite, including former Prime Minister Takeo Fukuda, who discussed the idea with then-President Jimmy Carter.

A turning point came on Jan. 1, when Japan's largest circulation daily, the *Yomiuri Shimbun*, announced on the front page that Toshio Doko had formed a 15-man GIF study group to promote the idea. Not only does New Year's Day have special import in Japan, but also the opinions of Doko, a Massachusetts Institute of Technology graduate and a pioneer in supertanker construction, carry great weight in the so-called practical world

of business, both inside and outside Japan. The committee includes a number of other business and political "heavy-weights," such as former Foreign Minister Saburo Okita, Nippon Steel Chairman Eichiro Saito, former Ambassador to the United States Noboru Ushiba, Nippon Telegraph and Telephone Chairman Hisashi Shinto, and Overseas Economic Cooperation Fund (Japan's foreign aid agency) Director Takeshi Hosomi.

The *Yomiuri* reported that the purpose of the Doko-created GIF Study Group is to persuade Prime Minister Zenko Suzuki to put the GIF plan on the agenda of the Paris economic summit of the seven top Western industrial nations to be held this summer. While Prime Minister Suzuki—a man of consummate political caution—has yet to put his official seal of approval on the venture, sources close to Nakajima feel that a crucial step has been taken in putting the full weight of the Japanese government behind the GIF idea.

In my discussions with Japanese government and corporate officials and policy-makers during my two-week stay in Japan [to be reported on in an upcoming *EIR*—ed.], I found a constant sense of concern over the crisis-ridden state of world economic and political affairs. Like West German Chancellor Helmut Schmidt, Japanese leaders worry that current economic problems and policies, most emphatically including Paul Volcker's high-interest-rate strategy, could send the world into a 1930s-type depression and East-West conflict.

There is a searching debate amongst these leaders on how Japan must act in the world in response to this crisis. Nakajima's GIF is one of the most prominent ideas being discussed as part of this debate.

## Masaki Nakajima discusses the GIF's potential



*The following interview with Masaki Nakajima of Mitsubishi Research Institute was conducted in Tokyo on Jan. 21 by Daniel Sneider, EIR's Asia Editor.*

**Sneider:** I'd like to first ask you where, in your mind, the idea for the Global Infrastructure Fund (GIF) comes from, and what is the general concept behind this development program?

**Nakajima:** This idea came about five or six years ago when the world was entering the stage of stagflation. While we were studying the stagflation problem, we realized that there was no good economic theory to explain it. I reached the conclusion that it is the metamorphosis of the crisis in the 19th century. That means that in the 19th century every decade or two decades there was a big crisis, a world crisis. Keynes solved the problem in two ways: first, the emancipation from the gold standard, that is, a managed currency system. Another problem in his mind was effective demand. Since that time the world-wide crisis faded. Instead, first comes inflation and then recession from too little effective demand.

In the decades from the 1950s to the 1970s, the world was favored by a high growth rate. Mr. Daniel Bell told us that this was the highest growth-rate of mankind in its history. And what was the main reason? There are two points—the first point is reconstruction from the war (World War II). The next point is the new innovations in technology, which were mainly produced by the war effort—not only radar, computers, and polyethylenes, but antibiotics. So much new technology came into being simultaneously. And the world needed new plant construction to meet such needs. That's the main reason we could have the opportunity for high growth all over the world. . . .

Since the 1970s another difficult problem has emerged, the OPEC countries which have absorbed money from the world: in 1980, in one year for example, more than \$100 billion. It decreased a little last year, but still it was \$70 billion. Of course it caused great damage to the Third World.

In addition, with high growth rates came a new

national strategy for the industrial world, that means the so-called welfare state; they could increase the welfare every year. But after the 1970s the productivity of each country had already slowed down so that they should control welfare expenditure increase. But owing to democracy, such need for continuation of the higher welfare, pensions, unemployment money, increased. That's the main reason for inflation.

Another reason for stagflation is the lack of new effective demand owing to the shortage of technological innovation.

**Sneider:** You're saying that the lack of effective demand is a consequence of the drop in technological innovation?

**Nakajima:** Yes, that's right. We need to have three aims. The first is the effective utilization of the overcapacity of the industrial countries and their technology; second, effective use of the OPEC monies; and third, the economic elevation of the Third World. Of course, with the excess capacity of the industrial world there is one way of using it, for armaments. In your country large effective demand comes from the armaments industry, the so-called military-industrial complex.

We need something quite different instead. That is what we call our idea for big peaceful construction work for the world. Compared to the expansion of armaments, infrastructure expenditure has a much bigger effect. It's a very important point.

Next, regarding the OPEC countries, I have met with several influential persons there and in their mind, within 20 to 30 years, most of their countries will again become a desert. So they want to have something more permanent, a strategy for development, instead of only getting money and depositing it into the international banks. Though their money goes to the Third World sometimes, usually it becomes so-called debt recycling.

We must think *with them*, because of course oil is very important and valuable for the world. But it should not be used as a fuel—it should be used as a petrochemical resource. They are very eager for that approach, so that if some new infrastructure is organized they want to be one member of such an organization. We call this a new

global system.

Regarding the third aim, the elevation of the Third World, so-called technology transfer is a very big problem. How to elevate their technology? It's not so easy for them. Of course some of the good students go to the industrial world and study in their universities or their institutes, but it doesn't last long. But our projects, the big super-projects: each project is about more than \$10 billion in cost, and in order to complete them it will take more than 15 to 20 years—during such a construction period on-the-job training will be actualized. That is one of the most important points in my mind. And by that means, what we call the related sub-infrastructure—that means transportation, communication, health-medical, educational problems—will be solved.

That is the main point in my mind. Now, why do we call it global? What is the difference between global and international? I think you know already, but Mr. Brzezinski once said a good definition for the word "global": he said globalism is "post-internationalism." International means that always the nation comes first, has priority. Globalism is also international but the highest priority is the world, the earth itself. The welfare of "spaceship earth" should be the first priority. Of course there are many kinds [of "globalism"].

**Sneider:** You know this concept of "globalism" is used by many people in many different ways. For example, I would say that the anti-growth circles are very fond of talking about globalism, and they use it as something anti-national, in the sense that they want to restrict growth and they view the nation-state as an obstacle to that idea. I don't think you are saying that, I think you are saying something different. . . .

**Nakajima:** Yes, it is quite different. I want to use it in a parallel way [i.e., nation and world]. For instance, the U.N. itself, it has many weak points, such as the veto, so that as to political welfare it is very weak, some people say it is a cripple. But as to social and cultural problems, they are still active in the world and very influential.

Global welfare we should divide into three parts: political global welfare; social and cultural welfare; and economic welfare. Our point is mainly aimed at global economic welfare. We want to have quite a different idea than the U.N. because the U.N. is mainly a second League of Nations; it is still closely connected with nationalism in the 19th-century sense.

For instance, some problems should be solved by the way of the U.N. system but some other problems, especially economic problems, should be solved by way of the global system. As you said, the Club of Rome is global thinking, that is mainly from the economic point of view, on economic resources our idea is actually different, including social and cultural aspects but not political problems. The political global welfare—the United

States is very eager about that problem but from my point of view, please forgive me, it is too concerned about containment of communism. Communism is gradually degrading itself, so we don't have to worry about it—they are becoming weaker and weaker every decade. All over the world, even in Japan, the power of communism is becoming very weak. Not only in your country but even in Europe such a tendency is coming. The so-called convergence theory of communism and capitalism, some scholars say, will occur. In Japan we are trying to have such a new idea.

**Sneider:** That means that you think it is possible to have East-West cooperation for the kind of idea [the GIF] that you are talking about?

**Nakajima:** Yes. We need something, we need the conviction through eyewitness of what is peace construction. With only the theory we cannot have the conviction for peace, but if we can, for instance, have a new Panama Canal, they will understand what is peace construction instead of destroying the world. We need new, effective infrastructure and that means that as eyewitnesses, we can understand what is peace.

A few weeks ago this idea came to my mind—for instance the Great Wall of China, what do you think of it? I think, in my mind, about it in two ways. The first Chinese emperor, after the age of five centuries of civil war, finally achieved the unification of China. They were thinking that the whole world and China was the same thing. One point is that they had the unemployment problem of the warriors. Another point is that he wanted to have a new defense-only strategy in order to defend the northern part of China. We need something—for instance, anyone who comes to China they are eager to see first the Great Wall of China, one of the Seven Wonders of the World. It is a somewhat different idea but the point is that mankind needs something that they can see, through their eyes, what is peace.

Of course the economic effect should be big, counting by the economic metrical way of thinking, but we need some expression of what is peaceful construction.

**Sneider:** In my experience in going to developing countries, some people are always saying that these big projects, like the Aswan Dam or in India, the Bhakra-Nangal Dam, are wasteful. I don't think so, because first of all, these projects have a major economic effect, but also they act as a symbol, a psychological symbol, for the nation of the idea of development. I remember I went to visit the Bhakra-Nangal Dam in India, which was the big project of the 1950s, and I was told that 2,000 engineers were trained on that project. It's a good example of what you were talking about earlier. More important, it became a symbol of the idea of development for India.

**Nakajima:** Thank you very much. That means you un-

derstand quite well what I am saying. Of course there is much debate on our proposal.

**Sneider:** Could you summarize quite briefly the major projects, that is, concretely what kind of infrastructure projects are you talking about?

**Nakajima:** [Refers to list of projects in written proposal] I think you have seen this previously, but we had only eight before and we have added four new projects because some people, for instance, Europeans, have asked me "What is in Europe?" I added the Gibraltar Straits bridge-tunnel, and also South America wanted to be taken into account in our thinking, so that we added the construction of hydro-electric plant systems in South America.

**Sneider:** A number of these projects have to do with water control. . . .

**Nakajima:** For agriculture and for transportation and for saving energy and also new alternative energy sources, for instance, power plants through oceanic power generation using sea currents. Have you heard of OTEC—Ocean Thermal Energy System—which they are now planning in the Hawaiian Islands? It's very useful, especially in the Third World area where there are no typhoons at all; you need equatorial conditions, such as exist in the Third World.

**Sneider:** I'd like to discuss the financial aspect.

**Nakajima:** This problem always come up. "It must be very difficult," they say.

**Sneider:** Well, I don't think it's so difficult. You mentioned when you were talking earlier that much of the lending to the developing sector is going to the recycling of debt. Now, as I understand it, your idea is to create a large capital fund through contributions from OPEC and the advanced countries, and that fund would be utilized to carry out these large-scale capital construction projects. And I understand that one of the ideas is to create a pool of money that is separate from the international lending structure and particularly from the IMF and the World Bank. . . .

**Nakajima:** That's right.

**Sneider:** The criticism has been made, including by my publication, that the policies of the IMF/World Bank have not in fact contributed to development, that the IMF is largely concerned with debt collection, not with development, and the World Bank is functioning in the same way. Is part of your idea based upon an understanding of the failures of the IMF/World Bank system?

**Nakajima:** Our idea is, first of all, quite different from the existing monetary system, that is, that aid is money-oriented but ours is project-oriented. Through money

aid, some people have said, only 40 percent of the money is used for the final aim. By project aid we can control how the money is used for the project itself. It's easier to control and supervise. That's quite a different approach.

Of course the IMF and the World Bank are also useful. The World Bank made a big contribution to the recovery of Japan [after the war], for example in big projects like the Japan express railway and irrigation system—nearly \$1 billion was given by the World Bank, 30 years ago. But our idea is mainly aimed at the project itself.

We should have some new organization, a central world institution instead of the IMF. . . . Another point is that only 3 percent of total world arms expenditure, now about \$500 billion a year, would be used for this purpose [the GIF]. For me it's a kind of pump-priming for world economic recovery.

**Sneider:** What is the total capital fund that you are looking for?

**Nakajima:** About \$25 billion a year, for 20 years—that means in two decades, \$500 billion. In my mind, first the United States, West Germany, and Japan contribute \$5 billion, OPEC countries also \$5 billion, and other advanced countries, \$3 billion. And when we are using the money, two systems, grants and loans, will be taken into account. For instance, such a project as a canal [e.g., a second Panama canal] is quite a profitable proposition, it can pay the interest on the investment.

For some difficult problems such as desert problems, like the sub-Saharan area, mainly the grant system should be used. Anyhow we use \$13 billion and \$10 billion added by loans through some existing banks, international or private banks also.

This money on an annual basis, plus the multiplier effect, will solve the world recession problem, because effective demand will be created.

**Sneider:** Many developing countries have criticized the conditionalities policy of the IMF, because in fact the function of the IMF is not to encourage growth but to force countries to carry out austerity. A similar phenomenon is being created as a result of the high interest-rate policy of the U.S. Federal Reserve under Mr. Volcker. That has also been criticized by people in Japan and Germany because of course it is affecting the international lending rates as well as the value of the dollar and world trade. The common policy of the IMF, World Bank, and the Federal Reserve, as far as we can see, is to force, through austerity and conditionalities policies, a low-growth, negative-growth regime on the world.

**Nakajima:** It comes because those people are mainly bankers. Especially Mr. Clausen also. . . . Do you know we had a special symposium on the problem by the *Yomiuri Shimbun*?

**Sneider:** Yes, I understood that you had a little “exchange” with Mr. Clausen.

**Nakajima:** Yes, of course. I feared a big refutation from him, but he gave us a very warm and kind appreciation of our idea. But anyhow he sticks, in the World Bank, to a very “sound banking system” in his mind.

**Sneider:** So this is the problem of the banker versus the orientation towards production?

**Nakajima:** Yes, that’s right. But for 30 years I was a banker.

**Sneider:** I think Japanese bankers are a little bit different from some other bankers, because the banking system here was set up in a way that was integrated with the necessities of expanding industrial production.

**Nakajima:** [laughs] That’s right. That means my idea comes from the experience in Japan.

**Sneider:** I would like to ask you in general—this is a very ambitious idea and people in politics, and banking, and these circles are used to being so-called “practical men.” Their natural response to such an idea would be that it’s “not practical.” During the last four or five years that you have been talking about this idea, what kind of response have you gotten from around the world?

**Nakajima:** That’s why this “Progress Report” has been published. When I announced this idea in Japan, one of the very noted economists, a professor of Tokyo University, asked me to explain our idea to a small group of highly rated scholars. I was invited to his house, and when I spoke to them, they understood what I meant. “But Mr. Nakajima,” he told me, “in Japan your idea is not easily understood by Japanese. Because first of all the Japanese are very internal-minded people, so that it will be very difficult for them to understand a global way of thinking. So, Mr. Nakajima,” he said, “you must announce it for the world and we must import such an idea from the world.”

**Sneider:** You mean if it comes from the outside it will be more accepted?

**Nakajima:** Yes. For instance, Dr. Esaki, the Nobel Prize winner, when he first announced his new idea for the diode in Japan, there was no reaction, but when he made a speech at an international conference in Europe somewhere, it got a big reputation in international circles. Since that time, the problem comes again in Japan; Mr. Ebusaka, the chairman of Sony Corporation, told me it’s the same situation, so first of all I must make an announcement for the world, a speech for people at large. I went to the convention of the Moral Rearmament Movement (MRA) in Switzerland, where there many kinds of people, from developing and developed countries all over the world. It was an opportunity—I talked and I didn’t

expect much, but after I made a speech there was a big reaction. . . . For instance, Mr. McKenzie, the former British representative to the United Nations, and who is one of the very important people of the MRA movement. Whenever I meet him since, now and then, he says, “How is the progress of your idea?” Recently he told it to Mr. Asquith, the former Premier of Britain—he was really pleased with our idea. He said it should be taken into the Brandt Commission.

When I published that small pamphlet [on the GIF], Dr. [David] Abshire [director of Georgetown University’s Center for Strategic and International Studies] came to our office and he talked for more than three or four hours. It seems he appreciated my idea, and after several months he asked me to come to Georgetown University and make a speech at CSIS. About 50 people attended; one of the two points made was, “Your idea will be very favorable for West Germany and Japan,” first [laughs], and the second controversy was that disarmament and development should be quite different ideas, not taken into one sphere. This point was made by people from the United Nations section of your State Department. Three people came from the State Department; they had a quarrel [amongst themselves], and I was only listening to their discussion.

For instance, Mr. Norman McCrea, one of the very famous editors of the London *Economist*, wrote about our idea in his magazine. But in the last part of it he said it will be very helpful only to special enterprises, because, as you know, Mitsubishi is a very big company, so it would be very good for the Mitsubishi group. So I wrote to him that I have never discussed this idea within the Mitsubishi group. Of course some of them are my very good supporters, but I have never discussed this as a Mitsubishi problem. This should not be taken as only the thinktank’s idea—it’s quite different, there is no special relationship with the Mitsubishi group. One week later he wrote an answer to me that it is really a “mutual misunderstanding.”

Also, I was invited to the Special Committee for Foreign Assistance Problems in the Bundestag [lower house of the West German parliament], and I made a speech there. Most of the people who attended told me that our idea is a very concrete idea of what should be done, not just theoretically, but concretely. And I was invited last spring to Oslo. They had a special meeting of Northern Europeans on massive technology transfer. They made a proposal to the U.N. Sweden, for instance, gives ODA [overseas development aid] equal to one percent of its GNP—the United States’ and Japan’s ODA is only 0.3 percent—so they are very eager to solve the problem of massive technology transfer [to the developing countries]. Many people came from the Brandt Commission, UNIDO [United Nations Industrial Development Organization], and even [Chancellor Bruno]

Kreisky's people from Austria. But our idea was taken as the most concrete.

**Sneider:** I have a certain understanding of the Brandt Commission and that circle of people which perhaps is different from yours. There is an idea which has been current from a number of places like Sussex University; the Brandt Commission has pushed this idea; the World Bank has pushed this idea—the so-called idea of appropriate technology. Many people in the Third World—and I agree with this view—think that appropriate technology is a fraud, that appropriate technology means no real transfer of technology to the Third World. They are telling the Third World that “you don't need steel industries, you don't need high technology, you just need a rubber wheel on your bullock cart, that's appropriate for you.”

This idea is part of a broader conception which the Club of Rome and other institutions have been pushing, which says that there are limits to growth; that the Third World cannot grow to the level of the advanced sector; that the world is like a permanent pie and we can only decide how to divide it up in different ways, but it's impossible to keep it growing; that resources are limited; that there are too many people, and so on.

This idea we believe to be antithetical to the basic conception of man's ability to constantly innovate new technologies which can transform the conditions of life, creating new resources. I'm wondering, do you agree with this appropriate-technology idea of the Club of Rome, or do you have a different conception?

**Nakajima:** I should like to explain. Japan, only one century ago, was just the same as the Third World now. Only one century—it's not a long time, only a short period. Within one century's experience—of course we were helped by the industrial countries, especially technology imports from a lot of countries, from Europe, and from the United States, especially after World War II. From *our* experience, from the Japanese experience, we want to ask the Third World to agree with this way of thinking.

**Sneider:** I think Japan is a model for the development of Third World countries, not just that it is possible to make such a transformation, but the way that it was done in Japan. That is, at the beginning of the Meiji period Japan had a policy of bringing in the most *advanced* technology that they could find and training and educating the population to handle new technology. They had a policy, based on the American System of Alexander Hamilton, Mathew and Henry Carey, and Friedrich List, of protecting and developing industry, and a credit system for this purpose.

This idea of Japan as a model—is it the foundation of your thinking for the GIF?

**Nakajima:** Now Mr. Doko [former chairman of Keidanren, the business federation] is a big supporter of our idea. I think you know from the *Yomiuri* newspaper on Jan. 1, that Mr. Doko has started the GIF study group, with many people such as Mr. Okita [former Foreign Minister] and many people you know—like Mr. Sasaki, former President of the Bank of Japan. Many people unanimously wanted to elevate this idea, but slowly, not in a hurry because we need the consensus of the world at large.

**Sneider:** I understand that this now also has the support of the Prime Minister?

**Nakajima:** Now some people are asking the Prime Minister, but he has been very reserved. Mr. Fukuda, former Premier, was very eager, and he is still a very big supporter of our idea. He spoke to Mr. Carter, and Carter showed a big interest in it, and Mr. Carter asked Mr. Fukuda, “Is there really such a Japanese [promoting this policy]?”

It needs some period of time for the world to understand, because when the World Bank/IMF system was made it was the result of World War II. But we don't have such an instantaneous big shock.

**Sneider:** We may get such a shock very soon, but I'm not sure the world will be left afterwards.

**Nakajima:** Recently the Japanese are showing interest in our way of thinking.

**Sneider:** This study group on the GIF by Mr. Doko, is this an unofficial body?

**Nakajima:** Unofficial.

**Sneider:** I had understood that the Japanese government had given some support to it.

**Nakajima:** Well, as you know, the Japanese government is now concerned with the so-called administrative reform problem and very eager to cut expenditures. In Japan we cannot cut defense spending because we are only spending one percent of GNP [for defense]. But we have to increase our spending on foreign assistance, and I hope that Prime Minister Suzuki will understand. For instance, I met twice with Mr. Miyazawa, the Chief Cabinet Secretary, and he arranged a special meeting for me. I spoke to his group, about 10 persons. Mr. Abe Shintaro [current chief of the Ministry for International Trade and Industry (MITI)], showed interest in it. I think that one reason must be that Mr. Fukuda is a supporter of our idea; anyhow, finally he said that “it's a very good idea.” But several months ago, he told me that “we need the help of Keidanren” [the national business federation].

Over New Year's I was in the same hotel with Mr. Saito, the Chairman of Nippon Steel, and he said to me



that he wanted to make a speech in Dresden [East Germany] because he was scheduled to be made an honorary doctor of Dresden University—on that occasion he said, “I would like to make a speech on the GIF.” So of course I answered, “Yes, but don’t omit Mr. Doko’s name because Mr. Doko is a very important and influential person.” Recently a certain influential Arab person said that if Mr. Doko asked him to come to Japan, he will be willing to come. In such a way Mr. Doko is very influential, as you know.

It is a very difficult problem in Japan developing this idea, because in Japan the governmental system has the problem of sectionalism. For instance, once a very influential member of the House of Councilors [of the parliament], who later died, was very interested and wanted the OECD to promote it. But I said, “Don’t be in such a hurry, we must study much more.” In Japan, in order to propel such an idea, we need first of all MITI, the Foreign Ministry, and the Finance Ministry.

**Sneider:** The problem that you are describing, which is not necessarily unique to Japan, is a problem of political leadership. As I understand what you are saying, there is a problem of actually getting political leadership which is willing to advance ideas like this idea.

**Nakajima:** Japanese political leaders may not have the courage or self-confidence to promote a grand idea like this at the moment, since they have no such experience in the world. In Japan, diplomatic policy has been only “after you” policy.

**Sneider:** “After” the United States?

**Nakajima:** Not only the U.S.—everything “after you,” for instance “after the U.N.”

**Sneider:** I’ve noticed that in my conversations here, and I find it somewhat ironic. This is the only country in the world that I found an understanding of economics that I consider to be an understanding of what it really takes to make an economy work. This is a great strength of this country—there is also an understanding here, in business and government circles, of why it is necessary to develop the Third World, which you do not find in other countries, particularly my own.

I’ve been telling people here that Japan is uniquely situated to play a leadership role on the North-South issue and your idea represents such a leadership role. However, when I raise this question and I ask, “Do you have a policy to do this? How do you plan to respond to the crisis in the world?” then I find that I get a blank face.

**Nakajima:** It’s the same case with me. But Japan has a big responsibility for the problems of the world because Japan has now become the number-three country in the world from the economic point of view. We should not

be thinking in the “after you” system, but we should have our own, autonomous theory, autonomous thinking.

**Sneider:** People here have lived in this “after you” world since the war. Now there is thinking over the last 10 years as we have entered into a global economic crisis that Japan can no longer assume that the world will stay in a certain way. People are now being forced by necessity to change their way of thinking, but perhaps not fast enough to keep pace with the crisis that is developing. How do you increase the pace of thinking in order to meet the demands of the world situation?

**Nakajima:** The most effective way is for you to put it into your magazine story. I need the help of people in the world because it is too big for Japan to do it. But anyhow we have to do it as the number-three economy in the world, so that the problems of trade friction could be helped, even for Japan alone, but of course for the Third World.

Why should we help the Third World? Of course the problems of the Third World are their own countries’ problems, but also we need the big markets. In the 17th and 18th centuries, the discovery of North and South America became a big impetus for the first industrial revolution. If there is an increase of only \$1,000 in the per capita GNP of the population of the Third World it will mean [the equivalent of] almost two United States. It will be a great help for the world.

And after some 20 or 30 years, some new technology will be discovered.

**Sneider:** Like fusion technology?

**Nakajima:** Yes.

**Sneider:** You mentioned that you’ve got some response from some Arab leaders. Have you also discussed this with other developing country leaders?

**Nakajima:** Yes, for instance, the Oil Minister of Kuwait, who is next to Mr. Yamani [Saudi Oil Minister] in influence, showed great interest and I had a special talk with him. Before I visited the first time he had already studied our idea and when I met him he asked me first, “Please tell me about the GIF idea.” I believe he is a supporter.

Mr. Senghor [of Senegal] understands this idea and I talked to him about it. He listened to me and he is one of the leading people in Africa. Mrs. Gandhi [of India] also showed interest.

**Sneider:** Did you meet with Mrs. Gandhi?

**Nakajima:** No, but some people discussed it with her and I think she knows this idea. Also Mr. Miguel Wionczek, a professor at the National University of Mexico—he’s one of the leaders of the Pacific Rim project.

# The text of Nakajima's plan for global economic recovery

*Below is the full text of the 1977 Global Infrastructure Fund proposal issued by the Chairman of the Mitsubishi Research Institute, Masaki Nakajima.*

## 1) Summary

Under the prolonged worldwide recession in the post-oil crisis years, every country around the world is today groping for ways to get out of it.

What is being proposed herein as the "Global Infrastructure Fund" is a concept that Japan should consider as one of its international responsibilities in these crucial circumstances, and it is being presented by a private research organization having a neutral position.

The proposition is to generate effective demand within this century amounting to more than \$500 billion, a sum equivalent in current prices to the U.S. costs of World War II, under the assumption that all leading advanced industrialized countries and oil producing nations cooperate to do so. The proposition may be aptly termed a "Global New Deal," since it has the nature of public investments for common use by the world which go beyond a given national economy. It aims at developing new sources of energy and increasing food production for the world, thereby trying to establish long-range programs to overcome the current worldwide stagflation.

It is expected that the implementation of the various "super projects" proposed herein would lead to the development of peaceful demand in the manufacturing industry as well as of technological incentives in advanced countries in lieu of arms production. Also expected would be the multiplier effects upon the national income and employment of many developing countries which would be recipients of these proposed projects.

It is to be recognized that the lapse of 30 years since the end of World War II has seen the resurgence of

narrow-minded nationalism in various parts of the world, which in turn has fomented political and economic uncertainties. Now is the time for mankind to positively assert a bold and long-range vision. And that vision should be the one based upon a worldwide perspective which transcends narrow or short-term national interests. As Solomon said, where there is no vision mankind perishes.

The 20th century has undergone bitter experiences in two world wars, yet has endeavored to re-establish a prosperous society out of the ruins of each war. The Global Infrastructure Fund, as proposed herein, will address itself toward the coming 21st century as a challenge to mankind for worldwide prosperity in rising out of the deep recession.

## 2) Background: international economic situation

The world economy today faces its gravest crisis since World War II. Although ways to escape from it or to bring about a change in direction have been sought for the last several years, confusion continues to increase. Eagerly awaited is the framework of a new economic theory, coupled with a bold vision and propositions for economic policies based upon it that may dispel the economic stagnation that is otherwise expected to prevail for a long time to come. However, up to now no such new propositions have been made.

As is generally known, Keynesian economic theory, born out of the world crisis in the 1930s, has provided theoretical support for economic policies and, in particular, the anti-cyclical policies adopted by the major advanced industrialized nations since World War II. As we look back today at Keynes' contributions to economic policy, we find that first and foremost among them was his incisive criticism and refutation of the fiscal and monetary policies based on the classic gold-standard system and their failures. It was the managed

currency theory advocated by Keynes that brought about the Bretton Woods system after World War II and the subsequent gold-dollar linked system in the field of international monetary policy. It also led to various effective measures in domestic monetary policies.

Second was the policy of the stimulation of effective demand. The counter-cyclical policies adopted by the major advanced industrialized nations since the latter half of the 1950s rested, in part, on policies for the maintenance of growth through an effective stimulation of demand in the Keynesian fashion, or the New Economics fashion which developed from it.

The Keynesian policy for stimulating effective demand operated with good results for 30 years after the war. Recently, however, its various inherent problems have become subject to discussion.

The first of these is that a policy for the stimulation of effective demand contains, by its very nature, an inflationary trend. Keynes was famous for his criticism of conservative economists who showed great zeal for hoarding gold but paid little heed to unemployment. Keynesian economic policies, however, gave rise to inescapable inflationary pressures on the economy.

The second problem was that such a policy led to increased restraints on the supply of resources by increasing consumption, both in terms of quality and of quantity, in all countries. The inflationary trend that was encouraged by growth policies was called a mere creeping inflation so long as these restraints on the supply of resources did not arise. But, a genuine inflation became evident when human and other resources necessary for growth became restricted (for instance, in West Germany and Japan), where natural and environmental resources were utilized to the utmost and full employment prevailed. The worldwide simultaneous rise in prices, which arose from the large increase in oil prices toward the end of 1973, may be described as a corollary of the Keynesian New Economics of the 1960s.

The third problem is that the relative importance of fiscal expenditure in the economic structure of major advanced industrial nations is no longer dominant. As we look at the ratio of government fixed capital formation to gross national expenditures (GNE), we find that, except for its 8 to 9 percent range in Japan and the United Kingdom, it is about 3 percent in the United States, West Germany, France, and Italy, according to 1974 figures. As a consequence, while the formation of governmental fixed capital, mainly through the improvement of the infrastructure by means of public works, may in itself have the effect of arousing total consumption, it is insufficient to serve by itself as the pivot for policies to overcome a recession.

The world panic of the 1930s was not overcome solely by the Keynesian policy of stimulating effective

demand nor by President Roosevelt's New Deal policies. It is a stark historical fact that, unfortunately, rearmament and vast military expenditures caused by war itself provided the effective means to overcome this crisis. For instance, military expenditures of the United States alone in World War II amounted to \$288 billion in terms of the dollar's value at that time. Converted to 1975 prices, this sum represents \$530 billion (about Y159 trillion). These war expenditures represent the net increase in outlays during the conflict and do not include peacetime defense costs.

In today's world, however, the development of nuclear weapons and their deterrent effect rule out a large-scale war that would involve major industrial nations. The political and economic consequences of the Vietnam War clearly demonstrate that while a localized war can create temporary economic stimulation, it does not have long-range effects.

To overcome the present worldwide recession, there is no other way but to stimulate private business activity in the major industrialized nations. Enterprises will not invest unless they can expect profits, while the incentive for new investments has already been reduced by the stagnation in technological innovation. This situation is expected to prevail for a long time to come and it seems too early to predict what shape future technological innovation will take. Consequently, we believe that in order to allow the existing world economic system to follow a peaceful and steady course without excessive dependence on military expenditures, a type of public investment on a global scale would be strategically effective.

As we have stated before, however, all the conventional types of public investment have their limits in terms of needs and capability when looked at solely in the light of each national economy. For instance, among the advanced industrialized nations, West Germany does not require much public investment. On the other hand, while there is great need for this among the developing nations, say, in Africa and Southeast Asia, they lack the means to carry such investments through. Therefore, it will be necessary to implement New Deal policies on a global scale in order to first stimulate private business activity in the advanced industrialized nations and then extend its effect to the economies of the developing nations.

For the reasons stated above, the planning and implementation of multinational public investment on a worldwide scale should be most effective as a long-range global economic policy. It could be termed a "Global New Deal." What we mean by multinational public investment is that which involves several countries both in the execution of projects and in the scope of the benefiting areas, and wherein the period of implementation and the size of investment exceed the

scope of public investments made by a single country. Moreover, since the object of such investment would be directed at removing restraints on resources, it would also serve to eliminate latent factors causing inflation. Included, for instance, would be the development of untapped energy resources, the development of oceanic resources, and the improvement of the environment.

As examples of such projects, there are many expansive concepts that, since the last century, have been described as "Engineers' Dreams." Some of these "ideas" that could serve as objects for this proposition are listed in the adjoining map.

### **3) Funds**

In order to realize these projects a \$13 billion fund, tentatively named the Global Infrastructure Fund, will be established with, for instance, annual contributions of \$5 billion collectively from the United States, West Germany, and Japan, \$5 billion from the OPEC countries, and \$3 billion from other industrially developed nations. Such a fund will serve to finance projects with a multiplier effect on a \$25 billion scale annually until the end of this century. Total expenditures on these projects should reach a level of about \$500 billion. Such an amount would not be very large for expenditures on public works of worldwide dimensions, but its purpose is to carry out a pump-priming role that would arouse effective demand comparable to the military expenditures during World War II.

The \$5 billion annual contribution by the major advanced industrialized nations would mean a 30 percent increase in official development assistance (ODA) provided by the 17 member nations of the Development Assistance Committee (DAC) of the OECD, which amounted to \$16.6 billion in 1975. This corresponds to a little over 3 percent of the amount of military expenditures of these 17 nations during the same year, which totalled \$157 billion. It would mean that these nations would have to pare about 3 percent from their military expenditures and devote that sum to development assistance.

The OPEC nations funneled \$5,590 million into the OPEC fund in 1975 for development assistance. This amount is close to the \$6,880 million that the World Bank committed to spend for assistance during the same year. Moreover, the military expenditures of Middle East nations during that year were estimated to be about \$28 billion. Their proposed annual \$5 billion contribution therefore should not constitute an excessive burden.

### **4) Effects**

In the planning and execution of these projects, it will be necessary to give substantial autonomy and authority to the areas where the projects take place,

while at the same time maintaining the principle of international harmony. This should contribute to a further promotion of the North-South dialogue. Upon their completion, the projects will have major direct effects on the non-oil-producing LDCs through the development of energy resources to replace oil, besides increasing agricultural production and promoting the comprehensive development of such areas.

We are today faced with the urgent task of evolving means to absorb the prevailing excessive international liquidity. The accumulated oil dollars are not necessarily being effectively used at present, but should be used for the long-range preservation of oil as a valuable industrial resource. Should we fail in this effort, it is possible that it may lead to another shock similar to the well-known "Oil Crisis" of 1973. In such an event, the nations of the world will not be able to put up much political or economic resistance. This proposal could serve to check such an unwanted development.

By advocating this concept, Japan, which does not possess nuclear armaments, can curb foreign criticism that its military expenditures and foreign aid are comparatively small. We believe that such an advocacy will serve to fulfill the international responsibilities of the Japanese people who have today built up a highly industrialized society after rising from the ashes of World War II.

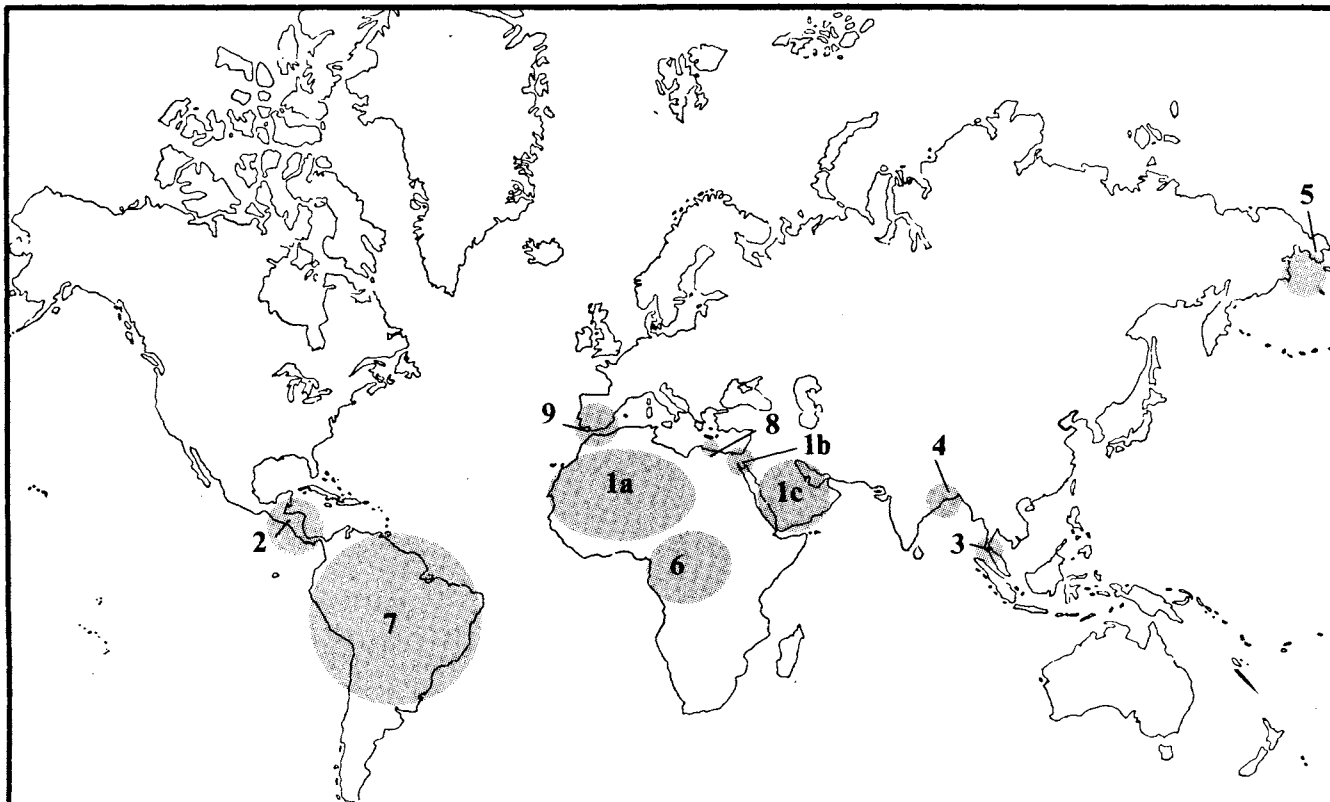
### **5) Methods for realization**

The reason why we advocate a fund separate from those established by existing international organizations, such as the United Nations and the World Bank, is because we believe that such organizations have become the scene of international conflicts of interest, in particular between the North and the South, and are showing a strong tendency of compromise. They would not be effective in promoting this concept.

On the other hand, this concept must not be regarded as a monetary measure aimed at alleviating the accumulated foreign indebtedness of developing nations, a problem which calls for a solution today. On the contrary, as we have stated above, it has an entirely different objective and mission. We therefore believe that in order to achieve this objective in the most effective manner, an appropriate international organization is necessary. By this we do not mean that existing international organizations, led by the United Nations, are inefficient, but we believe that they are inappropriate in achieving our objective.

We believe that this brief Proposition has helped you to understand the intentions of this concept. Additional study and research into concrete proposals and methods for their realization will be necessary.

Your comments and opinions will be most appreciated.



The Mitsubishi Research Institute has drawn up a list of 12 projects, out of 110 regarded as possibilities for the GIF plan, which exemplify the massive infrastructural approach of the GIF. This list is presented as tentative and to be evaluated by experts across the world, and is not a final recommendations list.

Below is the list. The number shows where the project is located on the world map above:

**1a, 1b, 1c) Greening of deserts:** Greening of the deserts in the Sahara, the Sinai, and the Arabian peninsula.

**2) Second Panama Canal:** Construction of a large canal linking the Atlantic and Pacific Oceans in Central America, (e.g., Nicaragua or Panama,) or Mexico.

**3) Kra Isthmus Canal:** A 170-kilometer-long canal linking Phang-nga Bay on the west coast to the Gulf of Siam on the east coast. This would shorten by 2,400 km the sailing distance to and from the Indian Ocean.

**4) Himalayan hydroelectric project:** Damming of the Sanpo River on the upper reaches of the Bramaputra in the frontier area between China and the Indian province of Assam, to make it flow into India through a tunnel across the Himalayas. Potential generating capacity 50 million kw, 37 million kw in average. Annual generating capacity 240 billion to 330 billion kwh.

**5) Control of sea current in the Bering Straits:** Construction of a dam across the Bering Straits at their narrowest point (85 km wide, 45 m deep) and control the sea currents flowing from the Arctic Ocean. This would alter atmospheric conditions in the North Pacific and make the climate more temperate.

**6) African central lake:** Control of the flow of the Congo

River by building a dam to create a vast lake in the Congo and Chad regions of central Africa to improve natural conditions in the area.

**7) Hydraulic power plant in South America:** Construction of 9 dams and 7 artificial lakes across the Amazon and the Orinoco and the Paraguay. The related countries are Brazil, Venezuela, Colombia, Peru, Bolivia, Paraguay, and Argentina.

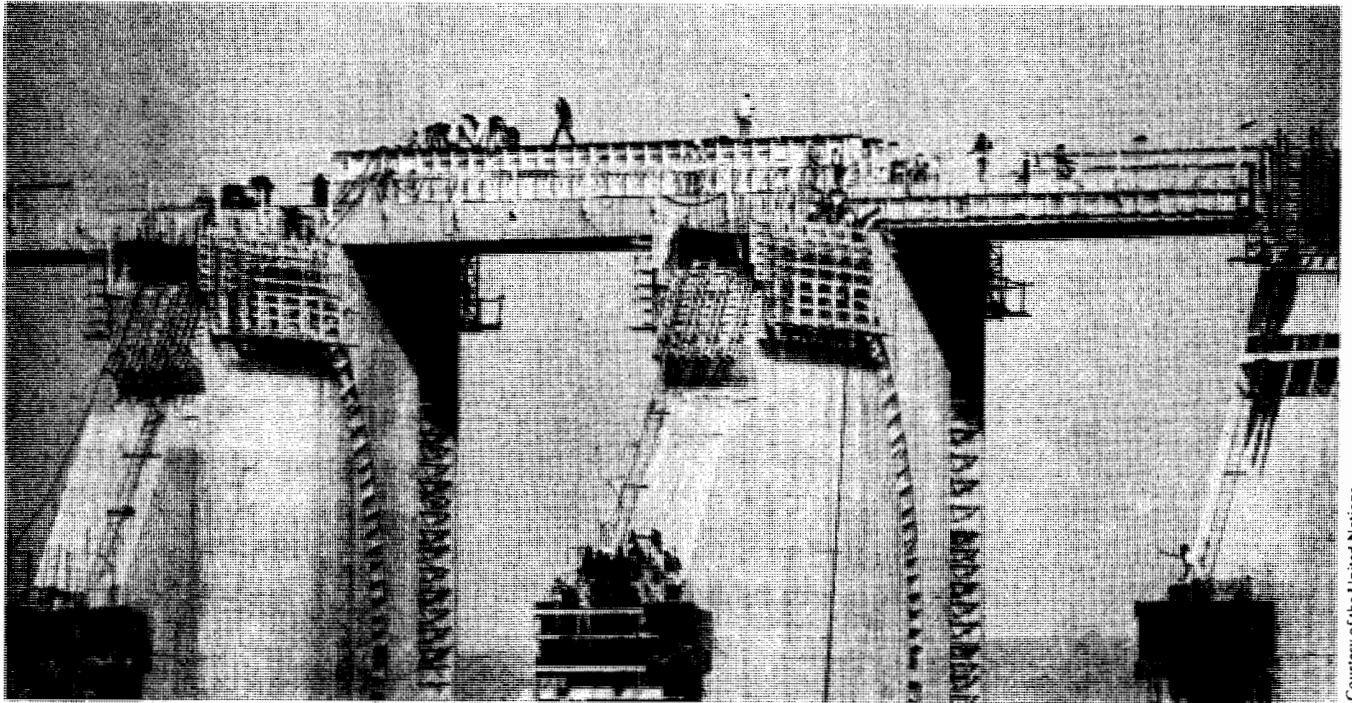
**8) Qattara Depression project:** Construction of the canal between El Dabba and El Sira. Construction of port at El Sira. By the flow of water through the canal, electric power is generated.

**9) Gibraltar Strait bridge/tunnel:** Construction of a bridge/tunnel between Morocco and Spain. European and African continents are connected through the surface transportation. The primary commodity is to be carried easily from Africa to Europe. The products of the both continents are exchanged quite easily through the bridge.

**10) Collection station for solar heat:** Erection of a large-scale installation for the collection of solar energy in a remote part of the world. Total investment in land, pipelines, and accessory equipment would reach \$20 to \$50 trillion. Its total annual energy output would be equivalent to 200 billion barrels of oil.

**11) Electric power generation using sea currents:** There are 12 promising areas along undeveloped ocean shores extending from the equator to the temperate zones. Maximum generating potential of one area, 35 million kw. Total for 12 areas, about 200 million kw.

**12) New Silk Road:** Construction of super highway, modern version of ancient "silk road" across the Eurasia continent from the central part of Europe to China.



# The Global Infrastructure Fund: evaluating methods and projects

by Ramtanu Maitra, P.E.

*EIR has asked Ramtanu Maitra, a structural engineer working in the nuclear industry, to make a preliminary evaluation of the Global Industrial Fund (GIF) concept initiated in Japan and some of the projects it specifies. Maitra was part of the group of scientists and engineers who formulated the Fusion Energy Foundation's long-range industrial development programs for India and Mexico, programs which have been widely considered among both government and private institutions in those nations. Maitra has been asked to evaluate GIF projects and propose methods of implementation.*

*The evaluation of the Bering Straits project was contributed by Fusion magazine editor Steven Bardwell.*

The 12 projects listed in the GIF plan are only a tentative listing, exemplary of more than 100 projects which Mr. Nakajima and his associates regard as worthy of consideration. The Mitsubishi Research Institute text does not discuss any project in great detail, but develops an overall concept, and then lists projects suggested by other

sources. As Mr. Nakajima told a conference in Norway recently, "Our preliminary effort also convinces us of the need of having all of these ideas fully evaluated by a group of experts."

Contrary to the "incrementalism" shaping discussion of world economic development, the overall concept of the Global Infrastructure Fund plan is to use large-scale projects to "radiate" development into those areas of the globe which, though admittedly rich in resources, have frequently been regarded as hopeless—the so-called Third World. The GIF concept attacks the most basic barrier to development—the population's bondage to subsistence farming—by proposing to create capital-intensive agriculture to both feed populations and free labor for industrial employment.

The projects themselves would thus tend to draw backward populations into a modern industrial environment. Vast in scope and capital-intensive in design, the

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*The Kainji Dam, built on the Niger River in northern Nigeria.*

projects are also designed to provide on-the-job training, in order to develop necessary skilled personnel. Such effects would be magnified by the "sub-infrastructures" the projects require: transportation, communications, housing, hospitals, educational facilities, etc.

As Mr. Nakajima pointed out in a recent speech, "In this way, the GIF would make it highly effective to transfer technologies from the developed countries to the developing countries, especially 'standard' technologies that are so abundant."

The concept of changing the climate of entire regions through the water-resource management schemes integral to some projects—control of the Bering Strait, filling in the Qattara Depression, creation of an African Central Lake, and so forth—would enable the world to augment food-grain production massively, permitting a much larger world population than presently envisaged, even at advanced-nation living standards.

In sum, the overall concept, as well as most of the projects, are well thought-out; the principal consideration remains not whether, but how to put them into practice. There is, however, one glaring exception, the energy component.

### **The energy question**

The GIF plan proposes, in part, a "collection station for solar heat," involving "a large-scale installation for the collection of solar energy in a remote part of the world," with investment in "land, pipelines, and accessory equipment" reaching \$20 to \$50 trillion. It also proposes several large hydro-electric projects, from the Himalayas to South America, and also, "electric power generation using sea currents," citing "12 promising areas along undeveloped ocean shores extending from the equator to the temperate zones."

Aside from the worthwhile hydro-electric projects, the energy program of GIF is thus glaringly inadequate—but so fundamental is the energy problem, that this could doom the overall plan. Its proposals for solar collectors were suggested by the Club of Rome, an organization not marked by any commitment to Third World progress. The proposal for electric-power generation using sea currents is equally misguided.

Nowhere does the GIF plan mention application of existing nuclear-fission potentials or development of thermonuclear fusion potentials, although Japan itself is spending significant amounts (more than the United States) on fusion research, and the Soviet Union, for its part, is proceeding on a perspective of having this "energy of the stars"—safe, clean, and so cheap that 10 cents will secure the energy-equivalent of 300 gallons of gasoline—by early in the next century. Fusion thus not only promises to overcome all energy shortages, virtually forever (its fuel is ordinary sea-water and elements as

common as lithium), but fusion technologies including isotope-separation techniques guarantee abundant resources of all types from the crust of the Earth's surface.

In the meantime, Third World development cannot occur without fission technology. Consider the energy requirements for food production alone—energy for fertilizer, for mechanization, for irrigation, for transportation, etc.—all implicit in other GIF projects. Compared to the tenfold increase in per-capita energy consumption required for the success of such development projects, solar-energy collectors would represent a net energy loss, and hydro-electric would make a minor contribution overall. The bulk of that energy must come from nuclear sources.

It is not merely increased energy per capita, but the use of the energy in its most dense form that is essential to agro-industrial development. What is involved is *energy-flux-density*.

Energy-flux density signifies a concentration and accompanying quality of energy, and is formally measured as calories passing through a standard cross-sectional unit-area of the energy producing process. For example, conventional coal and oil energy-generating systems provide 1,000 times greater density than solar-energy production, while nuclear fission is 100,000 times more energy-dense than solar, and nearly one million times greater than "biomass" (wood, cow dung, etc.). This bears directly on costs of generating a given magnitude of energy. In other words, solar energy is intrinsically 100,000 times less efficient than fission energy, and so forth. Nuclear fission thus requires substantially lower energy input to obtain even a much greater energy output, of paramount importance especially to a developing nation.

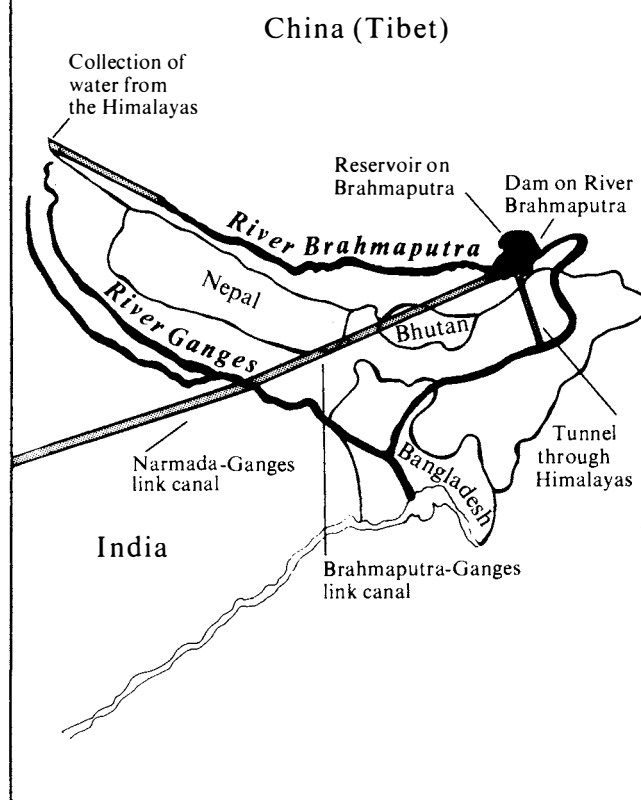
Particularly essential for Third World development projects will be the use of more advanced fission reactors, such as the High-Temperature Gas-Cooled Reactor and breeder reactor designs, with the advantage that they not only produce electrical energy, but large amounts of process heat capable of powering contiguous agro-industrial complexes.

Within a decade, however, it is possible (and the Soviet timetable is based on recognizing this fact) to have fusion-fission hybrid systems that not only produce energy, but function as "fuel factories" more efficient than breeders, producing enough new fuel in the course of producing energy to power 10 additional fission reactors, for example.

While from the energy standpoint alone, oil and coal might provide feasible resources, considerations of the "greenhouse effect" of large-scale application warn us away from these alternatives. The Earth's atmosphere may not survive the levels of carbon dioxide implied. A similar consideration applies to solar energy—even if

## Himalayan Hydroelectric Project

(GIF and FEF proposal)



A nuplex involves paired or clustered nuclear power plants surrounded by agro-industrial facilities, able by present standards to generate four gigawatts of electrical power, while industrial facilities' proximity both exploits waste-heat produced and economizes on distribution costs. A region is rapidly developed by introducing a large amount of power at maximum available energy-density, to be produced and consumed within a small area.

Nuplex waste-heat can be used to desalinate and purify sea water or polluted waters, making such "cities" pivotal in both clean water-management and agricultural development. Industrial parks huddled around the power plants would produce agricultural machinery, agrochemicals, fertilizers, and so forth.

Each nuplex would require four to six years to construct, during which period engineering and many other skills employed on the job site would provide training for members of the indigenous labor force. This would necessarily be supplemented with schools for technicians integral to the nuplex, as well as cultural programs for workers and their families.

In such fashion, the nuplex becomes the center for radiation of high-technology services to the surrounding population at large. A network of such nuplexes could transform even the most dreaded deserts of Africa and far Asia into productive terrain.

The technology for such projects is proven. At present, engineers and scientists teamed from a number of nations, including the United States, France, West Germany, Italy, and India, could produce an integrated plan for nuplex-construction throughout the Third World almost on call.

## The Himalayan project

The GIF plan proposes "damming of the Sanpo River on the upper reaches of the Brahmaputra in the frontier area between China and the Indian province of Assam to make it flow into India through a tunnel across the Himalayas," and projects an annual hydroelectric generating capacity of 240 to 330 billion kilowatt-hours. The concept is generally correct, although the size proposed is inadequate, and the project would require some reshaping to accommodate an effective water-management plan. However, even as the proposal stands it would overcome a significant problem, the hazardous floods that ravage the foothills of the Himalayas and Bengal every year.

The River Brahmaputra carries a huge amount of water, but because of the terrain, this water is not useable to any appreciable extent in any of the countries the river passes through. It is the source of death and devastation during monsoon seasons in both northeast India and Bangladesh.

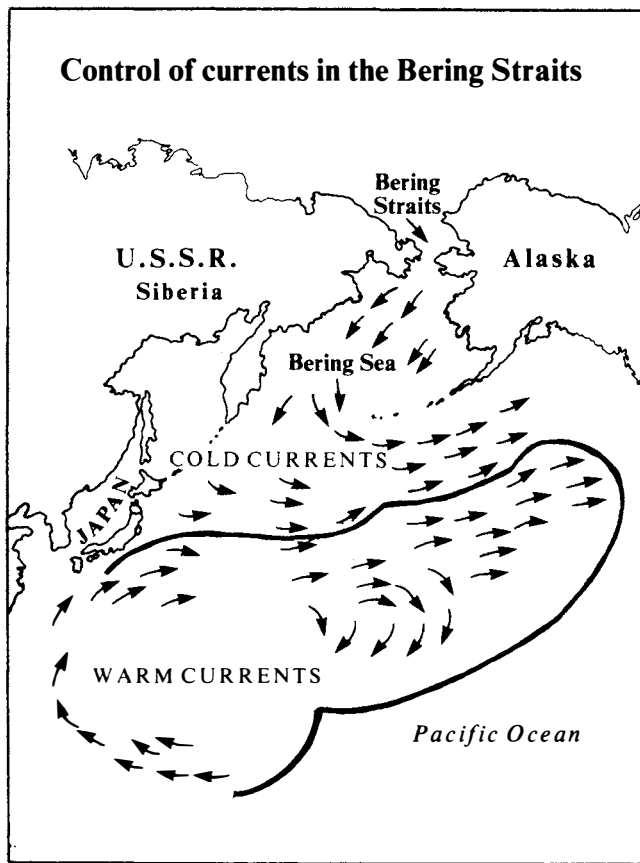
solar enjoyed an energy flux-density adequate to provide even the magnitude of energy we require, which it does not. The air pollutants produced in mining and manufacturing steel, glass, and cement for a large-scale solar-collection project—sulphur, nitrogen oxides, and carbon monoxide—would be horrendous, including modification of the hydrological cycle (rain) through the heliostats canopy (solar collector) and its effect on evaporation rates.

### City-building through nuplexes

Related to the question of energy concentration is population concentration. GIF infrastructure projects provide the initial basis for industrialization, but the only means man has ever successfully employed to achieve it is the industrial city.

In the early 1960s, Oak Ridge National Laboratories in Tennessee developed an imaginative concept for Third World city-building. It was called "nuplex," short for "Nuclear Agro-Industrial Complex." At the present time, the Indian government is constructing such a nuplex in the state of Uttar Pradesh, using the Oak Ridge ideas.





While the GIF proposal is excellent from the standpoint of hydro-electric capacity and flood control, the plan should be expanded to include vast irrigation works for Indian agriculture. Taking into account India's very fertile but undeveloped soil, the Fusion Energy Foundation incorporated into its 1979 Indian industrialization program an extensive plan for water works and fertilizer production, projecting a tripling of India's grain output within two decades on this basis. India would become a major food exporter.

The FEF program in this respect was based on work by Dr. K. L. Rao, the eminent Indian engineer and once Irrigation and Power Minister. In 1972, he envisaged a comprehensive plan that would revitalize the Ganges and control the waters of the Brahmaputra for effective use. Rao's plan looked forward to the production of an additional 30 to 40 million tons of foodgrains annually in north India alone, along with at least 40 gigawatts of additional hydro-electric capacity for industrial consumers.

Indian authorities subsequently developed the Himalayan Rivers Development plan, which called for construction of storage reservoirs on the Ganges and the River Brahmaputra and its principal Indian and Nepalese tributaries. Interlinking canal systems would transfer surplus flows from the eastern tributaries of the Ganges to the west, with a canal connecting the Brah-

maputra and Ganges themselves.

The plan would bring 5 million additional hectares under irrigation, and generate 30 gigawatts of hydro-electric power per year. It would also considerably assist flood control in the Ganges-Brahmaputra basin, and could no doubt benefit Nepal and Bangladesh as well as northeast India.

## The Bering Straits current

The economic potential of Siberia was "discovered" in the 1930s, and ever since, Soviet planners have been fascinated by its development prospects, including "warming" of the region. For example, Soviet meteorological texts rarely fail to note that the principal determinant of Siberia's cold weather is the Bering Strait current, which brings frigid Arctic air south past Siberia and Japan, and is thought to operate in much the same way that the warm Gulf Stream keeps England abnormally warm and moist.

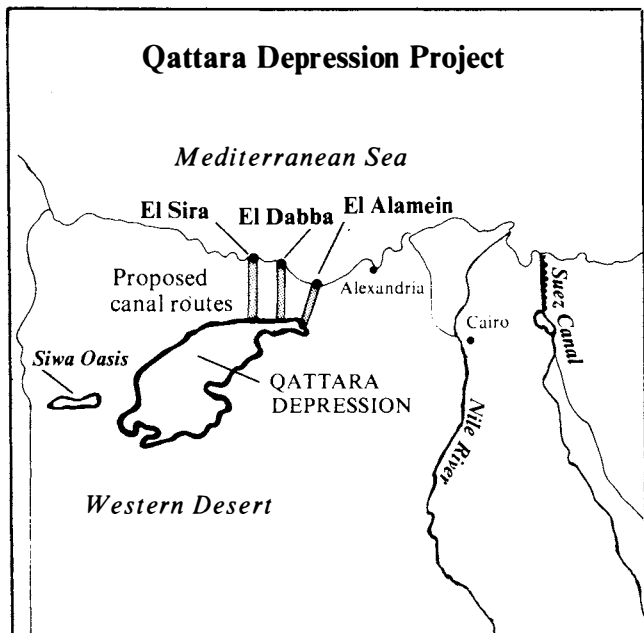
Various plans for the control of the cold-water current have been proposed, one of which is alluded to in the GIF scheme. An examination of the prevailing currents in the area show two reasons why the strait's current causes a cold climate in northwestern Siberia: First, the currents sweeping southward depress the temperature and stabilize the cold air masses over land; second, the southward motion of the currents diverts the warm South Pacific currents traveling northward away from the Asian land mass. The result is a highly stable region of coldness.

The GIF project would dramatically change this arrangement of currents, inducing a climatic modification (not merely weather modification) that would dwarf all other consequences of the plan.

The most feasible means of Bering Strait current-control is construction of a large hydro-electric dam across the straits. Such a dam would be uniquely designed to control flows of salt water in their gravitational or rotational driving motion, rather than making the usual fresh-water discharges into the sea. The engineering problems in such construction seem surmountable, and would certainly be repaid many times over were even a small part of Siberia or Japan to be warmed by the consequent climatic change.

A careful analysis of the project is impossible at this time, lacking a successful model of *global* climatic shifts. The interplay of ocean currents, atmospheric motion, and precipitation is a largely unsolved problem today. There is no even remotely reliable model for projecting long-term climatic change's effect on related earthly processes. While meteorologists have had limited success in short-term prediction, longer-term climate dynamics have eluded solution.

The Bering Strait project might, in a conservative



approach, await the solution to this scientific problem before becoming feasible; in a more daring approach, the straits might be seen as a great laboratory for experimental mapping of the physics of the Earth's climate.

The other major determinant of the northern and polar climates is the polar ice cap. Due to its high albedo (reflectivity of the surface) and its effect on ocean temperature, variants in the ice cap's extent and thickness can affect the climate in this region. This fact becomes important in the evaluation of several major water-project proposals.

For example, projects that involve diverting millions of acre-feet of water annually southward from far-north areas would produce a secular increase in the salinity of the Arctic Ocean by lowering the inflow of fresh water. This is to be considered in a number of such Siberian plans, as well as the NAWAPA project for moving Canadian and Alaskan water down into the United States and Mexico. The extent and impact of increased Arctic salinity is difficult to gauge on the basis of present oceanographic knowledge. It seems clear, however, that the effect would be to melt ice in the Arctic area and decrease the extent of the polar ice cap. A general warming trend would result, complementing the impact of the Bering Straits control-dam.

What other effects might it have? A serious study of the climatological impact of such projects would be a necessary component of the engineering evaluation.

## The Qattara Depression

The GIF plan proposes "construction of a canal

between El Dabba and El Sira; construction of a port at El Sira; and electric-power generation by the flow of water through the canal."

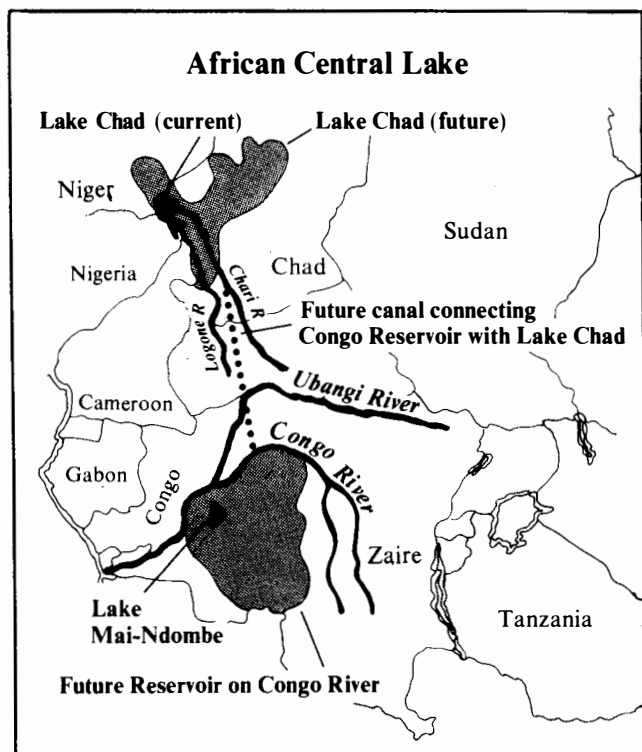
At the Western Desert of Egypt, about 50 miles south of the Mediterranean Sea, there exists a dry, massive depression. It is much lower than sea level. Simply cutting canals from the sea and using pumps where necessary would allow the Mediterranean water to rush in. Then a dramatic metamorphosis would occur in the entire region, "greening" the desert and making possible the transformation of the entire surrounding region into an agriculturally productive region. The GIF plan envisages such results.

In the early 1970s, a West German team of experts reached similar conclusions and declared the project economically viable. Agricultural development would tend to follow even without irrigation (the flow of Mediterranean waters, for example, would require desalination on a large scale to turn these flows to such a purpose) on the principle that "rain follows the plow." By creating a great pool of water inland in the Qattara Depression, presently arid, a vast evaporation process is engendered. This leads to increased regional rainfall, making feasible agriculture in nearby areas, in turn generating further plant-based evaporation process, greater rainfall, and so forth.

The German study envisages nuclear construction methods for canals approximately 140,000 square feet in cross-section. Excavation would occur by nuclear blasts as developed by the "Operation Plowshare" group at Lawrence Livermore Laboratory in the late 1950s, the Salvo process designed to emit negligible radiation. Simultaneous ignition of a group of explosive charges along the axis of the canal would have a detonation point so deep that a continuous cut with a hyperbolic cross-section along the axis would be formed by the row of craters. The excavation costs by this nuclear method would be half conventional excavation techniques.

Turbines placed where the sea-water rushes into the depression would create about 10 gigawatts of cheap hydro-electric power. The long-term benefits would be enormous. Agriculture would be enhanced by the evaporation process, while surplus hydro-electric power due to lower summertime requirements could be channeled into desalination facilities attached to irrigation works. Moreover, the vast lake formed at the site of the Qattara Depression would raise ground-water levels, permitting freshwater springs to form in the nearby Siwa oasis.

Industries located near the new hydro-electric-power source could use the salt and mineral resources extracted from the sea-water for basic petrochemical and fertilizer production. The fishing industry would soon locate on this 190-mile-long, 62-mile-wide lake, which



could also become a transshipment point for ocean-going vessels.

## The African Central Lake

The GIF plan proposes "control of the flow of the Congo River by building a dam to create a vast lake in the Congo and Chad regions of central Africa to improve natural conditions." This would be an immense international project, resulting in hydrological, ecological, and climatological change permitting cultivation of 800,000 square miles of land, more than five times greater than Japan's own arable territory, where 110 million people live.

Today, millions face starvation in the Sahel, an area whose soil is as rich as that of the U.S. Great Plains, but unproductive through lack of water, fertilizer, and mechanized techniques. This area and the Congo basin south of it would become horns of plenty.

According to the GIF proposal, a dam would be built on the Congo River north of Brazzaville, creating the gigantic lake in what is now the Congo Basin, about 130 square miles. A canal excavated for this purpose would transport some of the water to enlarge Lake Chad in Central Africa.

The new Congo Lake would be connected with spoke-like rivers and canal systems, becoming the axis of interior African transport. The Congo's hydro-electric potential would be doubled.

The Congo Lake would be connected to Lake Chad, which is now nearly dried out at the center of enormous depression, by blowing a canal where the Congo river's right-hand tributary, the Ubangi, bends northward approaching the mountain chain of the northern equatorial ledge which regulates a water shed. The Chad depression is a mountain-enclosed basin 1,400 feet above sea level. By increasing the water flow, Lake Chad, now 800 feet above sea level at the depression's center, could be raised to the full altitude of the natural basin's ridge. In that case, the Congo Lake would provide enough water to Lake Chad to give 4,000 miles of coastline.

## The Amazon project

The GIF proposes "construction of nine dams and seven artificial lakes across the Amazon, Orinoco, and Paraguay rivers," affecting seven Latin American countries.

This project, fraught with potential danger, requires very careful examination. In the 1960s, a plan floated by the Hudson Institute under the title "New Focus on the Amazon" called for building a 40-mile-long dam to block off the Amazon River and create a 500-mile lake, flooding an area twice the size of Lake Superior.

The Brazilian government quickly vetoed the plan, in part because it did not promote agro-industrial development, but only facilities for resource extraction.

In addition, Brazil feared the climatic consequences of indiscriminate deforestation. Climatic impact and instability becomes a major consideration in any large river-basin development program. Large-scale deforestations, necessary to build dams and lakes, weaken the soil and cause drops in annual rainfall. The degree of deforestation of the Amazon already undertaken has proved to be calamitous, and is even believed to have affected North American and European weather patterns dependent on the Amazon low-pressure zone built around columns of evaporation.

Nevertheless, judicious planning and competent execution could transform South American river basins into agricultural breadbaskets. Exemplary is the Rio de la Plata river basin which, with adjacent areas, has 250 million hectares of rich alluvial soil. Agronomists assign greater yield potential to this soil than to the U.S. Great Plains or the Soviet wheat belt; nor would it require the vast water projects of Indian, African, or NAWAPA plans to realize that potential.

Currently, Japan is involved in a project to develop 50 million hectares of arable land in Brazil's central Cerrados plain. This and the Rio de la Plata, expanded to encompass industrial projects, would be the best initial South American focuses.

# The financial and political feasibility of the GIF approach to investment

by Richard Katz

Masaki Nakajima is very clear that the GIF is to be quite distinct from the International Monetary Fund (IMF) and World Bank. "The reason why we advocate a fund separate from those established by existing international organizations, such as the United Nations and World Bank," Nakajima's proposal states, "is because we believe such organizations have become the scene of international conflicts of interest, in particular between the North and the South. . . . They would not be effective in promoting this concept."

Nakajima's credit policy is also diametrically opposite to that of the IMF and World Bank, which have ordered entire countries to enforce starvation-level cut-backs in food imports in order to pay short-term debts to the IMF and to private banks. In contrast, for the GIF, Nakajima wisely proposes, "GIF should consist of both 'grants' and 'loans.' Primarily, however, GIF should be directed toward a type of multinational public investment project that could not be adequately handled by any type of existing international organization because of its massive fund need and/or extra-long duration of execution. . . . For this type of 'super-project,' typically, a grant or an extra-long-term soft loan would apply—a good example of this nature being a project for food production, establishment of large-scale irrigation systems, development of alternative energy sources. In contrast, for a macro-engineering project such as a canal construction which might become profitable upon completion, loans might be preferable."

Nakajima, however, sidesteps the need to reform the currently diseased international monetary system—the complex of speculative Eurodollar funds, immense Third World debt overhang, high interest rates, and enforced austerity—that has produced the world economic crisis he wishes to cure. "The GIF," says Nakajima, "must not be regarded as a monetary relief measure aimed at alleviating the accumulated foreign indebtedness of developing countries, a problem that calls for solution today and *within the existing international system* [emphasis added]." The reality is that, without international monetary reform, the GIF simply cannot be realized. Such massive infrastructure projects cannot proceed while

production and living standards are devastated around them due to financially dictated austerity drives.

A series of proposals for monetary reform has been circulated by *EIR* founder Lyndon LaRouche, Jr., who also serves as Chairman of the Advisory Committee of the National Democratic Policy Committee. In 1975, LaRouche presented a proposal for an International Development Bank (IDB). Like the GIF, the IDB is to act as a new international development funding institution separate from the IMF-World Bank; indeed, the IDB is intended to replace the IMF and World Bank.

LaRouche proposed a system of outright grants and long-term loans with 10- to 15-year grace periods to finance projects even grander than those cited in the GIF, e.g. Rio de la Plata agro-industrial, Sudan-Sahel-Savanna irrigation, Mideast agriculture, and Himalayan irrigation. LaRouche also envisioned a program on the scale of several *trillions* of dollars.

The chief distinction, however, in the IDB and subsequent LaRouche proposals was the question of international monetary reform. LaRouche has proposed the combination of the IDB and a "gold-reserve system" to clean up the international debt problem. The IDB, to be created by agreements among sovereign states, potentially including the U.S.S.R. and Eastern European nations, would issue gold-denominated bonds at 2 to 4 percent interest, to finance the international projects. These bonds would be rediscounted through national and private banking systems at no more than 4 to 6 percent interest, providing credit for the industrial ventures needed to produce the goods both for the international projects and for domestic rejuvenation. Such low-interest credit would be restricted to direct investment in industry or agriculture, and hard-commodity trade. Because the credit was ultimately based on a gold reserve (*not* a pre-World War II-style deflationary gold exchange standard) system, the interest on the bonds, albeit "low" by today's standards, would be guaranteed against inflation. Therefore the real return would in fact be more than it is on a 10 percent bond during 12 percent inflation. Banks holding short-term high-interest, but insecure, Third World or other debt could rediscount the debt for

longer-term, low-interest debt—that in fact guaranteed a “real” return—provided the new credit was restricted to the productive tasks as defined above.

### **Nakajima’s ‘American System’ economics**

Once monetary-reform measures are added to the GIF proposal, the plan is eminently feasible from an economic viewpoint. The reason is simple: behind the GIF proposal stands a legacy of economic theory that is responsible for the two most successful cases of the rapid transformations of backward, agricultural countries into industrial powerhouses: Japan and the United States. “The American System” theorists include Alexander Hamilton and the economists who created Lincoln’s Republicanism: Mathew and Henry Carey, Friedrich List, and Erasmus Peshine Smith. The founders of modern Japan in the 1868 Meiji Restoration took these writings as their guide; for five years, Smith, a State Department official in the Grant administration, was the Meiji government’s senior economic adviser. To this day, the ideas of Hamilton, Carey and List are very widely known among Japan’s business leaders.

Nakajima is a product of this system. It is particularly fitting that he comes out of the Mitsubishi business group, since this was created *de novo* in the 1870s by the Meiji political leaders as the business vehicle for their industrialization plans. After graduating in 1928 from the elite Tokyo Imperial University, Nakajima joined Mitsubishi Bank, eventually becoming a director. In 1973 he was named Chairman of Mitsubishi Steel. In 1970, he founded the Mitsubishi Research Institute (MRI), where he produced the GIF proposal in 1977.

Perhaps the most direct influence on Nakajima’s development of the GIF conception was his position as a trustee of the powerful Keidanren business federation, and as a member of the Industrial Structure Council (ISC) of the Ministry of International Trade and Industry. In 1970, the ISC developed a *Long-Term Vision of Japan*, which proposed a “knowledge-intensive” economic strategy to propel Japan to the frontiers of industrial technology, and declared that the long-term economic health of the advanced sector was impossible without industrialization of the Third World.

### **Nakajima versus the naysayers**

Many of the most powerful political institutions of the United States and Europe insist that Third World industrialization is both impossible and dangerous, a threat to “limited resources” and political stability.

These institutions suggest that developing countries are too backward for real industry and must limit themselves to what they call “appropriate technology,” e.g., cow-dung energy. In contrast, Nakajima told a Norwegian audience, “GIF would make it highly effective to transfer technologies from the developed coun-

tries to the developing countries, especially “standard” technologies that are so abundant. . . . A typical GIF project would require 10 to 15 years to complete. During that period of development . . . recipient nations would have a great opportunity for applying transferred technologies locally by means of on-the-job training at various stages of project development. The results would be the enhanced basis of the Third World for further economic and industrial takeoff.”

The Club of Rome-Global 2000 school also insists that there are too many people in the world, particularly in the developing countries, and that their population must be curbed, not only by birth control, but by *lowering* living standards. Nakajima counters, “Another important problem is how to deal with the food shortage in the South [developing countries]. . . . I agree with biologists that greater, better nutrition would reduce birth rates. As commonly observed among all living creatures, the multi-birth phenomenon is for the purpose of survival of particular species, which would eventually face the crisis of famine and extinction. We must avoid this happening with the South.”

In response to those who claim that “limited resources” preclude Third World industrialization, Nakajima comments, “[S]ince the major objective of such multinational investment [the GIF] would be to remove restraints of resources, it would also serve to eliminate stagnant economic activities and unemployment. . . [through] the development of untapped energy resources, the development of oceanic resources, and the improvement of environments.”

The final objection of many U.S. authorities, particularly at Commerce and Treasury Departments, is the assertion that transferring industry to countries like Mexico, Korea, or Brazil will bankrupt American industry. In reality, this problem exists only if the United States does not advance technologically. In a Washington, D.C. speech, Nakajima pointed to Japan’s role in modernizing Korea, a prime example of the Industrial Structure Council strategy. “Some quantitative studies on the interdependence between Japan and Korea indicate that both countries have acquired much more industrial development than usually conceived—quite contrary to the prevailing theory of the boomerang phenomenon [the theory that promoting other countries’ industrialization will undercut the more advanced nation’s advantage].” Moreover, he added, “GIF would not only serve to stimulate direct demand for the machinery and other capital goods which would be required for the construction of global infrastructure, but also kindle the spark of interest in new industrial innovations, if not radical breakthroughs. . . . Consequently, the development of newly created technologies will contribute to the growth of economies on the part of industrialized nations as well.”

## Exchange controls: the new debate in Mexico

by Timothy Rush

A topic generally taboo in public policy discussion in Mexico is suddenly front-page news: exchange controls. During the week of Feb. 8, the radio station of the National university, Radio Universidad, was broadcasting almost hourly a scorecard of which political parties and individuals had come out for and against. On Feb. 9, Bank of Mexico director Gustavo Romero Kolbeck concluded that he had to attempt to contain the debate and issued a strong statement calling exchange controls "utopian." The monetarist central bank chief, an ally of Paul Volcker's, declared that such a move "would not be desirable for Mexico" since "we shouldn't restrict free convertibility" of the peso.

The surge of debate regarding exchange controls is the sharpest reflection yet of the decline in Mexico's financial health due to declining oil revenues, high international interest rates, and capital flight. A broad group of Mexican nationalists is increasingly seeing exchange controls—never before instituted in the country—as the only way to prevent collapse of the economy.

### Meeting of the Republic

The spark for the round of public debate was the speech of President José López Portillo keynoting the fifth "Meeting of the Republic", held in Guadalajara on Feb. 4-5. López Portillo excoriated the Volckerite

policies in industrialized nations which have forced the entire world economy into a depression "not seen since 1929," and pledged an uncompromising battle at home to defend the Mexican economy from this assault.

Some of the strongest passages in the speech denounced as traitors those Mexicans who take their money out of Mexico, and invest in real-estate or other speculation abroad. He called for a halt to luxury imports and a halt to luxury Mexican tourism abroad.

But stronger still was his condemnation of "hidden international interests . . . who are coordinating to change our foreign-exchange policy." From a welter of sources he could have cited, including recent *Wall Street Journal* columns, he chose a call to speculate against the peso issued in a Cincinnati newsletter. Columnist León García Soler, wrote a few days later that in fact the rumor of an imminent peso devaluation had penetrated even into the Meeting of the Republic, which gathers Mexico's political elite to commemorate the ratification of Mexico's present constitution on Feb. 5, 1917. According to García Soler, the President ordered an immediate investigation by his staff, and traced the rumor back to sources "in New York."

López Portillo concluded his speech with the appeal: "I call upon you with all emphasis, with all passion: let us continue defending our monetary policies."

At the height of an artificially induced panic against the peso last summer, the President called back-to-back press conferences in which he succeeded in facing down those spreading psychological warfare.

### **Walkout**

However in recent weeks the domestic forces working with external economic-warfare operations have sharply stepped up their pressure. As reported in last week's *EIR* (Feb. 16, 1981), plans for undermining the López Portillo government on both economic and political grounds were put in place at a private meeting in the same city of Guadalajara three weeks before the Meeting of the Republic. At the "Atalaya '82" conference, special attention was focused on organizing middle-class opposition to government policies, around marches and work slowdowns reminiscent of the "pots-and-pans" marches of housewives in Chile just before the fascist Pinochet coup in 1973.

The seriousness of the threat posed by the forces behind the Atalaya meeting was underscored at the end of the Meeting of the Republic, when Industry Minister José Andrés de Oteyza rose to reiterate López Portillo's call for cooperation in expanding the government's economic defense efforts. De Oteyza asked the country's productive forces "to continue working for the development of the country, through a healthy process of industrialization and job creation." He was particularly addressing a group of businessmen who had been invited as observers to the conclave of government officials for the first time.

But when De Oteyza took explicit note of Atalaya-type plotting against the government, urging the audience to "banish the pots-and-pans attitudes of our prophets of disaster," the businessmen present felt themselves sufficiently implicated to stand up and walk out of the meeting.

### **Heavy artillery?**

Given the prospect of determined resistance to the López Portillo appeal from interests allied with the flight-capital operations—interests notoriously indifferent to appeals to conscience—what will be the government's next step?

The editor of one of Monterrey's leading newspapers, *El Diario de Monterrey*, expressed what was on many people's minds when he wrote two days later: "never has a president so openly presented the fight for the decisions on monetary policy. . . . Perhaps this means that he will call upon the heavy artillery. Will he decree exchange controls?"

One of the most cited programs involving exchange controls in the current debate was presented by the Mexican Labor Party (PLM) last fall. The PLM empha-

sized that exchange controls are required not just to stanch the outflow of flight capital but to regain control of the credit system and begin issuance of low-interest domestic credit for strictly productive use. The PLM saturated the Meeting of the Republic in Guadalajara with copies of its five-point program.

Voicing the same distinction between productive and non-productive uses of foreign currency and credit was one of the leading advisers of the government sugar monopoly, Clemente Ruiz Duran. In a Feb. 6 call, a day after the López Portillo speech, he urged the establishment of a two-tiered exchange rate. A Mexican needing dollars to import essential capital goods would be able to buy a dollar cheap; but a person seeking dollars for personal travel, consumption, or investment abroad would find that the price was prohibitively expensive.

Perhaps the sharpest blast in the major media came from Mexico's largest newspaper chain, *El Sol*, which editorialized Feb. 8 that "capital which is invested in installations, machinery, equipment and raw materials . . . cannot be taken out of the country overnight. The capital taking flight are therefore not those invested in places of work, but are those that are idle. And these capitals come as a general rule from illicit or unexplained wealth. It is from that flight of capital that the country must be defended."

### **A question of liberties**

Those opposing exchange controls immediately rolled out the often-repeated arguments against the measure. Manuel Clouthier, former head of the Businessmen's Coordinating Council, charged that the 3,000-kilometer border with the United States made the idea of exchange controls "absurd."

Many have realized that this argument itself is absurd, however—flight capital doesn't leave the country physically along the border, it gets wired out through banks. Other defenders of free convertibility of the peso couched exchange controls as an attack on free enterprise. The director of the Banco de Crédito Mexicano, Arturo Alvaradejo Urrutia, called a special press conference Feb. 8 to state that controls were unacceptable: "Either we have liberties, or we don't."

Banco de Mexico director Kolbeck, in his statement a day later, declared that exchange controls had been a failure in such European countries as England during the Second World War, and therefore "were not advisable for Mexico." The Banco de Mexico has recently come under suspicion of possibly facilitating the drain of pesos into dollars, even for domestic credit purposes. Top Bank of Mexico officials have told *EIR* that the Bank intends to keep interest rates high no matter what.

# Italians pursue upper levels of terrorism

by Nora Hamerman, Editor

Since NATO General James Lee Dozier was liberated from his terrorist captors on Jan. 28, the ongoing Italian investigation of the Red Brigades has turned up half a dozen major leads into the financial and intelligence networks behind terrorism. In a press conference in Rome in early February, magistrates presented the results of the first phase of their anti-terrorist crackdown: since Jan. 1 more than 400 suspected terrorists have been arrested, and 40 safehouses dismantled. As the following summary of investigative leads indicates, the biggest chokepoint for mopping up the terrorist apparatus is not inside Italy, but forces within the American, British, Canadian, Colombian, and French governments which are hostile to the anti-terrorist effort.

## **Venice: center of terrorism**

Italian authorities have concluded that the city of Venice and its surrounding Veneto region have been the strategic center for the Red Brigades since 1974, according to the Feb. 5 issue of the nationally circulated Catholic newspaper *Avvenire*.

The hypothesis of a Veneto center for terrorism has previously been fiercely denied by Toni Negri, the Red Brigades professor from Padua jailed for his role in the Aldo Moro kidnap-murder. Negri, whose wife is a member of the Venetian nobility, insisted in a memorandum issued from his jail cell that it was "impossible" to identify the Veneto as the center.

In fact, this region, a cauldron of both "red" and "black" terrorism for years, looks like the deployment headquarters within Italy for the Propaganda 2 (P-2) Freemasonic lodge which was exposed last May for conspiring to overthrow the Italian government and impose a monarchist-fascist regime. Verona, where Dozier was kidnapped, and Padua, where he was rescued, are both in the Veneto. Situated in northeastern Italy and bordering both the Balkans and Eastern Europe, the region has become the crossroads for the international heroin trade from the Middle East into Germany.

Verona is, of course, the base of NATO Command Land South. It is also Italy's heroin-addiction capital, with a nearly 10 percent addiction rate. Out of the NATO psychological warfare unit here was deployed the 1974 fascist coup plot known as Rosa dei Venti. Prince Alliata di Montereale, a leading figure in the P-2 conspiracy, and the fascist journal *L'Opinione Pubblica* operate from Verona.

Nearby Padua is notoriously the stronghold of the "black" (fascist) movement, having harbored the neo-Nazis Freda and Venturi, who were jailed for the 1969 Bank of Agriculture bombing massacre in Milan that began the "strategy of tension." *Avvenire's* account hints that the networks of OVRA, the Mussolinian secret police, have never disappeared from this region. During the last years of World War II, the liaison for OVRA with the Nazi Gestapo was none other than Licio Gelli, the Grand Master of the P-2 lodge, who is now a fugitive from justice.

The weapons traffic for the terrorists has followed precisely the Mediterranean routes of the Venetian oligarchy's slave and spice trade during its heyday from the 11th to the 18th century. According to a confession by Antonio Savasta, one of Dozier's captured wardens, the weapons were brought from Lebanon to Cyprus to Venice in a boat by psychiatrist Massimo Gidoni—another one of the "respectable professionals" who has turned up in the investigation. Weapons of this provenance were to be used in a Red Brigade attack on the national office of the Christian Democracy in Rome, to be led by criminology professor Giovanni Senzani. This plan was thwarted by Senzani's capture Jan. 9.

## **The Hyperion school: a Paris link**

The Hyperion School in Paris has been identified by one of the terrorists captured in the liberation of Dozier as "the European brain of the Red Brigades." One of the three bosses of the Hyperion, Vanni Molinaris, was picked up in Udine (the northeast of Venice) in the sweeps that followed the Dozier release.

Judge Pietro Calogero, the magistrate in Padua who had arrested Toni Negri in 1979, had begun investigating Hyperion, but his probe was blocked by the heads of the Italian secret services. Later, in May 1981, these secret service heads were exposed as members of the P-2 lodge. Besides Paris, Hyperion has offices in London, Brussels, and two centers in Italy.

## **Socialist International trade unions**

On Feb. 4, a special squad of the DIGOS police unit entered a national trade-union convention in Florence to arrest Luigi Scricciolo, chief of the international department of the UIL labor confederation, which is dominated by the Italian Socialist Party. Scricciolo was charged with membership in the Red Brigades and



armed insurrection against the state. Police had discovered that his apartment was serving as a safehouse and major weapons cache.

According to the confession of Red Brigader Savatta, Scricciolo was "public-relations man" for the band and kept contact with Irish Liberation Army and Basque terrorists. He had a network of foreign contacts centered around Libya's Muammar Qaddafi, believed to be a major financier and weapons supplier to Italian terrorism.

Luigi's cousin, Loris Scricciolo, is an important Red Brigader who took personal responsibility for the May 3, 1979 assault on the Rome office of the Christian Democratic Party in which three people were killed. He also allegedly shot the deputy chief of the Rome political police, Nicola Simone, early this year.

Giorgio Benvenuto, the general secretary of the UIL and a leader in the International Metalworkers Federation, got Scricciolo his post in the UIL, but has denied all knowledge of Scricciolo's activities. Police note that since the UIL leadership had the keys to Scricciolo's house, where they met regularly, it is most improbable they never encountered the Red Brigaders who also constantly met there.

The UIL was set up after World War II through the intervention of U.S. Social Democratic trade unionists, notably Jay Lovestone, Irving Brown, Vanni Montana and Serafino Romualdi. More recent support for the UIL came from the Carter government through Ambassador Richard Gardner, and former United Auto Workers president Leonard Woodcock.

### **The Haig-Ledeen connection**

Michael Ledeen's latest attempt to cover up his involvement with Propaganda-2 Grand Master Licio Gelli has become the subject of a formal inquiry in the Italian Parliament. On Feb. 8, Bassanini, a Socialist parliamentary deputy who opposes Socialist Party chief Bettino Craxi, raised a parliamentary question over reports that Ledeen, who is the top adviser on European affairs to U.S. Secretary of State Alexander Haig, has gone to Uruguay in an attempt to locate and confiscate a Gelli dossier detailing the nature of Ledeen's relationship with the P-2 Grand Master. The inquiry requires a formal response by the Italian government.

A few days earlier, the Italian weekly *Europeo* had reported that Ledeen was dispatched with \$15,000 to offer to the government of Uruguay for the dossier. *Europeo* described Ledeen as the State Department man "responsible for relations between the Socialist International and the State Department." When the P-2 scandal broke last year, several Italian periodicals reported the existence of a "Haig dossier" found at Gelli's residence, a dossier believed to document Haig's collaboration with the P-2 conspiracy over a 12-year period.

A month ago, *Europeo* revealed that Ledeen, who spent several years in Italy, used to be on the payroll of the P-2 lodge (see *EIR*, Feb. 9, 1981).

*Europeo* also reported that Ledeen came to Italy in 1980 to "investigate" the Billy Carter affair. Ledeen met with Michele Papa, a Mafia-connected lawyer from the Socialist Party in Sicily, who had arranged Billy Carter's infamous 1979 trip to Libya. An informed source in Italy told *EIR* that Ledeen was put in touch with Papa by a journalist living in Verona (see "Venice," above).

### **Britain harboring terrorists**

A British right-wing cult named the League of St. George is protecting known Italian right-wing terrorists with the knowledge of U.K. authorities, according to the Feb. 7 London *Observer*. During the previous week, the Italian government asked London to extradite Italian immigrants identified for terrorist activities, but Britain refused, the *Observer* reported.

Up to 23 right-wing Italian terrorists are suspected by British police to be living in London. Others are said to be seeking contact with the IRA terrorists in northern Ireland. The League of St. George, which sponsored the escape of the terrorists from Italy, is also actively involved in neo-Nazi groups in West Germany.

### **Red Brigader gets 'political' status in Colombia**

An Italian government extradition request was also turned down by Colombia, in the case of Red Brigade member Leandro Barozzi who has been teaching at the Universidad de Valle in Cali. Colombia maintains that Barozzi is a "political" and not "criminal" fugitive. He is wanted by the Italians in connection with the murder of Aldo Moro in 1978.

The Colombian supreme court first stalled the extradition request because the two countries have no extradition treaty, and then declared it had no authority to arrest Barozzi because the responsibility was the foreign minister's. The foreign minister refused to order the arrest. Barozzi told the press that he is not a Red Brigade member and that "my only crime is my friendship with Toni Negri." He pledged to turn himself in to the immigration authorities but has since disappeared.

Meanwhile, the leading Colombian drug trafficker and arms supplier for the M-19 terrorist group, Jaime Guillot Lara, who was recently arrested in Mexico, is also demanding protection as a "political refugee." The United Nations reportedly sent representatives of its High Commission on Refugees to interview Guillot and possibly take up his defense.

Francesco Piperno, a "physics professor" wanted in Italy in the Moro case, has taken refuge in Montreal. Three months ago, the Canadian government refused an Italian extradition request for Piperno.

# The Muslim Brotherhood threatens to assassinate President Mubarak

by Nancy Coker

As Egyptian President Hosni Mubarak wound up his tour of the United States and Europe and returned home to open Egypt's Feb. 12-14 summit meeting on national economic policy, the Muslim Brotherhood—the semi-secret fundamentalist sect which the British Foreign Office deploys for terrorist operations, including the assassination of Anwar Sadat—prepared for their next undertaking: the murder of President Mubarak.

“Mubarak did all the wrong things in Washington,” said an Israeli intelligence-linked source with ties to the drug- and gun-running Muslim Brotherhood networks that Mubarak is trying to suppress. “I would not be surprised to see him disappear, like Sadat.”

“The conspiracy in the Egyptian army that killed Sadat will probably get rid of Mubarak before April 25,” said another source. April 25 is the date of the final Israeli withdrawal from the Sinai peninsula.

These are not inconsequential threats. Three weeks before the murder of Sadat, the same intelligence circles had revealed that Israeli Defense Minister Ariel Sharon wanted to eliminate the Egyptian president.

Investigations by *EIR* have identified the on-the-ground coordinators of the operation to assassinate Mubarak. They include the Geneva- and London-based Muslim Brotherhood leaders Said Ramadan and Salem Azzam; Libya- and Syria-based renegade Egyptian general Saad el-Shazli; Syria-backed Palestinian terrorist Abu Nidal and the Popular Front for the Liberation of Palestine; intelligence services of Israel, Syria, and Britain; and associates of Secretary of State Alexander Haig.

## **Mubarak's focus: economic development**

The haste to do away with Mubarak is because of his commitment to restore the international prestige Egypt had under President Nasser.

During his visit to the United States, Mubarak challenged the Reagan administration to support a program for the industrialization of his country. Economic development possibilities were the chief agenda topic in his meetings with President Reagan.

Mubarak reportedly made two points in his discussions with the American President. First, he is not interested in a continuation of the “open-door” policy

as it was carried out by Sadat under the direction of Henry Kissinger and his bankroller David Rockefeller. In the past month, Mubarak has launched a crackdown on the narcotics trade that operated under the protection of “free zones.”

Second, Mubarak has made it clear that he wants to break the stranglehold of the State Department's Agency for International Development (AID) over U.S. economic assistance to Egypt. The \$900 million AID program in Egypt has deliberately diverted funds from industrial projects to labor-intensive cottage-industry programs and birth control.

The Reagan administration—itself under the domination of Federal Reserve Chairman Paul Volcker's high interest-rate depression—was not receptive to Mubarak's suggestions. And, in asserting Egypt's independence, Mubarak earned the wrath of Henry Kissinger's circles in the State Department and of those Zionist circles in the United States linked with Israel's intelligence service, the Mossad.

While State Department sources note that a slight loosening in the deployment of AID funds was agreed upon, and though the U.S. government in conjunction with Tenneco agreed to a U.S.-Egypt-Sudan food program, no major concrete industrial deals were announced between Washington and Cairo. Nor did Reagan address Egypt's economic concerns.

In imitation of Henry Kissinger, Haig has been working to force Egypt's adherence to the Camp David pact in opposition to the Saudis' Fahd plan, which is based on negotiations for a comprehensive peace settlement based on Arab recognition of the state of Israel in exchange for the creation of a Palestinian state.

Like President Sadat during his last visit to Washington in August 1981, Mubarak called upon Reagan to open a dialogue with the Palestine Liberation Organization and called for the eventual establishment of a “national entity” or “Palestine state.” Israel lost no time in issuing an official statement calling Mubarak's request “a violation of Camp David.”

Mubarak's foreign policy entails a reaffirmation of Egyptian sovereignty. “If the United States is operating on the belief that Egypt is a client state of Washington,

or that we have turned against the Arab world, they are sadly mistaken," said one Egyptian. "We have signaled this to President Reagan. One of the main purposes of President Mubarak's trip here is to undo the sabotage by Mr. Haig of American policy in the Middle East."

According to Arab sources, the Mubarak economic team presented a list of projects that needed U.S. government aid and private funding. "The list included nuclear energy plants, industrial and agricultural projects, irrigation works, infrastructure, and so forth. But they didn't get anything," said one source. "The administration only wanted to talk about military assistance."

Thus, in four days, the Reagan administration soured relations with an important U.S. ally.

### **Mubarak turns to Europe**

In contrast to Reagan, West German Chancellor Schmidt pledged support in his meetings with Mubarak to break the stalemate in Middle East peace talks around the Palestinian issue. Schmidt stated that he supported "Palestinian self-determination" as the aim of the ongoing Palestinian autonomy talks, a position identical to Mubarak's.

West German President Karl Carstens declared, following meetings with Mubarak, that the new Egyptian President's policies are "an essential contribution to the stability of an agitated region so close to us. We are prepared to support you in this policy to the best of our ability." Carstens pledged an increase in German cooperation with Egypt, which, he stated, "is one of the foremost places in the context of our economic cooperation with other lands."

Arab sources report that following his disappointing trip to Washington, Mubarak is looking for a closer working relationship with Europe. "I think the Europeans have a very strong role to play by adding their weight to the solution of problems in the Middle East."

Mubarak's independent posture, combined with his ruthless crackdown on corruption in Egypt, has not endeared him to those who would like to see Egypt transformed totally into a Muslim fundamentalist-dominated drug-trafficking free zone. In the few months since he assumed power, Mubarak has found himself re-assigned to the top of the international terrorist hit list, along with Helmut Schmidt, the Pope, and others.

An examination of the figures involved in the plot against Mubarak reveals the scope of the operation.

At the center is Egyptian Muslim Brotherhood leader Said Ramadan, a Geneva-based terrorist coordinator who operates terrorist safehouses in Switzerland and Austria, and maintains connections to organized crime through gun- and drug-smuggling. Under Ramadan's leadership, Brotherhood leaders from all over the Islamic world gathered together last December in London to plan coordinated action against Mubarak

and other Arab leaders who have rejected the "Khomeini model" for their respective countries. At the beginning of February, Ramadan was singled out by the Egyptian press as a prime enemy of the Mubarak government.

The Brotherhood activated 6,000 fundamentalist demonstrators, mostly Turkish workers, who took to the streets Feb. 6 in Bonn to protest Mubarak's "repression" against "our Muslim brothers."

Working with Ramadan is another long-time Brotherhood leader, Salem Azzam, the Secretary-General of the Islamic Council of Europe, an umbrella organization of Muslim Brotherhood front groups. "Mubarak is just like Sadat," Azzam recently stated.

Azzam has revealed that the newly created Islamic Commission for Human Rights, chaired by former Algerian President Ahmed Ben Bella, in tandem with Amnesty International, plans to increase its campaign against Mubarak. Ben Bella, from his office in Paris, is agitating for Mubarak's release of Muslim Brotherhood leaders in Egypt.

In the weeks following the December meeting of the Muslim Brotherhood in London, the "left-wing" terrorist adjuncts of the Brotherhood were set into motion. The Palestinian terrorist Abu Nidal is reported to be deployed by the Mossad and the Khomeini-allied government of Syria to help overthrow Saddam Hussein of Iraq. At the end of January, Austrian authorities warned that Abu Nidal was also working with terrorist networks in Austria in preparation for a hit against Mubarak. *EIR* has determined that Abu Nidal and the Baader-Meinhof terrorists in Germany together were responsible for the assassination of Heinz Nittel, an associate of Helmut Schmidt, last year in Austria. The arms used in the hit were from a Geneva-based gun-smuggling connection suspected to be Said Ramadan's.

### **Syria and Shazli**

Also involved in the operation against Mubarak is the Israeli intelligence-controlled Syria-based terrorist Saika wing of the PLO, and the Popular Front for the Liberation of Palestine, whose leader George Habbash met on Feb. 1 with Syrian President Assad. Also meeting with Assad on that date was Saad el-Shazli, the Egyptian general based in Libya and Syria who took responsibility for the Sadat assassination. In Italy the press reports that officials investigating the P-2 Freemason scandal have cited Shazli as involved in international drug-trafficking and related terrorist activities.

Egyptian authorities are alert to the operation against Mubarak. Yet, the danger of assassination remains high. Mubarak, however, gives no sign of deviating from the course he has chosen. On Feb. 12, he will address Egypt's national economic summit to renew Egypt's commitment to economic development.

## The 'business' side

*Lebanon's Colonel Haddad is the go-between, and does the glue, for the Israel-Iran-Syria collaboration.*

Colonel Saad Haddad, leader of an Israeli-backed militia in southern Lebanon, on Jan. 31 publicly offered to provide Iran with forces to strengthen its war against Iraq. The Haddad offer is only one of a number of signals which have appeared in the European press and from the Israelis, making the long-standing secret alliance between the regimes of Israel's Menachem Begin and Iran's Ayatollah Khomeini a matter of public record.

The day after Haddad's statement, Israeli Foreign Ministry official David Kimche, speaking on the British Broadcasting Corporation program, "Panorama" did not deny charges of the Israel-Iran link. *EIR* has learned that Kimche, working with one Colonel Nimrodi of the Israeli military, has made his own offers to sell arms to the Khomeini regime. According to conservative estimates, Israel has provided over \$200 million worth of arms to Iran, and Israeli Defense Minister Ariel Sharon is reported to have recently made (unsuccessful) efforts to convince a major U.S. arms company to arm Iran.

In his Jan. 31 statement, Haddad, who has been the long-standing subject of attacks by the Khomeini regime as an agent of imperialism and Zionism, declared: "In response to Jordan's decision to send volunteers to Iraq to fight Iran . . . whoever wishes to participate with Iran in its war against Iraq should register. . . with military officials of his village. Iran will pro-

vide the weapons and equipment to these volunteers. . . . Travel will be at our expense from Free [Haddad-controlled] Lebanon to Syria via the Golan Heights, and at Syria's expense from Syria to Iran."

Haddad's statement so embarrassed the Khomeini regime that a day later Iran's Foreign Ministry attacked Haddad, reiterating Teheran's claim that Haddad is a Zionist agent.

Haddad's militia emerged in southern Lebanon as an Israeli mercenary force after Israel invaded Lebanon in 1978. Haddad has since been conducting a war of attrition against Palestinian guerrillas in Lebanon allied to Syria.

But in the Mideast, regimes that appear to be the sharpest rivals are often found to be secret partners when it comes to business. This is true of the current regimes of Syria, Iran, and Israel, which all hold a stake in the lucrative drug-trafficking routes from Iran through southern Lebanon to Europe, via Greece and Sicily.

Since the kidnapping of General James Dozier in December, the Italian government has exposed the link between terrorism and the drug traffic, pointing to the Lebanese-Israeli border area, the region Haddad polices, as an important drug-transshipment point.

Emboldened by Israeli military support, Khomeini last week established what *London Observer* reporter Patrick Seale called "a Shi'ite International." Comprised

of the Muslim Shi'ite minorities in Syria (the ruling Alawites), and the Al Amal clan in Lebanon, Khomeini's International aims to deploy terrorists and Jacobin mobs against certain Arab leaders, beginning with the rulers of Bahrain and Kuwait. Seale, who was one of the first to publicly extol the Iran-Israel alliance, reported Feb. 7 that Khomeini had set up a number of secret "cells" to challenge neighboring Arab states. Both Bahrain and Kuwait, though dominated by the majority Sunni branch of Islam, have restive Shi'ite populations which Khomeini hopes to activate. London *Sunday Times* reporter Amir Taheri commented Feb. 7 that Khomeini's aim is to undermine the governments of the Muslim world on behalf of the long-standing Muslim Brotherhood movement goal of a nation-less Islamic entity called an *ummah*, from North Africa to the Philippines.

Whether Khomeini and his Israeli and Syrian allies can succeed in such a design is doubtful, but in the short term they may create another Lebanon in the Arab world, giving them the opportunity to expand their narcotics trade.

Since 1978 the volume of hard drugs produced both in Lebanon by the Shi'ite Al Amal, and in Iran, has surged. According to "Panorama," the Syrian military forces in Lebanon are more concerned with protecting the hashish and opium fields in Lebanon's Bekaa Valley, from which they take a substantial cut of the profits, than with keeping the peace. Two weeks ago Italian authorities extradited a Syrian narcotics dealer from Greece who was exposed as a "business partner" of Italian terrorist Rafaello Reggio.

## Probe International and the Hank scandal

*New evidence suggests that a Connecticut "risk analysis firm" does much more than predict Mexican instability.*

People concerned about safeguarding American investments overseas from terrorism and political instability have long been alarmed by the activities of a Connecticut firm called Probe International, and its founder and president, Benjamin Weiner.

Weiner specializes in making predictions of terrorism and social upheaval. But the nature of his own activities, as well as those of his associates, places him at the center of Anglo-American intelligence operations designed to see such predictions come true.

Weiner was among the first to organize seminars predicting the triumph of Khomeini's hordes in Iran, years before the event and months before other British Intelligence-associated figures started overt operations to undermine support for the Shah.

Showing up repeatedly as lead speakers in Probe-sponsored seminars throughout the late 1970s were Britain's Lord Caradon, a veteran of British covert intelligence operations especially in the Balkans and the Middle East; former CIA chief William Colby; and J. Bowyer Bell, an "expert" on terrorism who insists to major corporations that terrorism is a "sociological phenomenon" which cannot be combated.

Now Weiner has turned his attention to Mexico, and with a vengeance. Says one risk analyst familiar with Weiner's work "Weiner's favorite theme is that Mexico is down the tubes."

At a recent Atlanta seminar for executives, Weiner distributed a checklist of what a newspaper account called "remarkable similarities between Iran in 1976 and Mexico in 1981."

A top Citibank official at the same seminar is quoted as saying that, "Mexico could be a very tricky place to operate."

My associates in New York have now caught Weiner red-handed in an outrageous manipulation of U.S. media in order to spark exactly the "lack of confidence" in Mexico which he purports to merely monitor.

On Feb. 2, the *Hartford Courant* ran an exposé of the fact that Mexico City mayor Hank González had purchased a home in New Canaan, Connecticut, worth close to \$1 million, and had installed his wife and family there. The home was bought via a Netherlands Antilles corporation called N. V. Milford; the *Courant* journalist noted that "using the corporation to buy property in the U.S. allows a foreign buyer to avoid paying capital gains taxes. . . ."

As this column has repeatedly informed its readers, Hank González is in fact one of the dirtiest political figures in Mexico. The trail of his close business associations and his work with a special branch of the Mexican Masons links him to the Italian flight-capital masterminds and terrorist controllers involved in Italy's famous P-2 Masonic Lodge.

But the article quotes Probe's

Benjamin Weiner with a very different lesson: "This is politically important. When you have the mayor of what may be the world's largest city raising his family in another nation, you wonder—is this some indication of serious political or social problems in the home country?" The article terms Hank "a close political ally of Mexican President José López Portillo."

Even any novice Mexican political observer knows that López Portillo and Hank González are bitter political enemies.

Weiner personally planted the article in the paper, my associates discovered. He issued two press releases on the matter, sent to a number of newspapers in the region, and then coordinated with *Courant* personnel to see that the article came out according to plan.

A source who knows Weiner says he was "jubilant" when the article appeared. Little reason to wonder why: the *Hartford Courant* is owned by the Times Mirror Corporation of Los Angeles, which put the whole story on its national wire. The next day it showed up front page in the *Miami Herald*, one of the U.S. newspapers most widely-read anywhere in Latin America, and several other prime locations.

Weiner is now apparently nursing a new wave of publicity. Local journalists report that Reuters and the *Wall Street Journal* have started looking around.

No one's talking yet to say who might be working with Weiner to artificially build concern over Mexico's "serious political and economic problems," and to implicate the President in corruption and scandal. But interested investigators both here and in the United States say a probe is underway.

# International Intelligence

## **Israel threatens to invade Lebanon**

Israel—possibly to help the beleaguered Assad regime in Damascus by giving it a chance to rally the population around the renewed threat of war—is openly threatening an invasion of Lebanon.

Last week, Yehoshua Saguy, the chief of Israel's military intelligence, visited Washington secretly to meet with Alexander Haig and to announce Israel's plan to invade Lebanon soon.

Also, Defense Minister Ariel Sharon held a secret meeting with Bashir Gemayel of the fascist Lebanese Falangists last month, reportedly to plan an invasion aimed at decimating the P.L.O. forces in Lebanon. Such an attack would also be aimed at propping up the Assad regime by creating a military emergency.

However, both Israeli and American sources believe that an invasion by Israel would soon engulf Saudi Arabia, and could lead to a world war.

"What Sharon is planning to do is the most reckless adventure conceivable," said a prominent Zionist leader.

## **Weinberger flops in Saudi Arabia**

Following Defense Secretary Caspar Weinberger's three-day visit to Saudi Arabia last week, Saudi officials and military officers are leaking to the press that Weinberger's performance there was embarrassing and that his visit was a failure. The Saudis were reportedly wearied by Weinberger's obsessive warnings about Soviet encroachment into the Persian Gulf and told Weinberger bluntly that the real threat to stability in the Middle East is the failure to solve the Palestinian problem.

In an appearance with Weinberger, Saudi Defense Minister Sultan made a not-too-subtle jab at the U.S.-Israeli relationship when he declared that the real destabilizing actions in recent months in the Middle East have been the Israeli

bombing of the Baghdad nuclear reactor and Israel's annexation of the Golan Heights.

Another indication of Weinberger's poor showing in Saudi Arabia was Prince Fahd's refusal to set a date for his visit to Washington, a trip that has been twice postponed. Moreover, the Saudis refused to set a date for the next shipment of U.S.-built AWACS radar planes. Although the AWACS will not be ready until 1984, the Saudi refusal to set a date indicates Fahd's intent to publicly distance Saudi Arabia from the United States.

## **Kissinger and Rio de Janeiro's racketeers**

The world-famous "Carnaval" in Rio this year is the scene of a peculiar battle over who will become the next governor of the state of Rio and the master of its notorious crime syndicates. Israel Klabin, Henry Kissinger's "man from Rio" is making a big play to grab the governorship for himself.

Banker Klabin sponsored Kissinger's November visit to Rio during which they plotted, with the world's other top Dope, Inc. bankers, Brazil's future as a trunk route for moving Andean cocaine to the United States and Europe (*EIR*, Dec. 22, 1981). The Brazilian police, following their January capture of 38 kilos of cocaine which had arrived in Sao Paulo from Colombia via the Amazon free port of Manaus for refinement and export to Miami, confirmed that Brazil is now a big league drug route.

The gubernatorial prospects of the populist demagogue Miro Teixeira, who had been considered a shoo-in until Kissinger's visit, have taken a nose dive. He had been Rio's all-time record vote-getter, thanks to the backing of Rio political *cappi* and incumbent governor Chagas Freitas and his personal links to numbers "banker" Aniz Abrahão David who projects his petty crime into mass psychosis through his funding of Beija Flor, the most popular "samba school" in Rio's carnaval.

According to the Brazilian weekly *Istoé*, Chagas Freitas is considering dumping Miro in favor of Klabin as his candidate for governor. *Istoé* reports that the initial pressures on Chagas to do that came from "outside," from Brazil's security agencies. General Octavio Medeiros, Brazil's intelligence chief, travels in the same political circles in Israel, in the United States, and in Brazil as Klabin.

In response to such opposition, Miro Teixeira delivered in November a philippic against the government's "repressive apparatus."

To make matters worse for Miro, in the last few weeks, his electoral captain, Anis Abrahão David, the colorful numbers mafia chieftain, has had his clandestine casino shut down, has suffered thousands of his numbers sellers being rounded up off the streets by the Federal Military Police, has had his numbers "banks" raided, and even two police precincts on his payroll locked up. This Lebanese-Brazilian king-pin of petty crime had previously been "Mr. Untouchable" in Rio, although his operations were in broad daylight.

David's thugs still control the mass vote. But Governor Chagas Freitas has a personal clamp on the top party structure. In an expression of fealty to mobster Chagas, Kissinger's buddy Klabin intoned in January, "I entered public life by the hand of Chagas, and I will only leave it by his hand."

## **Malaysia to end support of Pol Pot?**

The China Card strategy has suffered another setback this month as Malaysian Prime Minister Mohammed Mahatir threatened to end diplomatic recognition of the Chinese-run Pol Pot regime in Kampuchea and rebuffed visiting British Foreign Secretary Lord Carrington's attempt to work out a "compromise."

Mahatir's threat to withdraw recognition of the Khmer Rouge as the government of Kampuchea was made in response to a final refusal of the Pol Pot forces to accept partnership in a coalition

## Briefly

with former Prince Sihanouk and former Prime Minister Son Sann that would reach a political settlement with Vietnam. Mahatir proposed this derecognition at a Feb. 1 heads of state meeting with the other members of the Association of South East Asian Nations (ASEAN), Indonesia, Philippines, Singapore, and Thailand. Should ASEAN withdraw support for the Khmer Rouge, it is virtually certain that the U.N. would end its seating of the Chinese-run Pol Pot forces who murdered 3 million Kampuchians during their 1975-78 rule.

Singapore and Thailand are expected to oppose Mahatir's proposal, but Indonesia—whose population comprises the majority of the total ASEAN population, is likely to support Mahatir. The Indonesian government is reportedly considering a proposal to open direct negotiations with Vietnam over the Kampuchea issue. According to press reports, Indonesia will propose partial Vietnamese troop withdrawal from Kampuchea in return for U.N. security guarantees in the area.

### *Syrian coup may be in the works*

Syrian Air Force officers and other military personnel opposed to the drug-running, Israeli intelligence-allied regime of President Assad have staged a major rebellion in Hama, Syria. Although reports filtering out of Syria are inconclusive as of this writing, it appears that a significant effort to complete a coup d'état is underway.

According to wire service reports, near insurrection has broken out in Hama, which has been sealed off and partially razed by the Syrian government troops. Hundreds of people are said to have been killed as a result of the most brutal crackdown on dissidents and rebels ever enforced by Assad. In addition, the towns of Aleppo and Homs have also been sealed off as reports of full-scale civil war spread.

Reported to be among the exile lead-

ers of the rebellion are Hammoud al-Choufi, Syria's former ambassador to the United Nations, who resigned over Syria's backing for Iran's mullahs. Also involved is the family of the late Akram Hourani, a Syrian Baath Party founder who was a powerful landowner and businessman in Hama. Hama is one of Syria's major industrial towns and the location of the country's biggest air base.

### *Schmidt warns SPD on fascist potential*

West German Chancellor Schmidt, in an extraordinarily blunt interview this month with the Hamburg weekly *Die Zeit*, warned his Social Democratic Party to heed the lessons of 1930, when the SPD toppled the last of their own governments under Hermann Müller in a dispute over unemployment insurance. "Afterwards came Brüning, then Papen, then Schleicher, and then came Adolf Hitler. . . . The last Social Democratic government was toppled because of a quarrel about a minor burden on the broad masses of the population, paving the way for something worse and afterward something totally evil," Schmidt said. He warned against a repitition today of Chancellor Heinrich Brüning's austerity policies, adding that he suspects Christian Democratic Union chief Helmut Kohl of aspiring to be the new Brüning.

Schmidt insisted that the current mess in the SPD does not represent the true base of the party or of the population. How is it possible, he asked, that 70 percent of the German population agrees with my policy and yet I have problems with my own party?

Schmidt openly denounced the Free Democratic Party for its perpetual maneuvering against him and its efforts to split the coalition. The FDP and its chairman Hans-Dietrich Genscher want to impose a harsh austerity program, he said, whereas Schmidt himself knows much better than the FDP the importance of the trade unions.

● **HELMUT SCHMIDT** charged in a speech Feb. 7 that "orthodox forces in Moscow and conservative forces in the West" are interested in installing a new government in Bonn. This is the first public recognition the West German Chancellor has given to the existence of a conspiracy to topple him.

● **PFLASTERSTRAND**, the Frankfurt-based radical magazine edited by Daniel Cohn-Bendit, published in its current issue a photo of Holger Börner alongside one of Hanns-Martin Schleyer, the industrialist assassinated in 1977 by the Baader-Meinhof terrorists. Börner is the governor of the state of Hesse and the closest party ally of Chancellor Schmidt.

● **SAUDI OIL** exports over the past six months have fallen by two million barrels a day, to below their 1976 production ceiling of 8.5 million barrels. Now London-based oil company sources say that Saudi Arabia will have to drop an additional 2 million.

● **YASSER ARAFAT**, leader of the Palestine Liberation Organization, has offered to invite Egyptian President Mubarak to the next Arab summit regardless of whether Mubarak breaks with Camp David, the *Vienna Courier* reports.

● **SOUTH AFRICA** is activating its credit facilities with the IMF for the first time in six years, according to reports. The move reflects South Africa's weak balance-of-payments situation, due to drops in income from minerals exports.

● **CORRECTION:** On page 37 of *EIR's* Feb. 16 issue, Mexican oligarch Juan Sánchez Navarro was incorrectly identified as a member of the Mont Pelerin Society. It is his associate Agustin Navarro Vazquez who is one of the small group of Mexican members.

## Kissinger faction pushes 'guns-not-butter' policy

by Graham Lowry, U.S. Editor

It is the assessment of *EIR* founder Lyndon LaRouche, advisory committee chairman of the National Democratic Policy Committee, that the United States is currently heading towards a brutal transformation into a Nazi-like war economy, closely modeled on the plans carried out by Nazi Minister Hermann Goering during the 1936-38 period in Germany. Under the current strategic and economic policies being imposed on the United States by financial interests in London and Switzerland, the period from this spring to summer in the United States will resemble that Goering-style militarization of the economy, unless the present momentum of monetary dictatorship over the United States is reversed.

This analysis will be extensively elaborated by Mr. LaRouche in a set of presentations Feb. 17 and 18 at an *EIR* conference in Washington, D.C. In a recent preview of those addresses, LaRouche emphasized that a global strategic shift is under way, in which British, Swiss, and Venetian strategists seek to pit an autarchic "Fortress America" against an increasingly military-directed "Fortress Soviet Union," in a crisis-management scenario which could end in World War III. The scenario includes plans to dump Ronald Reagan, replacing his presidency with an "emergency government" to oversee Nazi-style austerity and the full militarization of the economy, and reducing the United States to a colony of the same financial forces that put Adolf Hitler into power.

LaRouche's strategic assessment is underscored by developments intended to create the preconditions for putting the United States on a "guns-not-butter" footing, through crises internationally and an economic collapse resulting from the battering of the industrial sectors of the economy with Federal Reserve chairman Paul Volcker's continuing high interest rate policy. The European oligarchy is deploying its assets in the United States to orchestrate crises in the Middle East, the Mediterranean, Central America and the Caribbean—to build the climate for wielding domestic emergency powers and imposing a militarized "Fortress America" austerity regime.

A coordinating role for that effort has been assigned to Henry Kissinger and his associates at the Georgetown Center for Strategic Studies (CSIS) and in the Committee for the Free World (CFW). Kissinger himself, who currently works out of CSIS, began sounding the alarm of America's "deteriorating" strategic position last month in a series of op-eds in the *New York Times* and in a keynote address to a CFW conference in Washington, insisting that the Reagan administration adopt a tougher confrontationist policy toward the Soviet Union.

With the Reagan administration's endorsement of a future military buildup, coupled with further domestic austerity in its 1983 budget proposals, the stage has been set for the Goering-style subjugation of the United States. In a lead editorial Feb. 7, the *New York Times*



openly put forth the “guns-not-butter” policy, arguing that the administration could have its proposed arms buildup if it implemented massive cuts in social programs.

But beyond the budgetary side of this policy, as LaRouche has emphasized, Fed chairman Volcker’s interest rates will be used to further gut the civilian economy and channel remaining credit and physical resources into military spending. A staff specialist linked to Republican leaders on the Joint Economic Committee commented recently that as long as real interest rates stay high, another \$100-\$150 billion can be “freed up”—drained away from consumer sectors (primarily housing and auto production) and redeployed into the defense sector.

“We’re already moving the resources,” the JEC source said. “The high interest rates have guided the restructuring, and much of it has already been accomplished.” He added, however, that interest rates “have to stay high to ensure the success of the defense-capital spending buildup.”

Precisely that policy is embedded in President Reagan’s budget message to Congress, released this month with his spending proposals for 1983, stating that “interest rates over the next several years will fall less rapidly than we had originally anticipated” and projecting continuing high interest levels until at least 1986. At the same time, Secretary of Defense Caspar Weinberger has submitted to Congress a plan to spend over \$1.6 trillion during fiscal years 1983-87. While high interest rates will continue to bankrupt the consumer-durable and other sectors of the economy, sustained defense outlays will complete the transformation to a militarized economy, with only those industries eligible for significant defense contracts surviving.

A report issued this month by the Northeast-Midwest Congressional Coalition, a predominantly liberal Democratic grouping in the House, projects that just such a military restructuring of the economy, absorbing the remains of the civilian economy and its skilled labor force, will result from the Reagan administration’s fiscal policies. The coalition’s report adds that a defense-dominated economy won’t work without the proper “labor policy,” as designed by MIT economist and policy adviser to the liberal Democratic leadership, Lester Thurow, an advocate of “incomes policy” austerity and wage-gouging.

In preparation for “Fortress America,” LaRouche has pointed out, wage-price controls are on the drawing boards, to drive down real wages and begin a new phase in the downward recycling of the labor force. The trade unions are slated for destruction within this process, already being advanced by the coalition of Malthusian liberals and financial operatives in the Democratic Par-

ty’s National Committee, and by AFL-CIO President Lane Kirkland of the Trilateral Commission.

The military buildup sought by these born-again Goerings is not an overall upgrading of industrially and technologically based defense capabilities, LaRouche warns, but “cheap weapons, stamped-out junk, and electronic gadgetry.” Moreover, the capital to be drained off into military spending will not even benefit the arms producers themselves. Only the British, Swiss, and Venetian financiers stand to gain.

### Haig’s role

In shaping the political climate for “Fortress America,” Kissinger’s former underling, Secretary of State Alexander Haig, is stepping up his confrontationist antics in foreign policy, both to generate the crises to be used as triggers for militarizing the economy, and to force a break with America’s European allies which will also feed a “go-it-alone” mentality in the United States.

In a Feb. 8 interview, Haig raised the prospect of direct U.S. military intervention in the Central American crisis, declaring that region far more vital to U.S. strategic interests than Vietnam was. The next day, pursuing the track laid down by Kissinger at last month’s Committee for the Free World conference, Haig announced at the Madrid conference on European security and cooperation that the United States would not conclude any agreement with the Soviet bloc “while the foundation for that structure is being undermined in Poland.”

Haig followed up on Feb. 10 with a move aimed both at the Soviets and at West German Chancellor Helmut Schmidt’s policy of detente and economic cooperation with the Soviet Union, when he issued a denunciation of the huge Siberian-West German natural-gas pipeline project, which Kissinger earlier demanded be stopped.

The European oligarchy is also fueling an independent “third way” role for Europe, with the aim of crisis-managing the intensifying conflict between the United States and the Soviet Union. In a near re-run of earlier furor over implications that the United States accepts the notion of limiting a war with the Soviets to European soil, the European press is currently howling over President Reagan’s approval Feb. 8 of Weinberger’s plan to resume large-scale production of chemical warfare weapons.

The rationale that chemical warfare provides yet another option short of nuclear weapons for escalation from conventional conflict, is being read in Europe as another “limited warfare” variant to be used in the European theater. That perception is intended to feed European inclinations to distance themselves further from a strategic partnership with the United States.

# The actual stakes in Central America

by Dennis and Gretchen Small

Secretary of State Alexander Haig has renewed his year-old compulsion to embroil American armed forces in the deteriorating Central American theater. Haig loudly reiterated that he would not rule out *any* policy options, including ordering American troops into El Salvador to fight the leftist guerrillas there. He told the *New York Times* Feb. 8 that Central America is far more vital to U.S. strategic interests than Vietnam ever was, and intoned, in a credible imitation of Henry Kissinger: "This is a profound challenge to the security of our hemisphere." At the same time, congressional sources leaked to the press that allied Argentine military forces were already deployed in El Salvador to aid the Duarte Junta.

As he has for the past year, Haig coordinated his provocative remarks with those of El Salvador's insurrectionary left—with whom he has kept in close touch via the "good offices" of the Socialist International. Last week, Rubén Zamora, the "foreign minister" for the FDR/FMLN guerrillas, told a Washington press conference that "it will take 30,000 Marines to maintain the [Salvadoran] government in power. The problem would be how to get out. If the Marines intervene in El Salvador the war will become a Central American war, [because] we will regionalize the conflict." The same Socialist Zamora met with Haig's Latin America specialists at the State Department in late 1981. Shortly thereafter, Haig himself held a lengthy tête-à-tête with the Socialist International's top Latin America specialist and Zamora's boss, the Spaniard Felipe González.

The Eastern Establishment news media are now giving massive coverage to the El Salvador war, constantly playing up the likelihood of the United States getting involved in a new Vietnam. Day in and day out, American readers are being besieged with "debates" over whether or not the Reagan administration will send troops to El Salvador, or "only" increase military aid there.

If Haig has his way, American soldiers will see action in Central America—not because he wants to end the state of insurrection there, but in order to extend it and make it bloodier. Haig is a known proponent of the philosophy of depopulating Third World areas like Central America through such provoked wars. Whether or

not he achieves this will depend in large measure on opposition to his "population wars" policies coming both from within the Reagan administration and from allies in the area.

Mexico's role is particularly important. Three times in the course of 1981, when Haig attempted to blow up Central America into a strategic crisis, Mexican President López Portillo deployed Mexico's diplomatic and economic weight with various "players" in the region to pull El Salvador back from the brink. But now Mexico is pinned down by its own problems: economic warfare is being run against the peso by Wall Street financial interests, and political unrest is surrounding the transition to a new presidential administration at the end of this year. The result, for the moment, has been to leave the area wide open to the gameplans of Haig and his Socialist International allies.

Conservative political circles in Washington, such as those around Sen. Jesse Helms (R-NC), have reacted to this picture of a prolonged, no-win meatgrinder war in Central America, by blaming "do-nothing liberals" encrusted in the Reagan administration. On Feb. 2, a mixed group of some of these self-proclaimed conservatives—many of them friends of Haig—marched in for a meeting at the White House, Capitol Hill sources told *EIR*, to "scream at Reagan for being soft in Central America." The head of the Fabian Society's Heritage Foundation, Ed Feulner, led the team, which included Senator Helms, James Baker III, and an editor from Irving Kristol's *Public Interest* magazine.

Two days later, U.S. ambassadors to the United Nations and the Organization of American States, Jeane Kirkpatrick and William Middendorf, respectively, convened an "in-house," half-day discussion on Central America for 100-plus administration personnel and area specialists. Dominating the demands for action from the gathered experts were proposals for immediate build-up of the Salvadoran army. Among the latter were that some 200-300 American helicopters—over the current 8—be sent; the rapid-patrol boat force in the Gulf of Fonseca bordering El Salvador, Honduras and Nicaragua be beefed up; the Honduras-Nicaraguan border be sealed; and a permanent satellite stationed over the area for reconnaissance.

Democratic Party leader Lyndon La Rouché responded to these developments by agreeing with Helms and Co. on the urgent need to stabilize Central America, but warned that their information and intelligence evaluation of the situation there is entirely wrong. LaRouché identified Haig's State Department, the Socialist International, the Jesuits, and the Mossad-linked American company United Brands, as the key destabilizers. He called for the immediate firing of Thomas Enders and U.S. Ambassador to El Salvador, Deane Hinton, as the first necessary step toward stabilizing Central America.

# Volcker rides herd over the Congress

by Susan Kokinda in Washington

In his appearances before the House and Senate Banking Committees during the week of Feb. 8, Federal Reserve Board Chairman Paul Volcker had Congress eating out of his hand, despite a few, significant new attacks on Fed policy. Most notable, in the latter respect, was a letter circulated to fellow Senators by Montana Democrat John Melcher. But apart from Melcher's statements, which motivated a reintroduction of his resolution to cause the President and the Federal Reserve Board to consult and bring down interest rates, the other expressions of alarm over Volcker's high interest rates were accompanied by calls for further austerity.

In his first round of testimony on Feb. 10, before the House Banking Committee, Volcker escaped essentially unscathed, although Rep. Henry Gonzalez (D-Tex.) announced that he would pursue his resolution of impeachment against Volcker on the floor of the House, and Rep. Stan Parris (R-Va.) reflected that the morning's testimony bore a striking resemblance to horse excrement. Those sentiments were overshadowed by near-universal Democratic and Republican acquiescence to Volcker's claim that high deficits, and hence, Reagan's budget, are the cause of continuing high interest rates. Monetarist Parren Mitchell (D-Md.) serenely commented, "If unemployment is what it takes to bring down inflation . . . I guess it will be my people [blacks] who suffer, and that's that."

Volcker met with a few surprises in the Senate Banking Committee the next day, as both Committee Chairman Jake Garn (R-Utah), Richard Lugar (R-Ind.) and Don Riegle (D-Mich.). Garn, who has been defending Volcker religiously for the past year, gave his usual sermon about Congress's ultimate responsibility for high deficits and high interest rates, but concluded his opening statement by cautioning, "What if we get inflation down to 4 percent and what if there is no business community left? Where is the industrial base? Are you looking at real-world consequences? The time has come for the Fed to reassess what you are doing with your monetary targets." Lugar proposed that interest rates be formally pegged to a point 3 percent above inflation, citing the abnormally high interest rates as a threat to any economy recovery. Riegle, whose home state has

been laid waste by high interest rates, said that "we are facing a disaster that rivals the 1930s . . . I think we run the threat of depression."

Despite these opening salvos, however, each Senator was content to discuss with Volcker alternate approaches to austerity.

Indeed, Democratic complacency about Reagan's projected \$92 billion deficit, and the party leadership's policy of scapegoating Reagan for high interest rates, has left John Melcher in relative solitude in his renewed attempt to lower interest rates. His no-holds-barred letter Feb. 5 to his colleagues regarding Volcker has apparently frightened some of his Fed-loving colleagues away. One week after circulating the letter, Melcher has no cosponsors, despite the fact that it garnered over a dozen cosponsors last year and received over 30 votes on the Senate floor.

Below are excerpts from Senator Melcher's Feb. 5 letter.

Dear colleague:

I will be offering, at the first opportunity on the floor, an amendment requiring that the President begin immediate consultations with the Chairman of the Federal Reserve Board on monetary policy changes that will bring about a reduction in real interest rates.

These discussions are to include potential changes in the areas of:

- 1) Easing reserve requirements to member banks;
- 2) Controlling Federal Open Market Committee activities which reduce the money supply and push up real interest rates; and
- 3) Lowering the Federal Reserve discount rate to member banks.

The President will also be required to report back to Congress within 30 days on the results of these consultations.

Neither can high interest rates be blamed entirely on the current budget deficit. The Congressional Budget Office estimates that \$60 billion of the predicted 1982 budget deficit has been caused by the two million lost jobs and thousands of business failures over the last several months. And we know that these lost jobs and businesses are the result of prolonged high interest rates.

*We need to increase savings to reduce federal deficits, but we are going in the wrong direction. It is no use to continue debating which comes first, the chicken or the egg. Inflation has dropped, and so should interest rates [emphasis in original].*

Today's high-interest rates are the direct result of conscious policy choices by the Federal Reserve Board. Chairman Volcker admits the Board has manipulated the money supply to dampen business activity and suppress the economy. High unemployment is the "bullet" that Paul Volcker thinks we have to "bite" in the fight against inflation.

# The Weinberg death could boomerang

by Anita Gallagher

Abscam—the illegal “sting” operation of the U.S. Justice Department and FBI against Congressmen and Senators—has started to look like a live explosive that boomeranged into Justice’s front lobby. On the eve of expulsion proceedings against Sen. Harrison Williams of New Jersey, currently scheduled for Feb. 23 in the Senate, a series of legal motions made by Williams’s fellow Abscam victims ensures that the Justice Department must sacrifice some part of its elaborately constructed crime-creating apparatus. The only question is how much and how fast.

The new flurry of motions in the Abscam cases stems from revelations by the late Marie Weinberg, wife of the Abscam star witness Melvin Weinberg, showing that her husband had committed massive perjury in the case. Mrs. Weinberg had delivered her charges as sworn statements and also aired them on national television on ABC-TV’s “20-20” program Jan. 21. One week later, on Jan. 28, she was found hanged.

On Feb. 16, the Department of Justice must answer a motion by former Florida Congressman Richard Kelly convicted in the Abscam affair, to reopen the due-process portion of his trial based on Mrs. Weinberg’s sworn statements. The dead woman’s affidavits document extensive perjury, illegal gift-taking, and kickbacks by con man Weinberg while in the employ of the FBI—with the knowledge and complicity of FBI agents.

Observers note that the Justice Department has three options—ranging from the risky to the downright self-destructive. A great deal is at stake; the “sting” apparatus utilized against Senator Williams is expected to be turned immediately against President Reagan’s close allies and Reagan himself the minute Williams is expelled.

One option for the government is to stonewall—deny all of Marie Weinberg’s charges and attempt to portray her as emotionally unstable. But it is hard to believe that the court will stand for this, and the scandal could expand to the highest levels of the FBI and Justice.

A second option is to make Weinberg the fall guy. But with decades of experience in playing double games, Weinberg is known to have amassed the hard evidence to

turn these charges against higher-ups.

The FBI might also attempt a “damage control” approach, sacrificing Weinberg and some lower-level FBI agents like John Good and Anthony Amoroso (named by Marie Weinberg) by admitting they got out of hand in Abscam. The dilemma here is that any such admission implicates the highest levels of the Bureau and Justice: FBI Director William Webster repeatedly has claimed in congressional testimony that he had day-to-day, hour-by-hour control over the Abscam proceedings.

## What Marie Weinberg said

Marie Weinberg before her death revealed Melvin Weinberg’s threats, in a 19-page statement quoted by nationally syndicated columnist Jack Anderson on Feb. 9. Marie Weinberg says her husband told her “If you talk to anyone, they’ll find about your past—your attempted suicide. They’ll make you out a crazy lady. They’ll take J. R. [their son] away from you.” Marie Weinberg wrote: “The blinders came off. I saw Mel as he really was. I am scared.”

Marie Weinberg also says that the FBI agents were party to the threats and were conducting surveillance of her. FBI Abscam agent John Good called her frequently and urged her to cooperate with the FBI after she had gone to Jack Anderson with proof of FBI conspiracy to conceal Weinberg’s perjury. Good himself proposed to visit her in Florida, she says: “Suppose I come down next week, Monday, 1-11-82. *I have to get clearance from Washington.*” Good did come, presumably with clearance, and she writes that when she refused to see him: “J. R. said that right after I left cars were riding around condo—strange men—saw neighbor next morning—agents all over—watching.”

Good was frantic to see Marie Weinberg on Jan. 11, because on Jan. 6 the Justice Department was forced to begin an official investigation of Marie Weinberg’s allegations that her husband perjured himself and that FBI agents had covered up his perjury.

It is clear that Mel Weinberg has in his possession evidence of all types of FBI criminal activity. Anderson on Feb. 10 quotes Marie Weinberg’s statement that Mel Weinberg recorded “the agents’ compromising conversations.” “He was taping all the agents,” says Marie Weinberg, “He says . . . I’ll get insurance.”

If the FBI has a Hobson’s choice of who can be blamed for Abscam’s misconduct, what about the death of Marie Weinberg? If Marie Weinberg’s death is ruled a suicide, her affidavits are certified in effect as deathbed testimony, for which she would have no motive to lie. If her death is ruled murder, then by whom? If the FBI tries to pin the rap on Weinberg, he can implicate the FBI agents up to the top. The FBI refused to give Marie Weinberg protection after her revelations, and refused to investigate her death.

# Anglican elite runs the B'nai B'rith ADL

by Joseph Brewda

The same Anglican elite which until 1939 openly supported Adolf Hitler formed, funds, and controls the Anti-Defamation League (ADL) of the B'nai B'rith, ongoing investigation by the Fact-Finding Division of the National Democratic Policy Committee (NDPC) has established. The ADL's own financial and organizational documents demonstrate this control. This fact confirms what is otherwise clear from the behavior of ADL operatives: that the ADL merely a deployable group of self-hating anti-Semites with Jewish names, eager to do anything their controllers, the Morgans, Rockefellers, and others of the Anglo-Episcopalian elite demand.

In 1979 the ADL published promotional material listing 159 individuals and associated firms, thanking them for their "generous support." This listing does not specify the amounts contributed, but it reveals other, more important information.

There are two distinct categories of ADL contributors. Although the ADL characterizes itself as a Jewish organization, the more important grouping consists of 100 individuals and firms from the Episcopalian-dominated group that have controlled investment banking, the major foundations, and most powerful Wall Street law firms for generations in the United States.

The remaining 59 contributors named are primarily lawyers, film producers, real-estate operatives, and liquor interests with Jewish names, many of them publicly known associates of Meyer Lansky and the drug mafia. What is most revealing about the listing is that a group of the Episcopalian family firms is an interlocked political and financial network. This network includes the *Celanese Corporation*, *Philip Morris Company*, *New York Telephone*, *Bristol Myers*, *American Can*, *Nabisco*, *Morgan Guaranty Trust*, *New York Life Insurance*, *IBM*, *National Steel*, *U.S. Steel*, and *Aetna Life Insurance*.

All these firms were formed at the turn of the century by William Moore, a close associate of the banker J.P. Morgan. All are currently controlled by or linked to Moore's two grandsons: William Moore, a banker, and Paul Moore Jr., Bishop of the Cathedral of St. John the Divine in New York, and the highest-ranking Episcopal-

ian cleric in the United States. His associate, Edward West, Canon of the Cathedral, is the official representative of Queen Elizabeth to the Episcopalian Church in the United States.

Moore's grandfather launched a series of biscuit companies which became Nabisco. Moore went on to found American Tin, National Steel, American Can, the Chicago and Alton Railway, and several other firms. In 1901, in conjunction with the Morgan banking interests, Moore founded U.S. Steel.

William, also a director of both the powerful Vincent Astor Foundation and of the Commonwealth Fund, finds time and resources to devote to the ADL. Twenty-five percent of the board of his Banker's Trust Company is listed as providing "generous support" to the ADL, a record unparalleled by any other firm. The predominance of the Moore family interests in the ADL is also a tradition.

The ADL was formed in 1913 by Chicago corporate attorney Sigmund Livingston, who remained its chairman for 20 years. Livingston was a lawyer for Moore's Chicago and Alton Railway.

## Canon West's remarks

In 1978, Canon Edward West reported to undercover investigators of the International Caucus of Labor Committees (ICLC), which helped to initiate the NDPC, that he and his associates were becoming increasingly alarmed about the ICLC and its founder, Lyndon LaRouche. West cited the repeated attacks by LaRouche and his associates on the policies of the European oligarchy and the identity of these policies with those of the Nazis.

During the course of the interview, Canon West stated that to deal with the ICLC, "We are going to send our Jewish friends against them." Shortly after West made this remark, the ADL openly attempted to stop the growing political influence of the ICLC. The ADL's slander operation was centered around the formulation that "When LaRouche and the ICLC attack the British, they are really attacking the Jews."

Others on the list of "individuals and corporations" providing "generous support and participation" in its activities include Leonard Abess of City National Bank of Miami, William Anderson of National Cash Register, Ted Ashley of Warner Communications, J. Paul Austin of Coca-Cola, R. Manning Brown, Jr. of New York Life, Howard Clark of American Express, John T. Connor of Allied Chemical, the Davises of Davis Oil, John deButts of AT&T, Harold Geneen, former ITT chief, Harry Gray of United Technologies, Reginald Jones of GE, Donald Kendall of Pepsico, George Kneeland of St. Regis Paper, Charles Luce of Con Ed, William May of American Can, J. Henry Smith of Equitable Life, and William Paley of CBS.

### Administration, Hill tangle on water policy

The Reagan administration's attack on the traditional role of the federal government in internal improvements and basic infrastructure has run into congressional opposition in two separate areas of water legislation. On Feb. 10, Transportation Secretary Drew Lewis presented the results of the Waterway Users Charge Study, which motivates 100 percent cost recovery to the environment and Public Works Water Resources Subcommittee. Sen. James Abdnor (R-S.Dak.), chairman of the Subcommittee, was joined by Senators Lloyd Bentsen (D-Tex.), Jennings Randolph (D-W. Va.) and Max Baucus (D-Mont.) in raising serious reservations about the study itself and about the economic impact to the grain belt of vastly increased inland waterway shipping fees.

A day earlier, in the Water Resources Subcommittee of the House Interior Committee, the administration, in alliance with zero-growth liberals, prevailed over the serious objections of Republican Congressmen in the mark-up of the water reclamation reform legislation which would increase the user fees to recipients of federally-subsidized water for irrigation. Opponents of the administration's approach vow to link up with Senate Energy Committee Chairman James McClure when the bill gets to conference, to circumvent some of the administration's more onerous provisions.

At issue in both legislative battles is the administration's notion that the federal government should either remove itself entirely from

infrastructural development projects—such as navigation or reclamation—or that the government should recover 100 percent of the cost of such projects from the users of federal projects. Lurking behind the “free-enterprise” verbiage of administration policy is OMB head David Stockman and other “post-industrial society” advocates who want to curtail infrastructural development as a way of curbing population growth and agricultural and industrial development.

This was most obvious in the House Interior Subcommittee markup, with Stockman and the administration allying with liberals such as Rep. George Miller (D-Calif.) to defeat Manuel Lujan's (R.-N.Mex.) bill which would have allowed Western agriculture to continue to receive irrigated water at reasonable cost. Stockman and the liberals pushed for, and won, a proposal for 100 percent cost recovery for any farm over 960 acres. The cost of the water would be calculated by using current usurious interest rates—rather than on the interest rates prevailing at the time the project was built.

The same “revenue-enhancement” or “cost-recovery” philosophy permeated Transportation Secretary Lewis's testimony before the Senate Water Resources Subcommittee, where he argued that “the free marketplace . . . should decide how much and which traffic should go by each mode. When not distorted by subsidy, the marketplace lets shippers decide how much of which commodity they will ship by which mode.” Farm belt Senators, led by Abdnor, were quick to point out that vastly increased water transportation costs would force agricultural shippers

back on the mercy of the railroads, or would price them out of the market altogether.

**M**oynihan proposes make-work schemes for unemployed Senator Patrick Moynihan (D-N.Y.) on Feb. 3 proposed legislation to deal with the unemployment crisis by forcing the unemployed into back-breaking, low-wage jobs cleaning up the nation's parks and railroad beds. The scheme, says Moynihan, is based on the New Deal's Civilian Conservation Corps, where work camps were set up in rural areas and residents of the work camps deployed on labor-intensive make-work projects.

Moynihan made this proposal supposedly to solve the unemployment crisis, a crisis caused in large part by his protégé OMB Director David Stockman.

In introducing his bill (S.2061), which targeted particularly the urban ghetto youth, Moynihan stated flatly that “The work will be hard and the pay will be low.” Nevertheless, he claimed, “it will provide employment for our young people, and it will be cost-effective.” Moynihan also claimed that such a program will “contribute greatly to the conservation and rehabilitation of our public lands.”

The co-sponsor of this scheme in the Senate is Charles Mathias (R-Md.), one of the major proponents of the Carter administration's *Global 2000 Report*, which calls for reducing the world's population by 2 billion by the turn of the century. In the House, similar proposals have been introduced by

John Seiberling (D-Ohio) and Toby Moffett (D-Conn.).

Numerous other proposals dealing with unemployment are also in the works. The Senate Subcommittee on Employment and Productivity of the Labor Committee will be reviewing manpower training programs now in effect, including CETA. The Chairman of the Labor Committee, Orrin Hatch (R-Utah), recently said "It is time to step back and evaluate all of these programs' components, their effectiveness, their costs, their accomplishments, and their potential to meet current demands on the labor market."

## **C**ongressmen back NASA increase

In hearings before the Space Science and Applications Subcommittee of the House Science and Technology Committee on Feb. 9 and 10, NASA Administrator James Beggs received unequivocal backing from subcommittee members in his continuing fight to safeguard the NASA budget from David Stockman's OMB. Subcommittee Chairman Ronnie Flippo (D-Ala.) told Beggs that "congratulations are certainly in order for your success in achieving the budget level which has been proposed." Stockman had proposed that the NASA FY83 budget be cut from the FY 82 level of \$6 billion. Beggs with strong congressional backing succeeded in provoking presidential intervention and the final administration proposal was \$6.6 billion—which leaves all existing programs intact and on schedule, but leaves no room for any new starts in

planetary exploration.

While Flippo voiced concern over the lack of new planetary starts, he said that even holding the line on the budget had to be viewed as a victory in difficult economic times. Throughout the two days of hearings, caution was expressed about keeping the civilian mission and goals of NASA intact, noting that that "there is concern on the part of the committee over the militarization of the agency. While we recognize and support the separate military presence in the space program, we want to see that work continue for civilian research."

## **C**ongress defeats attempt to force Polish default

Attempts in both the House and the Senate to force the administration to declare Poland in default of its debt failed on Feb. 9 and 10 as leaders of both parties joined with the administration to defeat the amendments. Rep. Jerry Lewis (R-Calif.) and Sen. Patrick Moynihan (D-N.Y.) offered amendments on two succeeding days to the bill to increase the lending authority of the Commodity Credit Corporation (CCC) by \$5 billion. Lewis' and Moynihan's proposals would have forced the administration to officially declare Poland in default before the CCC could make good on bad loans from U.S. banks to Poland, which are guaranteed by the U.S. government.

On Jan. 29, the Reagan administration waived the "declaration of default" provision so that it could pay U.S. banks and farmers without precipitating an interna-

tional banking crisis through forcing the Polish default. In motivating his amendment Feb. 9, Moynihan countered "a declaration of default would add to the financial and economic pressure on the Polish junta and on the Soviets who helped to install it." Amendment supporter Jesse Helms (R-N. Car.) attacked the administration position as "not my idea of a policy that the American people would have expected the administration to permit when they elected Ronald Reagan to the Presidency. . . . The American people would wish to know the names of the banks in the United States who have seen fit to lend money to the dictators in Poland."

Speaking in opposition to Moynihan was Senate Banking Committee Chairman Jake Garn (R-Utah), who conceded that Moynihan's course of action might eventually be proven right, but that the international financial effect and implications for the NATO alliance had not been sufficiently analyzed. Garn announced, however, that he was preparing extensive hearings on the subject in the Banking Committee. Maryland Sen. Charles Mathias spoke out against the amendment, saying that "it will be the government of the Federal Republic of Germany which will bear the cost [of a Polish default]. . . . I think it would be taken as a step that would strike a blow at the unity of the Western alliance."

The Senate vote was 39 for the Moynihan amendment and 55 against, with 19 Republicans joining 20 Democrats on the affirmative side. In the House the Lewis amendment was defeated by a vote of 152 to 256.

# National News

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## DOS to participate in Club of Rome conference

Robert Hormats, the Assistant Secretary of State for Economic and Business Affairs, will be a featured speaker at a Mar. 2 conference in Washington, D.C. sponsored by the U.S. Association for the Club of Rome.

The conference will celebrate the tenth anniversary of the release of the *Limits to Growth* document, and will be keynoted by Aurelio Peccei, who founded the organization on orders from NATO. Elliott Richardson, former Ambassador to the Court of St. James, and Sen. Claiborne Pell of Rhode Island will join Hormats on a panel discussion.

A spokesman for the Club of Rome said Feb. 10 that he was "delighted that the U.S. government would officially recognize and participate in our conference," asserting that Hormats would speak for the Reagan administration and had been assigned to the event following a formal request to the White House and the State Department. Hormats "is sympathetic to our work," he stated, adding that the administration and the Club of Rome are "not as far apart as it might appear."

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## Opposition mounts to D.C. euthanasia bill

The Feb. 9 issue of the *Washington Afro-American* ran a page-one banner headline "Protests Against 'Natural Death' Grow." The article broke the *Washington Post*-imposed blackout on the effort to legalize euthanasia in the nation's capital by means of D.C. Act 4-115, "The Natural Death Act of 1981." The law will jail and fine physicians who refuse to accede to "living will" requests to cease medical treatment for a patient.

The *Washington Afro-American* reports on the growing recognition among Washington citizens that they had been

hoodwinked by the *Post* and other supporters of legalized murder and population reduction. The article reports that a resolution of disapproval by which Congress would overturn the legislation "is strongly supported by the Rev. Cleveland Sparrow, head of the District Chapter of the Moral Majority, and also by the Federation of Citizens Associations of the District of Columbia. . . . Several critics of the legislation have maintained that low-income people might be pressured to sign such a document [a "living will"] because of worries over the cost of prolonged medical treatment." Also quoted is Stephanie Ezrol of the National Democratic Policy Committee, charging that the bill could be "genocidal" in its effect. Washington's residents are predominantly black.

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## Did Donovan slanderer hand out dynamite?

Mario Montuoro, the principal witness for Abscam Prosecutor Thomas Puccio against Labor Secretary Ray Donovan, provided the cover necessary for an associate of the terrorist-linked Institute for Policy Studies to obtain a license to use explosives, *EIR* has learned. Licenses are required for construction workers who use dynamite for blasting.

Montuoro wrote a letter of reference in 1976 as Secretary-Treasurer of Laborers Union #29 for Ted Katsaros and three other individuals. To date no record has been found that the four belonged to the union.

"I have known Mr. Katsaros for several years and found him to be reliable with good character and working habits," Montuoro wrote to the Department of Combustibles of the New York City Fire Department. Katsaros became a leading anti-Teamster "dissident."

Montuoro has been convicted of, among other things, possession of heroin. He was acting as a Justice Department agent within Laborers Union #29, and in 1980 was a source for the radical magazine *Mother Jones's* slander of the Labor-

ers Union as "mob-controlled." He has claimed that he only recently became associated with IPS-connected dissidents in the union.

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## Mrs. Kissinger: 'Do you want to get slugged?'

The *Daily Journal*, New Jersey's oldest newspaper, reported Feb. 8 that a pro-nuclear-power activist filed a police complaint Feb. 7 against Nancy Kissinger, claiming she was assaulted and threatened by her in Newark Airport. Newark police have issued a summons against Nancy Kissinger for "simple assault."

"Ellen Kaplan of New York City told Port Authority of New York and New Jersey police she was grabbed by the throat by Mrs. Kissinger after she had asked Henry Kissinger, the former Secretary of State, a question regarding his personal life," the paper reported.

"She wanted her [Mrs. Kissinger] arrested, but she was already on her way to Boston," said Peter Monaghan, a Port Authority spokesman. "I'm sure that if we got to Mrs. Kissinger right away, she would have been detained."

The article quoted Kaplan as saying that immediately after the pro-nuclear organizer asked Mrs. Kissinger a question, "Nancy ran up to me and grabbed me by the throat and asked, 'Do you want to get slugged?'"

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## AFL-CIO linked to arrested Italian terrorist

A spokesman for the International Affairs Department of the AFL-CIO confirmed Feb. 9 that the federation had extensive contacts with Luigi Scricciolo, a leader of Italy's UIL labor confederation, arrested this month for membership in the terrorist Red Brigades.

According to the source, both AFL-CIO International Affairs director Ernest Lee and his assistant, Mike Boggs, had contact with Scricciolo, who at the



time of his arrest headed the International Affairs Department of the Socialist-linked UIL. "Mike Boggs was running around here last week telling people 'you'll never believe this one,'" said a source at AFL-CIO headquarters. "Benvenuto's right-hand man has been busted as a Red Brigades terrorist!" Georgio Benvenuto is the head of the UIL and reportedly a close friend of Boggs. The AFL-CIO worked with Scricciolo most recently on joint work around support for the Solidarity union in Poland.

Scricciolo reportedly sent an angry letter to Lee's office demanding to know why he had not been invited to the AFL-CIO convention two months ago. Sources at the AFL-CIO headquarters report that a decision was made to not invite any Italian unionists to the convention, for the first time in memory. No explanation was ever given, but it has been confirmed that the order was given by Irving Brown, the head of the AFL-CIO's Paris office, who helped create the UIL union in the 1940s. Brown arrived Feb. 9 in Washington on an "emergency visit."

## Labor group formed for Williams defense

Two Atlantic City, New Jersey union leaders issued a call on Feb. 11 for the formation of a "National Labor Committee to Defend Harrison Williams," the Abscammed New Jersey Senator, who is a pro-labor Democrat. The leaders are Robert Cericola, Secretary-Treasurer of Teamsters Local 331, and William Toland, President of Local 1447 of the International Brotherhood of Painters and Allied Trades and President of the International Conference of Sign, Display, and Allied Trades.

They announced their intention to take part in a day of national lobbying on Capitol Hill Feb. 19 on Williams's behalf. They are also circulating a petition nationwide for endorsement by union officials and friends of labor, and

meeting with New Jersey legislators.

The petition reads in part: "Processes such as Abscam, where a public official or an average citizen can be targeted, indicted, tried, convicted, and sentenced in the press, must come to a halt. We are entering the most perilous times for both the union movement and for the country. . . . We must therefore have the freedom to publicly assemble, to air our political opinions, and to conduct private business such as the literal building of this country free from harrassment and terror campaigns run by shadowy forces behind the scenes. . . . We either rise to [Williams's] defense in a unified fashion, across the nation, from the bottom to the top of labor, or we should not be surprised to hear the knock at the door saying we're next. . . ."

## Texas Speaker Clayton sues FBI Brilab agents

Texas Speaker of the House Billy Clayton, a "Roosevelt Democrat" who was acquitted in 1980 of an FBI Brilab frame-up against him, filed suit for damages in Houston Feb. 8 against the Prudential Insurance Company of America and two FBI undercover agents.

Clayton contended that the collaboration between Prudential and the FBI led to "great public humiliation and embarrassment" which damaged his political career. He is shortly to retire from his position as State House Speaker. The FBI undercover agents named in the suit are Mike Wacks and Larry Montague, who posed as Prudential Insurance employees in the "sting."

Clayton's suit reads in part: "Clothed with such authority [Prudential's backing] Wacks and Montague, with the able assistance of the criminal abilities of Hauser [Joe Hauser, con-man used by the FBI in Brilab], undertook to entrap Clayton into an appearance of the commission of violations of his public trust." The suit alleges that the FBI sting operation was knowingly calculated to "harm and injure innocent persons."

## Briefly

● **JOHN CONYERS** (D-Mich.) and 51 other Congressmen have requested the left-wing Institute for Policy Studies, a Warburg-founded think tank, to "undertake a thorough analysis of the federal budget" and "recommend alternative approaches for consideration by Congress." At a Feb. 11 press conference in Washington, D.C., IPS staffers led by Director Marcus Raskin castigated exploitation of "the poor, minorities, women, and gays," then proposed a shutdown of nuclear energy and an emphasis on biomass.

● **THE PHILADELPHIA** City Council voted Feb. 4 to declare June 9 "Dante Alighieri Day" as part of the ongoing celebration of the city's tricentennial anniversary. Councilman James Tayoun introduced the resolution at the request of the Lafayette Foundation of the Arts and Sciences, which has held several Philadelphia meetings to present to Italian-Americans the Renaissance influence upon America's Founding Fathers.

● **VICTOR GOTBAUM**, a social-democratic New York City labor leader, announced this month that he intends to set up an official work-study program for visiting Chinese Communist labor leaders in the city. Gotbaum heads District 37 of the American Federation of State, County, and Municipal Employees.

● **EDMUND N. ORBECK**, Alaska's Commissioner of Labor, released a statement last month urging job-seekers not to come to Alaska unless they have a guarantee of employment. Unemployment in Alaska for 1981 was officially 9.3 percent, compared with a national average of 7.4 percent, and its cost of living is extremely high.

## Editorial

# A warning to subscribers

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

In many cases these people are representing themselves as *EIR*, or are telling you that they have purchased *EIR*'s subscription list. This is a lie. These people have no affiliation whatsoever with *EIR* or with *EIR*'s founder Lyndon LaRouche. They threw in their lot with the evil forces of Dope, Inc. and the Global 2000 genocide lobby.

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

We are reiterating this warning, printed in small type at the opening of several issues of *EIR* over the past months, in response to many inquiries received concerning the nature and purposes of the Detroit group. That group is linked to circles—including the Anti-Defamation League of B'nai B'rith and United Brands' Max Fisher—which are known to be associated with organized crime. Any reader approached by the Detroit group for a "business" venture should scrutinize any investment proposal extremely carefully.

As you know, *EIR* has been engaged in a sustained war with the international interests behind illegal drug trafficking and terrorism. The success of our attacks was most dramatically shown by the Italian government's and judiciary's crackdown on the previously "untouchable" controllers of the drug Mafia: the Socialist Party and Freemasonic forces we identified last year in our exclusive exposés of the Propaganda-2 scandal.

Indeed, the brilliant police work that freed American NATO General James Lee Dozier on Jan. 28, 1982, had been made possible by the assimilation by leading forces in Italy of the counterterror method pioneered by Lyndon H. LaRouche, Jr. In an open memorandum of May 9, 1978, one day after Christian Democratic Party President Aldo Moro was killed by the Red Brigades, LaRouche advised European governments to fight terrorism by investigating the highest-level political and financial networks that benefit from terrorism—all the way up to the British monarchy, British Secret Intelligence Service, and the oligarchic financial interests harbored in Switzerland. LaRouche noted that Henry Kissinger speaks for those interests.

Now, the Italian government, with the open backing of the Vatican, has opened up indictments against the heroin-running Mafia and its U.S. and Swiss banking connections, making it possible to end the Red Brigades' terror once and for all.

*EIR*'s role in these developments has incurred the wrath of powerful interests. The Oct. 22, 1981 issue of *New Scientist*, an outlet for the British Secret Intelligence Service, described *EIR* as "well-organized and dangerous," because *EIR* had revealed the Club of Rome oligarchs in the West behind the Muslim Brotherhood terrorists in the Middle East. These are the very same forces that work together with elements in the Israeli Mossad to convert the entire Arab sector into one vast crossroads of illegal hashish and opium.

The Italian government's lawsuit against Sterling National Bank in New York for its collusion in the fraudulent financial operations of accused dope-kingpin Michele Sindona opens yet another flank. Sterling National, as we reported in the *EIR* Feb. 16, handles all financial dealings of the Anti-Defamation League of B'nai B'rith, the organization that has spearheaded dirty tricks against this publication and Lyndon LaRouche in the United States by circulating the lie that we are "anti-Semitic." The slander is now exposed for what it is—a tactic of organized crime and terrorism.

# EIR

The special reports listed below,  
prepared by the EIR staff, are now available.

- 1. Prospects for Instability in the Arabian Gulf**  
A comprehensive review of the danger of instability in Saudi Arabia in the coming period. Includes analysis of the Saudi military forces, and the influence of left-wing forces, and pro-Khomeini networks in the country. \$250.
- 2. Energy and Economy: Mexico in the Year 2000**  
A development program for Mexico compiled jointly by Mexican and American scientists. Concludes Mexico can grow at 12 percent annually for the next decade, creating a \$100 billion capital-goods export market for the United States. Detailed analysis of key economic sectors; ideal for planning and marketing purposes. \$250.
- 3. Who Controls Environmentalism?**  
A history and detailed grid of the environmentalist movement in the United States. Analyzes sources of funding, political command structure, and future plans. \$50.
- 4. Prospects for Instability in Nigeria**  
A full analysis of Nigeria's economic development program from a political standpoint. Includes review of federal-state regulations, analysis of major regional power blocs, and the environment for foreign investors. \$250.
- 5. The Real Story of Libya's Muammar Qaddafi**  
A comprehensive review of the forces that placed Qaddafi in power and continue to control him to this day. Includes discussion of British intelligence input, stemming from Qaddafi's training at Sandhurst and his ties to the Senussi (Muslim) Brotherhood. Heavy emphasis is placed on control over Qaddafi exercised by elements of the Italian "P-2" Masonic Lodge, which coordinates capital flight, drug-running and terrorism in Italy. Also explored in depth are "Billygate," the role of Armand Hammer, and Qaddafi's ties to fugitive financier Robert Vesco. 85 pages. \$250.
- 6. What is the Trilateral Commission?**  
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