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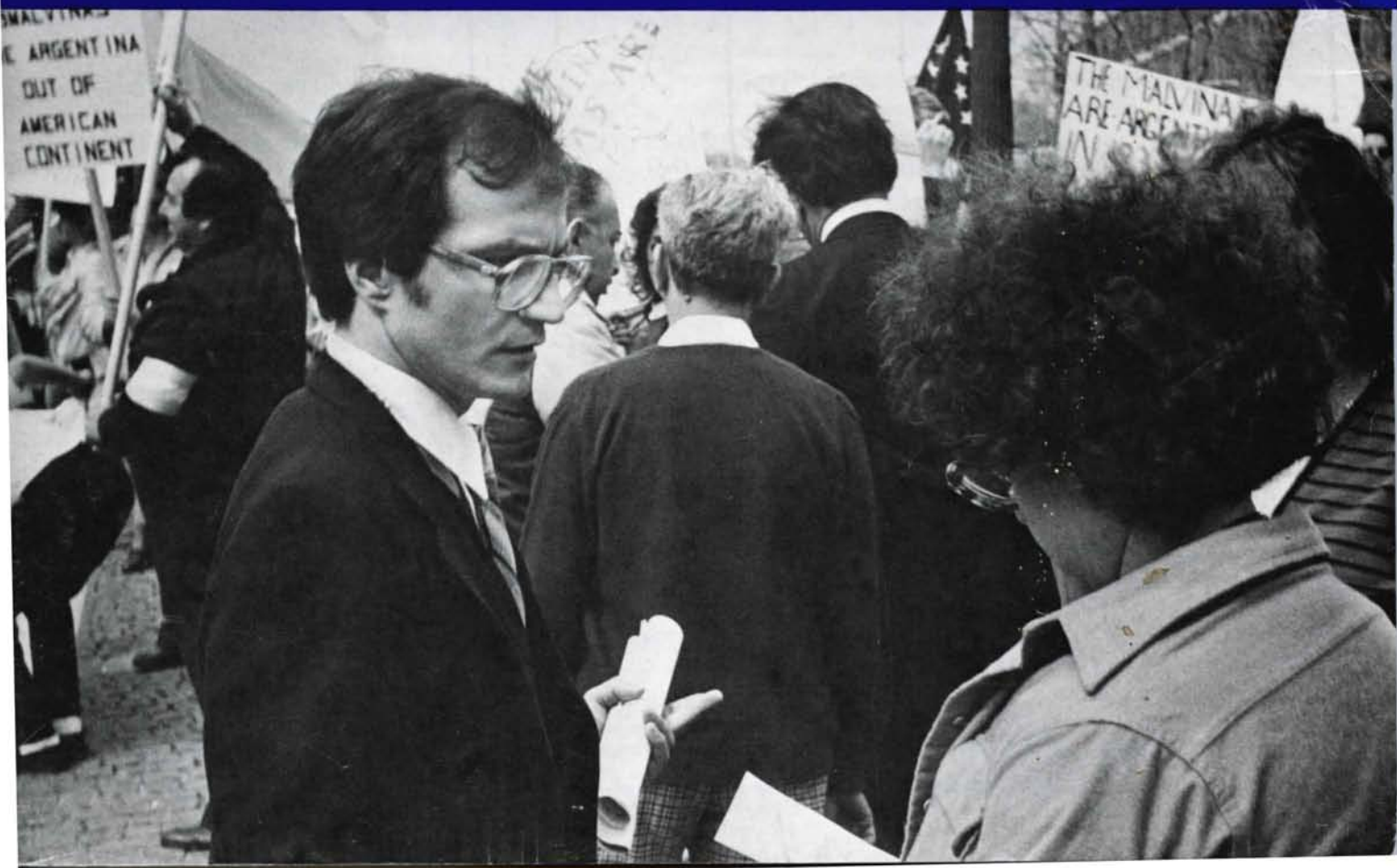
Executive Intelligence Review

June 22, 1982

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EIR

From the Managing Editor

The subject of our Special Report this week is the National Democratic Policy Committee, the fastest-growing Democratic national political action committee in the United States. The NDPC was launched in 1980 by *EIR* founder Lyndon H. LaRouche, Jr. after Jimmy Carter won the presidential nomination. LaRouche's prediction that the Carter candidacy would bring the party a November disgrace was inescapably borne out, and the NDPC became the institutional recourse of Democrats—and a good many Republicans—who see politics as a means to the end of economic growth and moral progress.

It is in times of crisis like the present that institutions and individual outlooks can quickly change, as conventional wisdom, petty preoccupations, and wishful thinking are brought up short by reality. The wars in the Middle East and South Atlantic, and the deepening economic havoc in the United States, add up to a crisis which puts every institution to the test.

For the Democratic Party, the test is whether it can rid itself of its Harriman wing. Averell Harriman is a senior member of the anglo-philie investment banking network which installed Paul Volcker and his policies, as they had Herbert Hoover's, for the express purpose of wrecking U.S. industry and forcing down U.S. living standards.

Why does the Harriman group want a depression? It is a means of carrying out their "survival of the fittest" outlook, an outlook expressed in the sponsorship by Averell Harriman and his mother in the 1920s and 1930s of Benito Mussolini and the Nazi race-science spokesmen in Germany, England, and the United States. That outlook is also expressed in Harriman's control of the population-control and anti-nuclear energy movements from their inception. The riffraff must not be allowed to multiply and prosper, says Harriman.

The NDPC's growth has been fueled by Americans' hatred of this outlook. Below we show you what the NDPC is doing about Harriman, Volcker, and their underlings in political life.

Susan Johnson

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The IMF is crowned at Versailles summit

by George Gregory from Paris

Most analysts had presumed that the Versailles economic summit of 1982 would result, at most, in a twist on Marie Antoinette's famous dictum, to the effect of "Let them eat words." That evaluation, chiefly due to the fact that the final communiqué was known in its essentials long before the seven heads of state and government gathered at Versailles Palace, was proven false by a second communiqué, the "Statement on International Monetary Undertakings." This "Statement," with its seven paragraphs, constitutes an agreement in principle to hand over to the International Monetary Fund (IMF) the power to put the United States under supranational economic and financial management, as the first step in global economic depression crisis-management.

As far as the "principle" of the "Statement" goes, each of the nations which agreed to it ultimately knows that it applies to them as well, but they were all also aware that the United States would be the first victim of the IMF.

French Finance Minister Jacques Delors, who worked closely with U.S. Treasury Secretary Don Regan in formulating the "Statement," triumphantly claimed early in the summit deliberations that "we have the agreement of the U.S.," meaning he had the Treasury Secretary's agreement. Meanwhile, Regan calmly claimed "I can not say that Mr. Delors did not say that, but we have not agreed to anything." In the end, it turned out that Delors was right, and the French minister had this to say: "We have total agreement on the principles of our monetary policy. We all think that this extended principle of IMF surveillance is excellent. But the chief problem remains the United States. We Euro-

peans should probably send a Falklands-type expedition to the U.S. Congress and Senate to change the U.S. budget." The newly installed West German Finance Minister, Manfred Lahnstein, reflected a good deal of the deliberations when he told *EIR* correspondents that "The IMF ought to have as much surveillance power over the U.S. as it does over Bangladesh."

Not fit to manage its own affairs

Formally, Section 3 of the "Statement" says that "We are ready to strengthen our cooperation with the IMF in its work on surveillance, and to develop this on a multilateral basis, taking into account particularly the currencies constituting the SDR," the IMF's funny-money. Section 5 says that "We are ready, if necessary, to use intervention in the exchange markets to counter disorderly conditions, as provided for under Article IV of the IMF Articles of Agreement."

Unlike the British, the French, Don Regan, and Paul Volcker back home in the United States, neither Japan, Italy, nor West Germany (as far as Chancellor Helmut Schmidt is concerned) wanted these resolutions. Italian Prime Minister Spadolini refused to mention the "Statement" at all in his final remarks; Prime Minister Suzuki claimed that the "Statement" was a mere formality, and refused to commit himself to anything concrete in that regard until the summit meeting in Washington, D.C., next year. Discussions, Suzuki revealed, will be conducted on details at the Toronto, Canada IMF meeting in September.

But despite weak-kneed attempts to talk their way out of the fact, seven heads of allegedly sovereign states

did sign the "Statement." They did so, perhaps unbeknownst to President Reagan, in the conviction that the United States government is no longer fit to manage its own affairs—or, just about as fit as Bangladesh is considered to be by the international banking community.

First, there is the fact that Reagan had not succeeded in taking hold of the credit and monetary affairs of the nation, as he had promised last year, nor in firing Paul Volcker, as he has wanted to do, nor in reversing the economic strangulation of the U.S. high interest rates. Then, the President arrived in Versailles having failed to achieve a "budget compromise" with Congress, which made Reagan look considerably smaller than a President of the United States, even though a compromise would have been like putting a bandaid on a brain hemorrhage. The other six heads of state were treated to the President's explanation that high interest rates were merely a "psychological phenomenon" of the anxiety-ridden financial markets. Thus, part of the foot-in-the-door for the IMF was managed over the issue of managing exchange markets, because there is a commonly spread fear that the dollar will sooner or later go bust.

More important still, the entire first day of discussion was dominated by the British colonial expedition to the South Atlantic. Alexander Haig giggled as he claimed that decisions on American action on the Malvinas were "not a matter that the President has to be consulted on." Members of other delegations, all the way up to the rank of Minister, openly announced to anyone who cared to know that there was "little coordination between what President Reagan is saying in the talks and what his delegation is saying."

Perhaps the crowning touch was Israeli Prime Minister Begin's response to President Reagan's appeal to stop the invasion of Lebanon: contempt.

The summit therefore accepted as a fait accompli that the United States had surrendered sovereignty over its economic and monetary policies. The formal statement of principle in the "Monetary Undertakings" section of the communiqué are to be filled with content and detail in the course of a further unravelling of the U.S. economy and the ultimate declaration of U.S. government financial bankruptcy. The West German Economics Minister, Otto Count Lambsdorff, was looking ahead to this content when he said that "this summit expended far too much energy, compared with its results. I was thinking that far more would have been achieved if central bankers had been involved from the very beginning." The Bank for International Settlements has, in the meantime, informed us that they "take the commitments on monetary surveillance very seriously," and are eagerly anticipating the content and procedures to be reported on at the Toronto IMF meeting.

Of course, the BIS managed the Fed back in the 1930s, and kept the U.S. in depression for a good long time—just as they manage Paul Volcker today.

Surveillance over East-West relations

The U.S. has also managed to let itself be bamboozled into the role of hired gun for British colonial geopolitiking on the East-West credit and trade front. The communiqué says that "... we will exchange information in the OECD on all aspects of our economic, commercial, and financial relations with the Soviet Union and Eastern Europe. ... Taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the U.S.S.R. and Eastern Europe ... and will exercise commercial prudence in limiting export credits."

President Reagan went into the summit well-profiled, with the simple-minded cowboy brashness of "We ought not to sell the Soviets the rope they will hang us with." That line succeeded in making the West Germans so paranoid that Chancellor Schmidt cringed and pleaded that, since West Germany had already reduced its trade with the Soviets 20 percent it was "not fair" just to pick on the West Germans.

With the West Germans on the defensive and just as manipulable as the Americans, the British and French had a field-day. "We agree on restrictions," said French Foreign Trade Minister Michel Jobert, "but we want these restrictions applied progressively, and the British are on our side." Robert Hormats and Don Regan agreed with the British and French colonial powers.

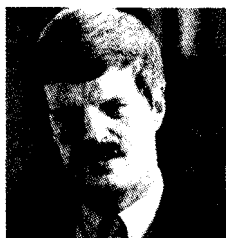
The chief aim is to apply a tourniquet, rather than a sledgehammer, to credits to and trade with the Soviets. "Each country will be surveilled by the other six, and this surveillance within the OECD will ultimately lead to cuts in credits," said Don Regan. U.S. "muscle" was used merely to support the British and French colonial "brains." Do not "quarantine" the Soviets, said Pierre Trudeau. "Finlandize the Soviet satellites," wrote Nora Beloff, wife of Sir Max Beloff of the Committee for the Free World, in London's *Sunday Telegraph*. Do not "inhibit liberalization" in Eastern Europe said the London *Guardian*, all reflecting official British views.

Of course, this presumes that Britain and France can "fine-tune" their relations with Soviet and East bloc economies to exert leverage on Soviet response to British and French colonial administration of "population wars" and raw-materials conflicts in the Third World. The West Germans have been assigned the role of using their surviving East/West trade as a "sweet carrot" to "tame" the Soviets, part of managing Third World conflicts below the level of general thermonuclear war. Decisions have been made in principle to reclassify Soviet credits, increasing the cost 1½ points according to OECD guidelines.

As a result, the Versailles summit will also turn out to be very influential in Moscow. Firstly, Brezhnev factional groups can hardly be expected to keep it a secret that there is little content left to Chancellor Schmidt's proclamation that he does "not want economic warfare." If he did not accept *de jure* restrictions on trade, he accepted them *de facto*. Secondly, certain other factions in Moscow will be delighted to have such help in knocking out their internal opponents; and doubly delighted at the prospect of the United States, undergoing extended economic debilitation, while another chief Western economic pillar, West Germany, is further weakened.

The only nation that fell out of line at the summit was Japan. Japan severely condemned the Israeli invasion of Lebanon, and ordered its delegation to the U.N. Security Council to vote against the British on the Malvinas. They wanted new initiatives among industrial countries for cooperation on atomic power, high-technology and space research and development. They wanted initiatives to spur technology-transfer to the Third World, including nuclear energy, for in-depth industrial development. Prime Minister Suzuki balked at the implications of the established principle of IMF abrogation of national sovereignty in economic and monetary policies.

As long as there are Third World nations capable of defending themselves against the IMF/BIS onslaught of enforced depression, these policy orientations will undoubtedly win the Japanese a strong position in the Third World. But, if the United States does not quickly rip the "Statement on International Monetary Undertakings" to shreds, the chances of Japanese success are meager.



Interview: German Finance Minister Manfred Lahnstein

by Sophie Tanapura from Paris

At the closing of the Versailles Summit June 6, West German Chancellor Schmidt appeared a very tired man. Total resignation seemed to be the key characterization of German policies at this summit. Germany's determination to act on national interest has been faltering over the past year under the pressure of Global 2000 circles, of

NATO, of the worsening world situation, and of internal political opponents. The serious defeat of the SPD over the same weekend in Schmidt's own home city of Hamburg is a direct result of this kind of capitulation.

The fact that Germany borders the East bloc has always made her very sensitive to the question of war and peace. However, at the summit discussion, the Germans reiterated total support for the British in the Malvinas crisis. When questioned on its creating a precedent for other out-of-area deployments, Schmidt remarked that "it is not the first time" and that further questions should be put to Mrs. Thatcher, washing his hands totally of any responsibility in key world events. This attitude was once again predominant in Chancellor Schmidt's admission that Germany had nothing to say in the present Iran-Iraq conflict, as she is not present in the Gulf area. Such capitulation on world affairs should be viewed with great concern by those who are looking to Europe for a third option.

A similar or worse attitude prevailed in the economic domain. At the closing national press conference, Schmidt emphasized that the main economic problem today is the problem of over-population, showing the influence of Carter's *Global 2000 Report* on his judgement. In the same resigned manner, under pressure of heated anti-Soviet ravings of U.S. Secretary of State Alexander Haig and Secretary of the Treasury Donald Regan, Schmidt defensively argued that Germany's East-West trade had dropped by 20 percent since 1980, and France's by 25 percent, while that of Japan and the United States had been on the rise. In this debate, which lasted for two hours, he only intervened during a total of two minutes, he admitted to the press.

In comments to the *EIR*, newly appointed West German Federal Finance Minister Manfred Lahnstein, on the question of export credits, reiterated the Finance Ministry's total support for the Wallen compromise on the question of export credits. Swedish Count Wallen is the author of the present OECD proposal for reform of export credit conditions just discussed at the Versailles Summit. Wallen is known by insiders to be a "British" mouthpiece for "adapting" interest rates for export credits to the fluctuating rates in the markets, a notion which until recently had been abhorred by the French.

On the question of multilateral surveillance in the framework of the IMF and export credits, both the German Economic and Finance Ministers have no qualms about placing their national economy under the scrutiny of supranational entities such as the IMF and the OECD. Economics Minister Count Lambsdorff declared to *EIR* that the German delegation is "basically in favor of a monitoring role [of the IMF] and found that this view is shared by almost all Economic and Finance Ministers."

On this question, Finance Minister Lahnstein went

even further in his interview with Paris *EIR* correspondent Sophie Tanapura. Lahnstein, born in 1937, was named Deputy Minister to the Federal Minister of Finance in June 1977. In January 1981, he became Director of the Federal Chancellery, and was appointed Finance Minister in April 1982.

Tanapura: If I understand it correctly, there is basic agreement among the delegations concerning multilateral surveillance within the context of the IMF.

Lahnstein: You are absolutely right, and how could it be different. All the participants here at Versailles are member countries of the International Monetary Fund. Everybody has signed the statutes. The statutes provide both for surveillance in the economic sense and for surveillance of exchange rates. What we are doing is confirming those principles which we have all signed and finding ways and means to make this surveillance as effective as possible.

Tanapura: Has any new body or institution been created?

Lahnstein: No new institution, only enhanced practical competence for the IMF. We all want a strong IMF. This has to start with the surveillance function, and I think the large industrial countries should set an example for the others. How can we ask early conditionalities, for instance, from the developing countries, when we ourselves are not ready to be submitted to IMF surveillance? We are the most economically powerful group in the world. We should set the example for ourselves, thereby setting the example for the others. This should be done by the IMF, but no new institutions are necessary.

Tanapura: What does the revitalizing of articles 3 and 4 really imply for the national economies involved? What are the consequences of IMF economic surveillance and coordinated intervention?

Lahnstein: No, coordinated intervention is not the main point. Each summit conference is marked by a catchword. This year it is intervention, and the sensational character of it is forgotten two weeks afterwards.

The important thing about surveillance is quite a different one. It's the fact that IMF people screen national economies and their performances and give advice, and that this advice is taken seriously by the United States, by Germany, by Bangladesh, by everybody. Why? Because this is an early warning system, one of the most valuable early warning systems we have. So we should make full use of this surveillance function. That is the main point. Not intervention, which is done on a day-to-day basis. Then you read about it in the papers the day after, and that is the way it should be.

We take the IMF seriously. We had an IMF team in the country three weeks ago. [Bringing it in] was one of

the best pieces of advice I have got from my own budgetary people. And I will make use of it.

Tanapura: And what did they tell you?

Lahnstein: Be cautious. Cut down expenditures, cut down growth of expenditures. Cut down your deficit. Switch consumption to investment through the budget, and things of that kind. And I think they are right. I try to make use of [these] as argument[s] against my own internal opponents.

Tanapura: French Trade Minister Michel Jobert earlier this afternoon expressed personal discontent with the IMF role. He had indicated that the IMF is dominated by the United States, and that France, by subjecting itself to the IMF, would be subjecting itself virtually to U.S. policy. Could you comment on this?

Lahnstein: If he has said that, I would disagree. . . . The United States holds a very powerful position. But we have a very fine balance of power inside the IMF through our constituency system, and we have cooperative partners in the IMF, and I don't have the slightest complaint. On the contrary.

Tanapura: How is the favorable German position on the Wallen proposal coherent with the presence of a 50-man Soviet delegation presently in Germany? And is the presence of this delegation a sign of continued German commitment to long-term economic relations with the Soviet Union as a basis for a peace policy?

Lahnstein: Both positions are quite compatible with each other. As far as the classification of the Soviet Union is concerned, this is not dictated by any political consideration. The fact is that we calculated the per capita income in the Soviet Union. It is not a German or an American calculation. It is an OECD calculation.

As far as economic cooperation with the Soviet Union is concerned, we stick to our long-term commitments. We are people who stick to contracts once they are signed and done as you do in the United States with your grain deal. Why should we behave differently from you? I think that a very important principle of liberal trade, and reasonable people stick to contracts. We have a long-term economic agreement with the Soviet Union which sets up different commissions on general economic questions, on sectoral problems. So we often have Soviet delegations in the country.

Tanapura: We are informed that Germany is presently being pressured by the United States to play the "locomotive" role in an economic recovery?

Lahnstein: Well, that is a wrong piece of information. The pressure does not exist. On the contrary. And by the way, the German Finance Minister is never pressured, not even by the Americans.

Interview: Spokesman for Japan's Premier Suzuki

by Pakdee Tanapura from Paris

Among the participants at Versailles, Japan was the only country that put forth some sane proposals to get out of the world economic depression. Although Japan has accepted the idea of the "right to survey" by the IMF, the Japanese delegation has pointed out that only a study group has been set up to work out the mechanism of control and it would be implemented within one year, i.e. after the next summit in Washington. Contrary to slanders coming out of the Anglo-American media, the Japanese position at the summit shows that Japan is not merely an "economic animal."

Japan's main concern is not only its own economic interests but also the mutual interests of the industrial nations as well as those of the developing countries. Japan's opposition to the atmosphere of trade war is based on the current world strategic consideration, as Prime Minister Suzuki stated:

"The current world economic situation is extremely serious. We cannot hope for its recovery unless we strongly rally the power of our will. In particular, the mounting protectionist pressures against the background of low growth and increasing unemployment, bring to us the memories of the bitter experiences in the past."

One of the most important issues Mr. Suzuki has raised is the fact that Japan's scientific and industrial experience is exemplary for the world economy. "Science and technology," he said, "make possible the development of our economies and industries and contribute in a variety of ways to the progress of mankind. . . . Naturally, science and technology cannot control mankind. Our ultimate objective is for us to master our human wisdom." He continued, "I wish to point out that this is taking place against the background not only of the use of robots creating more new jobs than those it saves, but also of the active efforts on the part of both management and labor. Both parties are making smooth adaptations on the basis of the shared recognition of the need for increased productivity though the use of new technologies as well as the need for the continued stability of employment."

Furthermore, Mr. Suzuki proposed joint international research and transfer of technology to the developing countries as the basis for North-South dialogue. He stated "Japan, on its part, intends actively to contribute to such work with its knowledge and experience. We can

think for example of life science, atomic energy, development of space, and new renewable energies as areas worth our consideration."

Prime Minister Suzuki indicated that at this summit Japan had taken up the defense of ASEAN countries because Japan considered these countries its economic partners, and the Europeans should regard this as an example for North-South relations in the future.

Taizo Watanabe, Deputy Director-General of the Public Information and Cultural Affairs Bureau of Japan's Ministry of Foreign Affairs, was designated by the Japanese delegation at Versailles to give the following interview to EIR and Fusion magazine. At the summit, Mr. Watanabe acted as the official spokesman of Japanese Prime Minister Zenko Suzuki. This interview was conducted by Pakdee Tanapura.

Tanapura: What effect do the U.S. high interest rates have on the international economy and the U.S. economy?

Watanabe: Yes, high interest rates have certainly had an impact on the world economy, especially the industrialized countries. If the United States wants to revitalize its own economy, one of the most important things is to suppress inflation. For that reason, it is important to keep demand at a certain level. In order to do that, interest is used as one of the effective means, but it also affects the economy. Therefore, there should be a compromise between the need to keep the price rise at a moderate level and the interest rate not too high.

One of the problems that we have with the United States is the balance of trade. This trade imbalance is caused to a certain extent by the artificially low level of the parity of the yen. This value of the yen does not really reflect the fundamentals of the Japanese economy. However, this is not only the responsibility of Japan. Japan is not intervening into the currency markets. But because of the high interest rates in the United States, there is a lot of capital flight from Japan to the U.S. As a result, the value of the yen is weakened. Therefore, the par value is kept low, lower than it ought to be. The Japanese government is now trying its best to keep the value as high as possible, but because of the high interest rates in the U.S., this is not possible. High U.S. interest rates distort the normal flow of capital and balance of trade.

We know that the inflation rate is already lowered in the United States. The purpose of keeping high interest rates was achieved to a certain extent. Therefore, it is time that the United States think seriously about lowering the interest rates. Of course, there may be other considerations such as the budget deficit, but other countries are suffering from similar difficulties. In Japan, the budget deficit is 21 percent lower than that of last year, yet higher than that of other countries. We should think

of coordination of policies. There should be more consultations and talks.

Tanapura: At this summit, does Japan have different views from the United States concerning East-West credit?

Watanabe: In principle, we do not differ from the United States. It is necessary for the West as a whole to think in terms of security and strategy when it comes to our economic relations with the U.S.S.R., because the U.S.S.R.'s military build-up is the concern of us all.

At the time of the Soviet invasion of Afghanistan, we boycotted the Olympic Games. We introduced some credit restriction vis-à-vis the U.S.S.R. However, other countries did not go along with these measures, and Japan lost some business projects in the Soviet Union to Western European companies.

Tanapura: And the question of the development of Siberia?

Watanabe: Our fundamental position vis-à-vis the U.S.S.R. is that we would like to keep our relations as stable as possible. The U.S.S.R. is Japan's neighbor and so is China. Of course, the United States is also our key partner. However, we do not like to make trouble with other states for trouble's sake. To answer your question on Siberia, it is possible, if our interests coincide with those of the Soviet Union. But at the moment, several factors prevent us from doing so. First, there is the northern territory issue. Then, there is the invasion of Afghanistan. In other words, we cannot participate in the development of Siberia unless the Soviet Union shows some gesture in the right direction.

Tanapura: According to some French press, Mr. Suzuki has proposed the creation of an institute for research in advanced technologies which is to include the advanced sector countries as well as developing countries. Can you tell us more about this proposal?

Watanabe: That report is a little bit premature. It is not unfounded, but if that report insinuates that Mr. Suzuki is going to propose some concrete proposals, it is wrong. He has the hope of setting a concrete form for cooperation between the industrialized as well as developing countries in the field of science and technology. But first, a study group has to be set up, and out of that we can have some concrete result.

Tanapura: On the question of North-South relations, will the Japanese government take up the idea of Mr. Nakajima, the research director of Mitsubishi, which proposed a \$500 billion fund for the development of Third World countries?

Watanabe: It is being considered on the private level. We understand very well the purpose of such North-

South cooperation. But whether or not the government takes leadership in this project is a different matter. If it is a question of feasibility, the private sector must study that as it was proposed in the private sector. We welcome the purpose and idea of the project, but the government cannot make any comment on it.

Tanapura: Where does Japan stand on the question of exporting nuclear technologies to the developing sector?

Watanabe: We fully support the non-proliferation treaty and we fully support the idea that peaceful atomic energy should be controlled to prevent it being diverted into military use. If Japan were to find herself in the position of exporting nuclear technology, she will make sure that this key clause be observed.

We agree with President Eisenhower's idea of "Atoms for Peace" and peaceful use of atomic energy should be under the control of the International Atomic Energy Agency.

Mitterrand's regal posture among the Group of Seven

by Dana Sloan from Paris

Everything had been arranged for the President of the Republic's moment of triumph. Several hundred journalists from across the world had been made to gather nearly two hours in advance in the large amphitheater of the Palace of Congresses at Versailles to await his entrance. Mitterrand loyalists from Minister of the Interior Gaston Deferre to Foreign Affairs Minister Claude Cheysson were crammed in front and center to better be able to soak up a few moments of the glory. When Mitterrand finally made his royal entrance and began to speak in a monotone that barely woke up the scores of dozing reporters, it should have become apparent to all that the monarch was a tin soldier.

The public address system failed, and the President was barely audible for the duration of a more than one-hour press conference. The irony could not have been more striking at this summit, where the French government's bid for the heads of state to work together to usher in the post-industrial age of *telematique* was made a central theme of the public-relations effort.

Indeed, all the preparations and planning for the Versailles Summit, were carried out by Mitterrand's special adviser Jacques Attali, the man whom some high-ranking members of the U.S. government have been awed into calling a "brilliant utopian." Much more to the point, Attali is acknowledged throughout the ranks of the opposition to be nothing more than a madman.

The author of Mitterrand's much-touted "Technology, Employment, and Growth" report, Attali claims that "the right to suicide is a fundamental instrument of socialism."

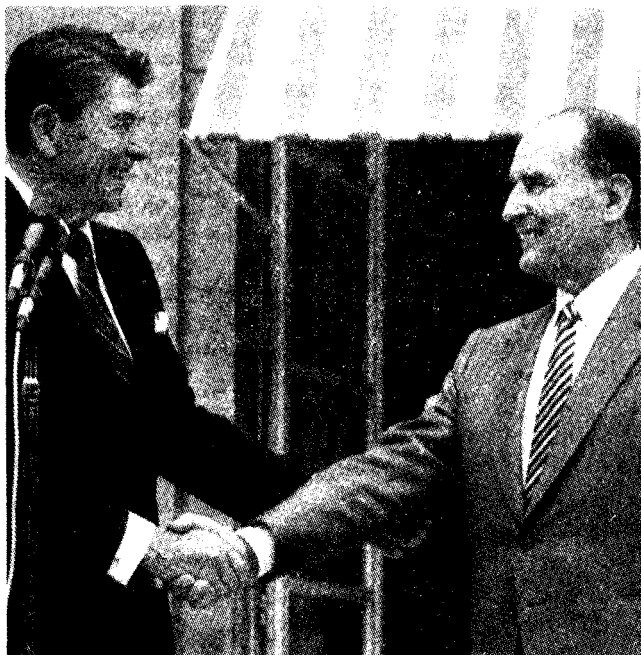
Throughout the corridors of the Orangerie at Versailles, there was no place to turn without confronting some technetronic gadget. Every few minutes, the latest poll showing a sudden increase in Mitterrand's popularity was flashed on the screen. All this sustained the environment of unreality necessary for wiping out a few more vestiges of national sovereignty.

More royalist than the King

After all the attacks against his predecessor, Giscard d'Estaing, for acting monarchical, Mitterrand outdid himself in recreating an "Ancien Regime" atmosphere. The site chosen for the summit, the headquarters of the last kings of France, the parade of the mounted royal guards—every detail down to the dinner-table etiquette—was carefully planned to create the impression of imperial power.

Despite the BBC's annoyance at finding Her Majesty's pomp outdone, Margaret Thatcher gushed her pleasure at the "splendid" results produced. Great Britain's "national pride" has been injured, Mitterrand proclaimed on the final day of the summit, and France will do all in its power to help the British "recover all that was once theirs." For the first time, the word "Falkland" was heard from the lips of the French government.

Unfortunately, all this had its intended effect. For



Mitterrand confers his wisdom on the U.S. President.

while Mitterrand was engaging in his imperial fantasies, Finance Minister Delors had his nose to the grindstone preparing the "statement of international monetary undertakings" joined to the final resolution of the heads of state. This section pledges to "strengthen cooperation with the International Monetary Fund" which, as Delors candidly admitted on French television, is the prelude to granting the IMF full surveillance rights over the economies of the industrialized world. This will become fully operative at the September meeting of the IMF in Toronto.

After making much of this subject on the first day the delegations arrived, Delors ran into a few snags. A few well-timed questions by *EIR* correspondents punctured the controlled environment, leading to a barrage of questions from other journalists directed in particular to the French, American, and Italian governments.

Some of these ministers, notably French Foreign Trade Minister Michel Jobert, voiced opposition to the IMF plan, but only with the effect of an empty gesture. The IMF plan had been agreed to months in advance by the appropriate Finance Ministers, and everything indicates that it will proceed apace—with or without the full support of the heads of state.

Jacques Delors not only revealed his full allegiance to the IMF at this conference, but also something about the strange workings of his mind. Asked once whether the French franc would be devalued a second time since the May 10 elections that put Mitterrand in power, Delors replied that "one does not talk about devaluation of the franc with the same ease with which a woman removes her brassière." On another occasion, Delors publicly humiliated a foreign female journalist who was having some difficulties in formulating her question by asking whether, "with such a charming voice, you don't represent *Playboy*?"

A long-time member of the "Futuribles" association of futurology created by Nazi sympathizer Bertrand de Jouvenel, Jacques Delors frequently visits the Jesuit Center for Social Studies at Vanves where high-level secret meetings are organized between representatives of left and right extremes. No one ought to be fooled into thinking that Delors is more attuned or favorable to industrial interests than the wild-eyed maximalists of the Socialist Party.

Any doubts should be wiped out by the convergence in economic policy lines that has taken place in the last few weeks between the Delors faction and the CFDT, the leftist trade union of Edmond Maire where one can find more zero-growthers and anti-nuclear environmentalists than in any other single institution in France. Delors, the "respectable" monetarist of the government, and Edmond Maire, a leader of the Club of Rome's shock troops, are two individuals to be watched very closely in post-Versailles France.

In the crypt of the heirs to the Hapsburg Empire

by David Goldman, Economics Editor



Below is the third and final installment of Mr. Goldman's account of his April 26 visit to the palace of the Thurn und Taxis dynasty in Regensburg, Bavaria, where he held a wide-ranging discussion with Crown Prince Johannes and Crown Princess Maria Gloria and members of their staff. That night, the Sovereign Prince, Karl August, died, and Johannes became the head of the family.

Parts I and II of this article described what is said to be the world's largest private fortune, and identified the key to the family's power as not wealth as such, but its centuries-long role as "chief agents of the foreign intelligence of the Republic of Venice"—from whom they adopted the practice of never tying themselves to fixed territorial or financial positions, and "setting all against all, always emerging on top of the rubble."

During their talk, Prince Johannes expressed support for Argentina against Britain, while predicting that Europe will be thrown into chaos, and "misguided efforts to industrialize countries like Argentina or Brazil will be suspended forever." The discussion continues below.

What did the Prince and Princess think of the leadership qualities that might help the Western world, for example, of Chancellor Helmut Schmidt?

"He's really a little man indeed," said the Princess, who speaks with a pronounced Bavarian accent.

"As an individual, he is no great statesman," continued her husband. "In any event the Social Democratic Party has lost so many votes; it hasn't been easy for the SPD to hold onto power with only 47 percent of the votes, and it is a great danger for the SPD, isn't it, that they are taking up rather comprehensive economic programs of a socialist nature. They can no longer manage. . . . He doesn't even have a Finance Minister. Things could go as far here as they have in England, and the SPD could split, like the Labour Party."

"What will happen in the coming elections in Hessen?" I asked the little group, referring to the decisive regional contest of next September.

"As it looks now, the Christian Democrats will get the absolute majority," predicted the aide.

"One shouldn't forget," added the Prince, "that it is

possible that the Free Democrats won't even get into the state parliament [of Hessen, because of the 5 percent cutoff rule—D.G.]. They have sucked up every political position like a vacuum cleaner; they are pushing social insurance and so forth, and their problems are as strong in their foreign policy as their domestic policy. [Foreign Minister Hans-Dietrich] Genscher is no Churchill, he is no Bismarck, he's not even a Roosevelt; he's just a little man who represents whatever political opportunity happens to come along."

The conversation turned to the potential leadership qualities of the United States. "I think that the Americans are men of the moment," said the Princess. "For this reason, even if they still maintain a certain economic superiority, nonetheless they have no culture! Whenever I speak with American students, well, not history students, but let's take any other field, medicine or whatever, they seem well-educated indeed in their specialty, but where history is concerned, there they know nothing, which is the most important thing, from my point of view."

"Americans understand nothing of Europe, because of the American mentality," added the Prince's aide.

"There have been considerable changes," said the Prince. "But above all one shouldn't forget, when one sets forth a judgment on this matter, where this comes from. For example: take Goldman, as a German or Austrian immigrant to the United States of first or second generation, raised in America, who therefore should have an American mentality. Therefore one cannot say that this is a racial question, that is, so to speak, to be solved in a moment. Recently I spoke with a very interesting American specialist in genetics, and I said that a family like mine, which has brought forth only powers of leadership for 800 years, is a matter of some interest. How should that be understood in relation to the question of a better race—ah, well, Hitler also wanted to do that. But people can see quite clearly that as a result of the relevant play of natural forces, the best-yielding strains have continuously been crossed with even better ones. But as for intellectual and spiritual capabilities: how is it possible to deal with them from the standpoint

of genetics? That is a character problem.”

Somewhat later in the dinner-table discussion, the Prince added: “The Americans have such a distorted view of Germany. For example, perhaps 15 years ago, there came to visit me this stupid mulatto, Martin Luther King—of course I am not a racist—and he said, ‘Do you know, these dogs, which are attacking my brethren, they are German shepherd dogs? Why don’t you do something about this?’ Incredible!”

“A people that has no conscious culture, even if it has a great history, but no active, effective culture, will not be able to produce effective policy,” I responded. “That is reflected in the Reagan administration. If you ask around in Washington what sort of foreign or economic policies the United States needs, all you get is ridiculous scenarios off the computer, which have nothing to do with reality.”

“That’s right,” smiled the Prince.

“For this reason,” I continued, “there is the danger that a new world war, for which there is no good reason, could transpire through pure clumsiness and incompetence. Therefore, even if all that has been said about Helmut Schmidt be true, as an American, I might nonetheless envy the Germans for having a Chancellor who can still function in the real world.”

Reagan’s not as bad as Carter,” interjected the Princess. “Above all Iran is not his fault, and that was the beginning of the decline, because since Iran took place, the Soviets marched into Afghanistan, and since Iran, the Soviets have the chance to go into the Falklands situation.”

The Prince’s business manager impatiently brushed aside the issue of Schmidt. “You say that at least Schmidt can function, but in my opinion, he can’t do that at all any more. He is thoroughly lame. The position of his party, the SPD, is such that it can no longer make policy. The government is totally changed, and for that reason he will get nowhere with the Russians. It’s the greatest disaster in the history of the SPD.”

“That’s absolutely right,” said the Prince, and the issue was no longer open. If they were so insistent that the Western world could no longer produce policies that would enable it to survive, I asked at length, how did they expect the family to survive? The answer—geographical extension to the point that the family’s holdings would survive even an atomic strike against the United States—I have already quoted above. The Prince excused himself from the after-dinner coffee and cognac to go to the bedside of his ill father who, as it turned out, was to die later that evening, transmitting the hereditary title of *Fürst*—Sovereign Prince—to my discussion partner of the afternoon.

If I was not entirely convinced by what the Prince and Princess had told me of their long-range survival perspective, what I saw later in the day left no doubts in my

mind. The present-day palace is built atop the Benedictine Cloister of St. Emmeram, of which the family historian, Max Piendl, has written:

“The beginnings of the Benedictine Abbey of St. Emmeram reach back to the beginning of the eighth century. With the Bishopric organization of 739, a personal union between the Bishop and the Abbot of St. Emmeram was created, which was first separated in terms of right to the seat in 975, under the Bishopric of Bishop Wolfgang.”

The cloister itself contains elements of Roman, Carolingian, and Gothic construction, including fifth-century Roman pillars unearthed only recently when a heating system was built. Over the years the Benedictine monks, and since 1812 the princely staff, have maintained in superb condition an edifice which blends a thousand years’ diversity of architectural styles into a single harmonious whole. A beautiful double arcade of Gothic pillars is crowned by a Romanesque wheel window, and a long passage supported by Gothic arches culminates in one of the best-preserved Romanesque portals in Southern Germany. The building no longer houses religious ceremonies, which the family attends in a private chapel in the main palace building, where Mass is said Sunday mornings. Its main function is to support the 220,000-volume princely library, which contains the entire archives of the postal service of the Holy Roman Empire, probably the single most important document collection for the history of intelligence services, not to mention for other research. The Prince’s chief librarian showed me treaties between the family’s forebears and Charles II of England, written in the English king’s own hand. The great reading room of the library was reconstructed to match the monks’ original library, and its ceiling frescoes were only laid bare through the stripping of inferior Rococo decorations a dozen years ago. The library’s shelves were restocked with leather-bound books of the 16th through 18th centuries, and comprise what must be the largest private rare-book collection in the world, far more impressive than that of most university libraries.

A descent into the crypt

At length I was shown the family crypt, located in a vault of the abbey—a long, low, dark room occupied by a couple of dozen unburied coffins. From the rational world of archives and art restoration, my guide and I had descended into the realm of grotesque Romanticism. The dim cast-iron-framed electric lights gave off no more glow than candles. In the half-dark I inspected the displayed coffins, which contained the same personages whose portraits from life I had previously viewed in the endless filigreed galleries of the adjoining palace. One by one, my guide introduced me to the still-unburied last remains of Thurn und Taxis ancestors of the last three centuries. In an ornate cast-iron coffin

decorated to look like a miniature castle lay the Princess Helena, who 150 years earlier had been the sister of the Hapsburg Empress, and now occupied the extreme left-hand position in the long double row of ancestors. Moving rightward, away from the narrow stone entrance, my guide compared portraits and coffins, until we came to the grandfather of Prince Johannes and the father of the still-living Fürst Franz-Josef, in an undecorated but majestic oaken coffin. As I write this, one more coffin will have been placed by the side of that of Franz-Josef, who died in 1971.

I had seen many family vaults, but none where the coffins stood uninterred, instead of finding a permanent resting place in the floor, or the wall, of the crypt. The perspective of the long row of dead was eerie.

Only then did the meaning of the Prince's words earlier become clear to me: this family, once the most powerful in Europe, perhaps now more powerful still, has no home, and will never bury its dead in a single place. From its place of origin in Bergamo, in Northern Italy, the family was virtually expelled after the collapse of the Hohenstaufen Emperors, by whose side it fought during the 13th century. It emigrated to Brussels, where, by the 15th century, it had provided leading courier services to the Most Serene Republic of Venice. When the Venetians, through the Fugger banking house, bought the Imperial crown for the fledgling Charles V, the family expanded into Bohemia, establishing the line now represented by Count Max von Thurn und Taxis. Its leading position in the Hapsburg Empire, which it virtually controlled when the 17th-century Hapsburgs became inbred morons, brought it the status of Imperial Princes, and the control of the postal services brought the family to Frankfurt, the site of coronation for the Holy Roman Emperors. A palace built by the family in the 1730s in Frankfurt was never really occupied, for Emperor Charles VII made the Thurn und Taxis Prince his representative at the Regensburg Imperial Congress in 1748. The fortunes of the Napoleonic Wars ensured the family's position in Regensburg with the acquisition of the St. Emmeram Abbey, whence it maintained the postal service for most of Germany until Prussia shut it down just prior to German unification, and kept its own regiment of soldiers until after World War I. But the Venetian principle—power over ideas, power over wealth, but never dependence on specific territory—prevailed to the point that the family did not consider its Regensburg site sufficiently permanent to lay its dead into the unchanging earth.

The Allgemeine SS

As I learned subsequently, the Romantic grotesquerie I had found so horrifying had aroused different responses from other visitors to the palace. The late Karl-August was host to the occult rituals of the

Allgemeine (Universal) SS, the core of the Nazi movement, directed by his friends, Heinrich Himmler and Walter Schellenberg; they could have chosen no more appropriate setting for their bestialities.

A generation earlier, a Thurn und Taxis prince had founded, at the turn of the century, the notorious Thule Society, the mystic cult of the Northern race that adopted the swastika symbol from the British racists Rudyard Kipling and Houston Stewart Chamberlain, and whose members included virtually the entire future leadership of Hitler's SS. One generation previously, the reigning Thurn und Taxis family head, Prince Max, controlled the feeble-minded homosexual King Ludwig II of Bavaria, through a Thurn und Taxis Prince assigned as Ludwig II's chief aide-de-camp. Historians attribute to the family control of the Bavarian court. Ludwig not only sponsored the Nazis' chief cultural idol, composer Richard Wagner, but subsidized the Blood and Soil extensions of Romanticism that Bavarian cavalry officer Karl Haushofer ultimately put into the book he ghost-wrote for Hitler: *Mein Kampf*.

For reasons that are still unclear, Karl-August, the hard-core SS backer, was stripped of his major's rank and imprisoned by Hitler in 1944. According to family accounts, the intervention of his Portuguese in-laws with the Axis-leaning fascist government of Salazar in Lisbon saved Karl-August's life. Prince Johannes, as noted, is anxious to present his family as anti-Nazi. "When I was 10 years old," he told me, "I had to stand before my entire school class when they joined the Hitler youth and tell them, '*Ich mache nicht mit*' ['I won't go along']. I was beaten up for this every day after school for a year."

But his attitude towards the Nazis shines through the disclaimers since, as a putative sovereign, he does not believe he should have to disguise his views before anyone. Over coffee and cognac after dinner, speaking of an artist who had continued to work in Germany through the war, he said, "G. wasn't a Nazi. He was just like Albert Speer, a young architect who dreamed of building great buildings. Suppose the big boss came to you, Goldman, an economist, and said, run the banking system, and meanwhile went off and did terrible things. Would that be your fault?"

"Speer was a mass murderer," I replied. "He set up the slave labor programs that murdered 12 million people."

Prince Johannes's aide jumped in to prevent His Serenity from exploding before such insolence. "That is true, Your Serenity. Speer did set up the death organization."

"Oh, well," Prince Thurn und Taxis conceded. "It is possible that Speer may be a somewhat different case."

The objects of art most sacred to the family are the

so-called Battle Tapestries commissioned in 1669 and executed by collaborators of the Belgian artist (and Hapsburg intelligence agent) Peter Paul Rubens. No copies of the eight giant tapestries have ever been made, and the original cartoons remain under lock and key at the palace.

The Taxis family of the 17th century, approaching the zenith of their power under the Hapsburgs, had bought themselves a genealogy linking them with the Torriani (Thurn) family of the Hohenstaufen era of Germany and Italy in the 12th century; even the family's own recent published histories admit the connection to be a bogus work of social-climbing. It is nonetheless ironic that the family has clung to its supposed relationship to the Hohenstaufen, the great city-builders of the Gothic era whose destruction in 1268 ushered in the new Dark Age and the great plagues that killed one-third of Europe's population. Dante Alighieri had criticized their attempt to complete Charlemagne's project of unifying European Christendom, for its failure to elevate the European population to the qualities required to make it successful. For this Dante proposed, and carried out in the case of Italian, the eloquence of the vernacular language, as an instrument to ennoble the common citizen, to make him worthy to be a citizen of a republic.

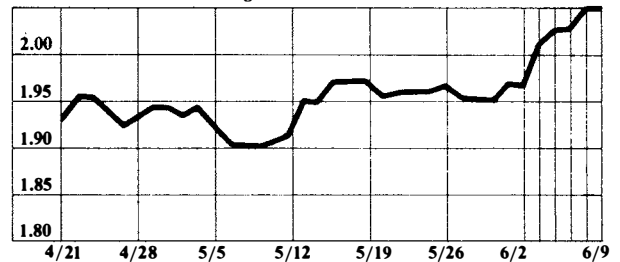
With the accession of Charles V of Hapsburg, already King of Spain and Burgundy when he took the Austrian-based imperial crown in 1519, the Venetian paymasters of the Holy Roman Empire turned the Hohenstaufen principle around, and made a leading principle out of its weaknesses. Instead of nation-states, which France under Louis XI had become during the past century, the Hapsburg principle became "universal monarchy," in opposition to the emergence of nations. Friedrich Schiller's evaluation of the history of the period was that the notion of "universal monarchy," the forerunner of what is now called "one-worldism," represented the greatest evil in the world; he defended the brutally destructive Thirty Years' War on the single ground that it threw this principle back, and gave room to the emergence of the modern nation-state in Europe.

For all the supposed progress in world political affairs since the time of Charles V, the issues and even the names that move history have not changed. What has changed, perhaps for the worse, is the capacity of the populations of would-be republics to understand those issues in a way they did two centuries ago. Fürst Johannes von Thurn und Taxis is no more afraid of expressing his intentions than the fictional Venetian inquisitors in Schiller's masterpiece *Der Geisterseher* (*The Man Who Saw Ghosts*). As he said, he believes that Americans lack the political culture to understand who and what he is in the first place.

Currency Rates

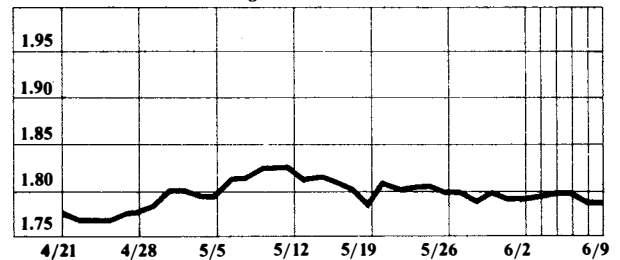
The dollar in Swiss francs

New York late afternoon fixing



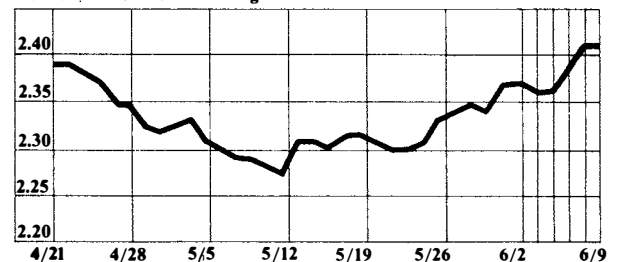
The British pound in dollars

New York late afternoon fixing



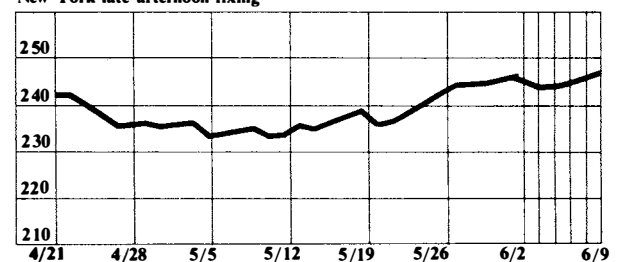
The dollar in deutschmarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing



Yes, Virginia, there is no federal budget

There is a problematic budget resolution, a debt-ceiling hassle, and an unstable government securities market.

The House vote by 219 to 206 on June 10 to approve the House Republican leadership budget resolution for fiscal 1983, called the Michel-Latta budget resolution, could blow up at any moment. Wall Street celebrated, but the bull market was premature. In a month's time there could be either no federal budget, or worse, no U.S. Treasury market.

The reason is that the House did not pass a budget, but only a budget resolution. The distinction is crucial. "When you pass a budget," stated Bob Sinche, economist for Bear, Stern investment bank, on June 11, "you work out binding spending limits for each item of the budget. A budget resolution doesn't do that. All it does is set a general spending, revenues, and deficit limit, and recommended spending limits for very broad categories. Once the budget goes to committees, there could be squabbling and increases of the line items, so the budget blows up."

Sinche pointed out that this is what happened with the fiscal 1982 budget. "The House and Senate passed that resolution in July, 1981, and as of today, nearly 12 months later, we still don't have a final budget. The Congress has been living by extending continuing resolutions whenever it needs cash."

In fact, all the hard questions, where to cut and by how much, have been left unsolved. "The 10 percent personal tax cut for July 1983 leaves a gaping hole in the

fiscal year 1983 budget. To fill that revenue gap, there should be either defense cuts or Social Security cuts," stated an official at the Federal Reserve Board. But, he added, "they won't get to attempting to solve that problem until after the November elections."

One additional problem is the debt ceiling, currently at \$1.0798 trillion, which will be reached by mid- to late June. If the debt ceiling is not renewed, the U.S. Treasury cannot raise any new money and the U.S. Treasury market will explode. The U.S. government, after about 10 days, would have to begin shutting down. Rep. Phil Gramm (D-Tex.), a conservative controlled by the Fabian Heritage Foundation, told a reporter June 8, "I think the debt ceiling should be allowed to run out. The U.S. government would be run on a daily balance of whatever money was around in the Treasury," or the small amount of taxes arriving in July. "This would mean that the President would start shutting down departments and furloughing officials, until a balanced budget was adopted." Rep. Robert Walker (R-Penn.) is proposing that a "balance-the-budget" amendment be attached to the debt-ceiling bill, which would prevent the bill from being passed.

The size of the increase in the debt ceiling could also cause problems. Rep. Dan Rostenkowski (D-Ill.), Chairman of the House Ways and Means Committee, is proposing a \$47 billion debt ceiling exten-

sion—which would give the government enough money to spend until Aug. 7, by Rostenkowski's calculations. In the meantime, the Treasury stated June 11 that it plans to propose to ask for the debt ceiling limit to be increased from \$1.079 to \$1.275 trillion, an increase of 20 percent or \$200 billion, to cover the expected large fiscal 1983 deficit. This means that the administration thinks the deficit will be larger than the \$100 to \$120 billion figure it is currently promoting.

Many conservatives may howl and attempt to block the debt ceiling bill because it is "too large" and be joined by Democrats anxious to discredit President Reagan.

Moreover, the trading of government securities has been unsettled since the May 17 disclosure that Drysdale Government Securities had defaulted on \$320 million in interest payments. The volume of trading has shrunk, and the exposé of another troubled government securities dealer, Comark, by the *Journal of Commerce* June 8, could further threaten that market.

Thus, both the budget and the Treasury debt market could get out of control at any moment.

And the budget resolution itself has many unanswered questions. It presumes that interest on the public debt will fall \$15.8 billion below projected levels. Why and how, especially if, as Treasury Secretary Regan announced June 9, the U.S. prime rate will still be 14 percent by year's end? The budget resolution projects \$20 billion in new tax increases. From where? From a GNP growth projection. But GNP has already fallen since the original projections were drawn up two months ago.

A case of financial warfare

Tangles of state, federal, and environmental obstruction continue to threaten the U.S. electrical grid.

Years of interest-rate usury and deteriorating government policy on nuclear energy have put the future of the U.S. electric utilities into fundamental jeopardy.

Despite efforts by national media to shift the problem for this growing crisis to utilities and their decision to build nuclear plants, the problem is just the opposite. The case of the Shoreham nuclear plant in New York is illustrative.

Almost 10 years back, about the time of the 400 percent increase in OPEC oil prices, Long Island Lighting Company (Lilco) began work on an 854-megawatt nuclear power plant. When planned in the 1970s, it was to be the first of at least three nuclear units for the New York utility's 3 million customers over the next several years. Lilco, like a number of other East Coast utilities, got locked into exclusive oil-fired electric power in the 1960s when it was the cheapest thing going. But a 1500 percent increase in the price of fuel oil since 1973 gave Lilco ratepayers the most costly electricity in the nation.

Opponents of nuclear power claim that the plant has become a \$2.5 billion dollar financial white elephant. The *New York Times* recently endorsed a recommendation by the anti-nuclear Shoreham Opponents Coalition (the usual gaggle of Abalone Alliance/Sierra Club types) that Lilco "abandon" the plant, claiming savings of \$3 billion over 20 years through conserva-

tion. This is insane. Even if initial "demand" projections did not warrant it, to replace existing oil capacity alone would require keeping Shoreham. The plant today is 95 percent complete. For two years the "antis" have screamed and howled at hearings over everything under the sun to sabotage completion of the plant. Because of the absurd procedures in the Nuclear Regulatory Commission, the government spends taxpayer dollars to hold interminable hearings which do nothing to make nuclear plants safer.

And because of the unnecessary increase in regulatory requirements issued by NRC after Three Mile Island in 1979, Shoreham and every other nuclear construction project underway has had to rework and redesign in midstream, adding huge cost increases. On top of this, Federal Reserve Chairman Paul Volcker has targeted every utility for bankruptcy by killing the long-term bond market.

Yet despite all this obstructionism, and despite an estimated \$2.5 billion cost, the Shoreham plant will be the best economic benefit the region has enjoyed in years.

New York, like many other states, forbids spreading out capital cost recovery of new plants through rate increases during actual construction. The result is that utilities are forced to tie up huge amounts of capital for as much as 12 to 14 years of construction. Lilco, like others, is forced into a temporary "cash-

flow problem" and is faced with having to recover by charging those capital costs over the first five years of Shoreham operation. Then came Volcker: fully one-third of Shoreham's \$2.5 billion tag is for interest and carrying costs. But even if Lilco rates rise, the long-range savings are enormous.

Lilco estimates that it will save \$10 billion over the life of the plant, assuming no higher oil prices. If oil prices rise even 2 percent annually, savings from the new nuclear plant would easily top \$50 billion. The initial \$2.5 billion capital cost is now in a very different perspective.

Indeed, one of the few competent studies of actual operating costs, done by Gordon R. Corey of Illinois's Commonwealth Edison, gives the lie to fraudulent claims about nuclear cost. With a large system to evaluate several of each type, Commonwealth found that in 1980, nuclear averaged 18.4 mills per kilowatt hour. Coal averaged 36.8 and oil a whopping 93.1 mills per kwh.

While we, in effect, unilaterally "freeze" our nuclear energy infrastructure, the heart of industrial health and a strong defense, our Soviet counterparts are going all-out to build nuclear power. According to a just-released analysis from Los Alamos National Laboratory which I shall review in detail in a future column, "Nuclear power will be used on a large scale throughout the Soviet bloc to generate electricity. . . . The reactor-safety, environmental, and nuclear weapons concerns so prevalent in the Western world play no role in Soviet bloc planning." We would do well to think about that the next time Ralph Nader's cohorts demand we commit industrial suicide.

Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
	India from U.S.A.	Hindustan Development Corp. of New Delhi has contracted a subsidiary of Bethlehem Steel to help it make railroad products using manganese steel for railroad grade crossings and other purposes. Bethlehem Intl. Engineering helping modernize archaic Indian railroad equipment plants and training Indian technicians.	India is spending \$1 bn. on railroad electrification and other improvements. India is open to deals with U.S. companies with know-how and suppliers' credits.
	Japan from Mexico	Japan is almost doubling its take of Mexican crude oil from 60,000 bpd in May to 110,000 bpd in June, tentatively rising to 150,000 bpd in July. June prices will remain at \$32.50 for Isthmus light and \$25 for Maya heavy crude. In June, 70% of the crude will be the desirable light grade, but in July, Japan will take a 50-50 mix of light and heavy.	Japan's increased purchases at a time when Mexican economy is under sharp international attack will be appreciated.
\$1.7 bn.	New Zealand from U.S.A.	New Zealand Synthetic Fuels Corp. is building plant to turn local offshore natural gas into methane gas and then into synthetic gasoline using Mobil process. Will yield 11,400 bpd. Venture is owned 75% by govt. and 25% Mobil. Financed almost entirely by Citibank-led consortium.	Synfuels are risky, but compared to Khomeini...
\$112 mn.	Iran/New Zealand	Oil for lamb barter deal.	
	Middle East from U.S.A.	U.S. Egg Marketers of New Jersey, a consortium of 25 egg producers, will be selling 36 mn. dozen eggs during coming year to Iran and other Mideast countries. If U.S. supply runs short, will go egg hunting in France and Brazil. Mitsui and Seaboard Foods (a N.J. subsidiary of Japan's leading chick hatcher) are finding the markets.	
UPDATE			
\$82 mn.	Bulgaria from Japan/Western Europe	Bulgaria is demanding novel conditions from the 3 Japanese and 3 Western European companies competing to sell it an oil rig with all accessory equipment and operation training. The winner must: 1) give Bulgarian shipyards technological aid in building 7 oil rig supply boats; 2) sell internationally 5 of those boats and use proceeds as payment for the rig.	As world trade plummets and hard currency becomes scarcer, this type of counter-purchase deal will become more common—and more elaborated.
	Brazil/Saudi Arabia/South Africa	Visit of Saudi oil minister Yamani to Brazil yielded agreement that Brazil would shift 50,000 of the 170,000 bpd crude it imports from Saudi Arabia from the "seven sisters" to the Saudi state oil company, Petromin, which Brazil considers a more secure supplier in event of Mideast troubles. Brazil pressed Yamani hard for engineering contracts and buying Brazilian products.	Yamani expressed interest in joint investment, specifically in Amazon gold mining with Brazilian firm and company with gold mining know-how, possibly from South Africa. South African gold mining interests are quietly entrenched in Brazil through links with former Finance Minister Simonsen.

Business Briefs

East Bloc Debt

Comecon responds to Western economic pressure

Soviet Politburo member N. Tikhonov issued a denunciation June 7 of the Versailles summit meeting of Western nations as an "attempt to use economic blackmail for political consequences," warning that the Comecon would never accept such pressure. In a related development, Poland warned that additional pressure from its Western creditors would result in default on its \$30 billion debt, creating shock waves in Western circles.

On May 28, the Senate had passed, by an 83-10 vote, the Kasten-Moynihan bill mandating the U.S. government to force Poland into default, as an economic warfare measure against the Soviets—despite both Western European and Eastern European warnings that this would produce a global financial crisis and hurt the United States more than anyone else.

Now, European central bankers say they are scrambling to avoid an Eastern European debt crisis. "We have no intention of provoking a collapse of the international economy by pushing too hard on the East bloc debt issue," said a top Swiss National Bank official.

The June 8 *New York Times* urged Mr. Reagan to make good on his anti-communist speech before the British parliament by forcing Poland into default.

Stock Markets

Dividends maintained while profits shrink

According to preliminary figures released by the Department of Commerce, corporate profits (after adjustment for inventory valuation) were \$159.6 billion, down 27 percent from the first quarter of 1981, and the lowest level in current dollar terms since 1976.

After taxes, profits of U.S. corpora-

tions were \$108.8 billion. Of that shrunken amount, U.S. corporations allotted \$66.8 billion, or a staggering 61 percent, for dividend payments. That move already explains the capital spending collapse of the first quarter.

Why are executives killing off the future of their companies? Because otherwise they face one of the sharpest liquidations of the U.S. stock market in history. With profits down 27 percent and the widespread perception that the high interest-rate policy of the Federal Reserve Board would keep profits down for the indefinite future, dividendless shareholders would unload their stock.

International Monetary Fund

Cautious evaluation of summit results

IMF officials expressed caution in evaluating the results of the Versailles conference, which promised the IMF enhanced surveillance powers, in discussions in Washington, D.C. following the summit.

"A first reading of the text suggests that what was agreed was nothing new," said one official. "It ultimately depends on the willingness of governments to accept IMF advice, and most countries are certainly not ripe for that. The communiqué leaves everyone happy, but has nothing new, and nothing binding."

The official added, "We have to hope that the economic situation deteriorates further so that the government and Congress will take action. If it doesn't deteriorate, nothing will happen."

U.S. Industry

First quarter liquidity down 'dramatically'

TRW's credit monitoring service reports "a dramatic decline in the bill-paying performance of U.S. industry" during the first quarter of 1982, noting that "the

percentage of current receivables reached an all-time low for the past five years, while the percentage that are 1-30 days past due reached a new high."

Only 72.4 percent of all outstanding receivables were current during the first quarter, notes TRW's Business Payment Index, against nearly 77 percent in the last quarter of 1981.

According to TRW Chief Economist Wynn V. Bussmann, "The question of when receivables will improve still depends on when interest rates will fall."

According to TRW's data, the most dramatic declines were registered in men's apparel, where the percentage of current receivables fell from 64 percent to 45 percent between the last quarter of 1981 and the first quarter of 1982; women's apparel, where it fell from 85 percent to 51 percent; automotive, from 75 percent to 63 percent; rubber, from 86 percent to 69 percent; and construction, from 67 percent to 46 percent.

U.S.-Japan Relations

Brock says Tokyo must raise its interest rates

U.S. Special Trade Representative William Brock told *EIR* June 9 that he intends to make a "major priority" of his ongoing talks with Japan the demand that Tokyo "open up its capital market" in order to "equalize its interest rates with that of the U.S." He charged that the Japanese kept their interest rates artificially low by preventing the free flow of capital in and out of Tokyo.

Brock brushed off the question that his approach was merely a request that Japan institute the same high rates as now prevail in the United States. Asked by *EIR* why the United States instead doesn't equalize its rates with Japan by lowering interest rates here, he replied, "There is nothing we can do to lower American interest rates as long as the budget deficit remains high." In effect, Brock is proposing "equalization" at a high rate.

Brock made these comments follow-

Briefly

ing a speech to a Washington conference on high technology sponsored by the Electronics Industries Association of Japan. In the speech, Brock condemned Japan for its "sustained national policy of allocating scarce resources to strategically important industries and coordinating the implementation of that policy in concert with private industry."

Pointing to Japanese government aid to R&D aimed at promoting commercial developments in such products as machine tools and computer software, Brock insisted that if such programs continue, foreign-owned firms in Japan must be allowed to participate.

Agriculture

Farm crisis bill may flop before mark-up

As one of many responses to halt the deterioration of the farm sector economy, the Farm Crisis Act of 1982 was introduced May 25th into the U.S. House of Representatives by a group led by Rep. Thomas Daschle (D-S.D.). This bill attempts to reduce federal farm spending, reduce farm production, and open channels for the increase of exports. It also suggests, however, the use of agricultural exports as barter for strategic raw materials.

This legislative potpourri would specifically encourage reduced crops by a paid diversion program. Producers of wheat and feed grains already signed up to participate in the 1982 set-aside program can opt for another 5 percent. A referendum to be held in July would poll farmers to determine if they will increase set-aside to 15 percent for conservation purposes. The bill claims that the reduced production would save the federal government nearly \$900 million by reducing target prices and storage fees, and, it is hoped, would stimulate falling prices. Failure to comply with the referendum requirements would deny farmers access to farm programs for three years.

Exports would be encouraged by ending the administration's block on the

Agricultural Revolving Funds and releasing at least \$1 billion. Negotiations should begin for a multi-year Soviet farm-trade agreement, the bill states.

Pension Funds

Private programs facing 'disaster'

"A continuation of this trend [business bankruptcies now running at a rate of 80 per 10,000 compared with the Depression record of 100 per 10,000] could easily bankrupt the entire pension guarantee system," according to Thomas C. Woodruff, who testified before the House Select Committee on Aging June 7. Woodruff, the former Executive Director of the President's Commission on Pension Policy, is now at the New York State School of Industrial and Labor Relations at Cornell University.

Woodruff, citing Dunn and Bradstreet figures for the first three months of 1982 showing business bankruptcies at an annual rate of 74,676, said that "we have a potentially disastrous problem facing us with serious underfunding of too many of our nation's private pension plans. Coupled with the record number of business failures that we are witnessing, this could lead to the loss of billions of dollars of earned pension benefits by workers covered by private pension plans."

Woodruff pointed out a recent "indication" by the Pension Benefit Guarantee Corporation (PBGC) that we "may need to increase the \$2.60 per capita premium for single employer plans to \$6.00—a 130 percent increase," which would still "not be sufficient to cover any large business failures such as the Chrysler Corporation," and "may not be sufficient to take care of the record number of small and medium-sized business failures."

"It appears that we have a time bomb on our hands waiting to go off," Woodruff warned, "and we do not know how large the explosion will be." There are 35 million private pension plan participants.

● **THE IMF STAFF'S** next round of "surveillance" discussions with the U.S. administration, which are authorized under Article 4 of the IMF Charter, will take place in August. IMF officials hope the growing economic crisis will force the administration and Congress to accept massive Social Security and defense budget cuts by that time.

● **MEXICAN** President José López Portillo slammed the results of the Versailles summit in a June 9 press conference, stressing his disappointment that "there was not a clear decision to lower interest rates in the short term." "This will continue to affect our economy," he said.

● **BURROUGHS**, the giant computer manufacturer, is holding talks with Hitachi, Ltd. for a link-up in the fields of computers and communications, according to a recent report in Japan's *Nihon Keizai* business newspaper. Burroughs reportedly hopes to acquire Hitachi's optical communications network system and small-computer technology.

● **BOEING**, facing a rash of cancellations of an already weak order book for its newest civilian 757 and 767 aircraft, may be buoyed by a half billion in new defense orders announced by the company June 9. The Air Force has contracted \$454 million worth of orders for electronics on the B-1 bomber, plus an additional \$74.2 million for "development of MX missile-basing concepts." The contracts are expected to ease the company's cash flow problems. The June 15 issue of *EIR* predicted such developments.

Anti-depression politics shakes up the 1982 elections

by Molly Kronberg

On May 18 in the Pennsylvania Democratic gubernatorial primary, the machine-endorsed candidate, an incumbent Congressman named Alan Ertel, got only 55 percent of the vote. Coming in second, with 20 percent of the vote statewide and 35 percent of the vote in Philadelphia was Steve Douglas, the candidate endorsed by the National Democratic Policy Committee. With a shoestring budget, and a fulltime campaign staff of only 11 people in one of the largest states in the country, Douglas won 147,000 votes statewide. He swept black, hispanic, and Italian-American wards in Philadelphia. Democratic party officials in various parts of the country, and in Washington, D.C., have correctly interpreted this phenomenon. Privately many remarked that if the National Democratic Policy Committee got fully involved in local-level caucuses, precinct work, and the like, it could take over the entire Democratic Party.

What is the National Democratic Policy Committee, and where did it come from?

In 1980 the internationally known economist Lyndon H. LaRouche, Jr. sought the Democratic Party presidential nomination on the basis that his candidacy was the only one qualified to reconstruct the kind of alliance—labor, farmer, minority, and small businessman—which has traditionally been the constituency of the Democratic Party. LaRouche insisted that it was his competence as an economist, at a time when the United States was already being forced into depression by the interest-rate policies of Jimmy Carter and his Federal Reserve Chairman Paul Volcker, which made LaRouche the only candidate who could re-establish the anti-depression base built by Franklin D. Roosevelt in the 1930s.

In August 1980, it became obvious that Jimmy Carter had locked up the Democratic convention to ensure his own renomination as the party's candidate—and, as LaRouche emphasized, Carter's nomination meant that the Democratic Party would be demolished at the polls.

In August-September 1980 LaRouche and his associates founded the



Philip Ulanovsky/NSIPS

Lyndon H. LaRouche, Jr. (c), Chairman of the NDPC's Advisory Committee, at a reception following a February address which drew some 200 committee activists to Washington, D.C. At left is a Virginia chapter chairman, Karen Nafziger.

National Democratic Policy Committee as a political action committee inside the Democratic Party in order to rebuild the party Carter was wrecking. The NDPC perspective was as straightforward as it was frightening to the Democratic National Committee and the Carter-Kennedy leadership of the party: Because American workers and minorities tend, in times of economic depression, to gravitate toward the Democratic Party, the NDPC was positioning itself to take over that traditional pro-prosperity machine.

Even as early as fall 1980, before Carter was humiliated by Reagan's landslide victory, it was obvious that the leadership of the Democratic Party had nothing to say to the American voter. Kennedy and Carter represented slightly different stripes of environmentalist and zero-growth policies, including commitment to the genocidal *Global 2000* document released by the Carter administration. California Governor Jerry Brown represented a radical form of zero-growth. The traditional old-line city machines, in Philadelphia, Chicago, and elsewhere, which had some orientation toward industrial expansion and skilled-job-creation, were being taken apart by the McGovern rule changes in the party and by a series of hoked-up scandals—such as “Abscam” and “Brilab”—aimed to destroy pro-growth elected officials. Democratic National Committee Chairman Charles Manatt, whom LaRouche has repeatedly characterized as Charles “Banker” Manatt, represented and still represents the interests of Venetian and British bankers whose program for the U.S. is crippling high interest

rates and depression of the productive economy in favor of the “post-industrial society.”

In the 18 months since formation of the NDPC the Volcker policies at the Fed have driven American unemployment rates to their highest point since 1941. Plant closings, farm bankruptcies, the erosion of social services, and the dramatic collapse of larger American corporations—like Braniff Airlines last month—have created the situation LaRouche predicted when the NDPC was launched. American voters have found that their traditional machine-politics has broken down. The Rizzo machine in Philadelphia was unable to carry its slate in the May 18 primaries there because it cannot “deliver” jobs and services to the local voters in the middle of an international depression. The remnants of the old Daley machine of Chicago cannot keep the steel industry from closing down in that area, and so on.

Meantime, the top of the party—organized in political action committees like Pamela Harriman's Democrats for the '80s, is a collection of think tanks producing anti-growth scenarios diametrically opposed to the interests of the voters of the party, and financing the campaigns of candidates intended to legislate them. Harriman, for one, is a very public eugenicist whose propaganda calls for world population reduction along the lines of *Global 2000*, and is premised on what LaRouche last month denounced at a Washington, D.C. seminar as “Anglo-Saxon racism and genocide.”

The local party machines are very far away from the Democratic National Committee's control at this point,

as our report below on the party leadership's machinations to keep real issues off the floor of its late June "mini-convention" indicates. While Manatt and Harriman, Vance and Kennedy, formulate a program to demolish U.S. productive industry and the industrial base of the United States's allies, and to starve out the Third World, local party organizations are looking for a program to expand U.S. industry and re-employ the millions of skilled workers now out of jobs. The DNC's control over this base is attenuating rapidly.

A similar phenomenon is overtaking the labor movement. AFL-CIO President Lane Kirkland is the chief promoter of the Moynihan-Kasten amendment, to declare the Polish debt in default (an eventuality which would have the effect of throwing millions more Americans out of work); United Auto Workers President Douglas Fraser is negotiating wage concessions and givebacks for the remaining employed auto workers. But trade-union locals are slipping away from these "leaders."

This is where the dramatic growth of the NDPC, which we elaborate below, becomes one of the most important developments on the U.S. political scene.

Lyndon LaRouche and his associates, including a number of NDPC-backed candidates in Democratic races around the country, are doing something that has not been done in the U.S. in this century. With a program of nuclear-power development, cheap long-term credit to industry, and an international program to reorder the world monetary system with a gold-backed standard for increased international trade, they are reasserting the "American System" approach to national economic policies.

As the only such political force in the country, the NDPC has as powerful an attraction for Republicans as for Democrats. In southern California, for example, where the NDPC is very strong (it has upwards of 7,000 members in the state), Republicans have joined the NDPC in numbers almost as great as Democrats. The involvement of these Republicans in backing Will Wertz's race against Jerry Brown in the Democratic senatorial primary bears out something LaRouche asserted during his 1980 New Hampshire presidential primary race: That he and his associates were the only tendency able to recruit Republicans into the Democratic Party, at a time when the Carter-Kennedy-Manatt leadership was otherwise driving voters away in droves.

It is that phenomenon that LaRouche has characterized as a "Whig alliance"—based on national-economic policies like those of Alexander Hamilton, which committed the United States to a role as an industrial republic. LaRouche contends that the United States is not "free to choose" (as Schachtian economist Milton Friedman would have it) between being an industrial republic

or being a "post-industrial" services- and entertainment-oriented counterculture. The United States's responsibility, according to the NDPC, is to continue to produce heavy industry, technology, and skills for the entire world. Any other course has the immediate effect of genocide against the entire developing sector.

The international factor

That polemic brings up another unique characteristic of the NDPC. LaRouche himself is increasingly emerging as the only American statesman who can represent the United States to the Third World; witness his meetings over the past month with India's Prime Minister Indira Gandhi and Mexico's President José López Portillo.

The introduction of international policy to broad layers of American voters, and the NDPC's ability to mobilize auto workers in Flint, small businessmen in California, farmers in Texas, and minority voters in America's cities, around a policy of trade and technology transfer with the Third World is one of the things the Democratic Party leadership, with its commitment to "Anglo-Saxon racism" and the *Global 2000* document, finds most frightening.

The NDPC is by no means the largest political action committee in the country. The liberal-environmentalist Common Cause, for example, has far more on-paper "members." But the NDPC is the fastest-growing political action committee inside the Democratic Party, and its members are more active as individuals and constituency-leaders than those in any other organization.

We include in this Special Report rundowns on several foci of that activity at the moment, the NDPC-endorsed campaigns in Democratic primaries in a number of states: Will Wertz against Governor Jerry Brown for California's Senate seat; Melvin Klenetsky against Senator Moynihan in New York; Debra Hanania Freeman against Congresswoman Barbara Mikulski and Lawrence Freeman against Congressman Parren Mitchell in Baltimore; Anti-Drug Party candidate Sheila Jones against Congressman Sidney Yates in Chicago.

It has often been reported that DNC chairman Charles Manatt, a close political associate of Jerry Brown, would like to sue the NDPC in a harassment and financial-warfare effort to break its momentum. He has, thus far, been repeatedly dissuaded on the grounds that such a lawsuit would only help to clarify the fundamental fight inside the Democratic Party and extend the NDPC's impact farther and faster. How Manatt will react to the coming months' primaries and NDPC expansion, which interlock with LaRouche's increasingly recognized international importance, remains to be seen.

The NDPC: its goals, its enemies, and the scope of its expansion

by Christina Nelson Huth, Features Editor

When the National Democratic Policy Committee was founded by Lyndon H. LaRouche, Jr. in September 1980, 2,550 other political action committees unaffiliated with either the Democratic or Republican Party were registered with the Federal Election Commission. Together these PACs, as they are called, spent more than \$130 million to influence the 1980 elections—providing more than 50 percent of the campaign funds of most of the members of the 97th Congress. However, fewer than 100 of them exert notable influence on regional and national politics, and in 1980 only 98 PACs reported revenues of \$250,000 a year or more to the FEC.

These major non-party PACs fall into three broad categories: The first is the business PACs, such as the Realtors' Political Action Committee, with revenues of more than \$3 million. Second is the labor-union PACs, 30 of which receive more than \$250,000 in contributions, and seven of which in recent years have received more than \$1 million in contributions, and contributed about \$1 million to candidates for office each year.

The third category of political action committees is often characterized as the issues-oriented PACs. In 1980, 25 of these fell into the category of PACs receiving more than \$250,000 in contributions annually. These include the National Committee for an Effective Congress, the nation's oldest political action committee; Citizens for the Republic, the political action committee which built Ronald Reagan's winning campaign organization between 1976 and 1980; and former President Gerald Ford's New Leadership Committee. Issues PACs also include PACs organized by so-called interest groups ranging from the anti-gun-control lobby, the pro-life lobby, and the Moral Majority to the National Organization of Women, the Veterans of Foreign Wars, and the environmentalist movement.

PAC activities, for all three categories of committees, include contributions to candidates for electoral office,

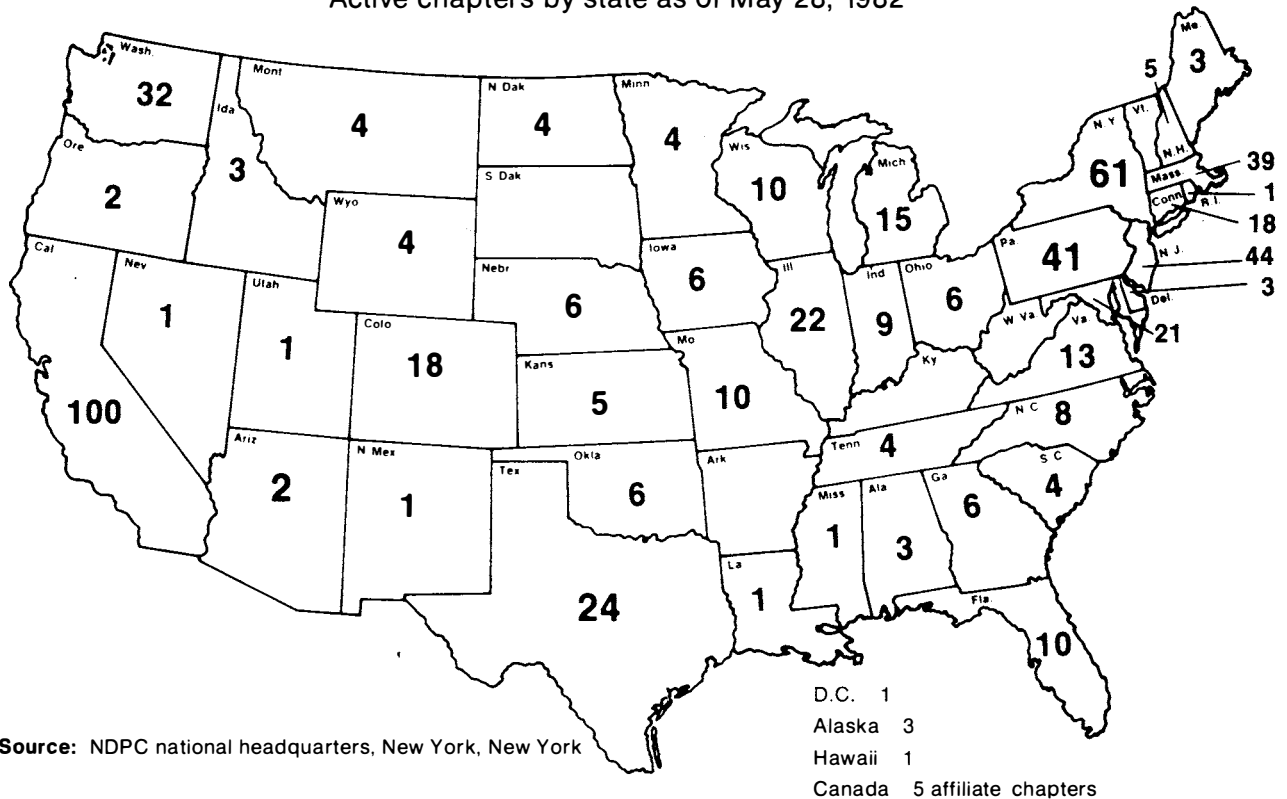
lobbying on Capitol Hill, and "think-tank" policy formulation and educational activities. All PAC expenditures in all categories are reported to the FEC annually and these figures are available for public scrutiny.

The activity of liberal-Democratic Party oriented PACs has stepped up somewhat in the wake of Ronald Reagan's November 1980 landslide victory over incumbent President James Earl Carter. In that presidential contest, GOPer Reagan took every state in the union except Minnesota, Hawaii, Rhode Island, West Virginia, Georgia, and North Carolina, racking up 489 electoral votes (from a total of 538) and 12 million popular votes more than Carter. The Democratic defeat extended to state legislatures, and into the U.S. Congress, where 33 Republicans were carried on Reagan's coattails into formerly Democratic House seats, and the Senate passed out of Democratic control for the first time in 26 years.

Since this stunning blow, a dozen or more of the liberal PACs have put themselves forward as the Democratic Party's new rallying-pole. These include George McGovern's Americans for Common Sense, former Vice-President Walter Mondale's Committee for the Future of America, Arizona Rep. Morris Udall's Independent Action, and Mrs. Pamela Churchill Harriman's Democrats for the 80s, the leading think tank for the liberal faction of the Democratic Party, which was commissioned by the Democratic National Committee (DNC) to prepare a series of on-the-issues working papers for the party's midterm convention in Philadelphia later this month.

According to the NDPC's LaRouche, political action committees like Mrs. Harriman's, of whose political pedigree we will say more below, can do nothing to restore the Democratic Party to prominence. This, says LaRouche, is principally because it is liberals such as Mrs. Harriman, the DNC leaders with whom she now

The NDPC's national growth picture
Active chapters by state as of May 28, 1982



Source: NDPC national headquarters, New York, New York

cooperates, and the candidates her PAC sponsors for office, who are responsible for destroying the broad-based coalition of businessmen, labor unionists, minorities, and ethnic constituencies which has served as the backbone of the Democratic Party since the 1932 election of Franklin Delano Roosevelt to the White House in the depths of the Great Depression.

The NDPC, in contrast to every other PAC in the lineup to take hegemony over the Democratic Party, was founded to rebuild this FDR coalition. Inspired as a "dump Carter" combine at the 1980 nominating convention when no other party grouping chose to rally its forces in an attempt to avoid what became the Democratic Party's largest post-war loss at the polls, the NDPC has gained strength as a coalition to "dump Volcker" and the disastrous high interest-rate policies leveled against the U.S. economy by the Carter-appointed Chairman of the Federal Reserve System. In the 18 months since its inception, the NDPC has used its persistent campaign against Volcker's usury as a drawing card for Republicans, as well as for Democratic participation in its activities, in some parts of the country recruiting as many GOPers as Democrats

Committee leader LaRouche calls this bipartisan coalition a new "Whig alliance." As he put it in a recent

document circulated to chairmen of the NDPC's local chapters nationally, "the NDPC represents the creation of a united force of farmers, working people, entrepreneurial industrialists, and ethnic and racial minorities seeking full participation in the American System tradition. This Whig policy, labeled a 'harmony of interests' policy by Whig leader Henry C. Carey was more or less a dominant organic reality of the Democratic Party under President Franklin D. Roosevelt."

The NDPC's National Advisory Committee, chaired by LaRouche, is just such a Whig coalition functioning in microcosm. On the committee sit such long-time constituency leaders as former Democratic borough president of Manhattan Hulan E. Jack and Democratic-independent John R. "Rich" Anderson, director of the Texas-Southwest Cattle Raisers Association. Jack and Anderson serve with Professor of Physics Emeritus Robert Moon of the University of Chicago, and farmer Art Wilson of Cholame, California.

The local leadership of the NDPC reflects the same phenomenon: for the first time since the liberal reformers' onslaught against the Democratic Party in the 1960s and 1970s, trade unionists, businessmen, minority leaders, and other constituency activists are formulating together the policies needed to meet the national, foreign

policy and economic crises, creating a context in which local problems can be tackled. NDPC chapter leaders include Ron Thelin, the Chicago-based head of the Illinois Plasterers and Cement Masons Union; Wendell Prater, head of the National Farmers Organization, who is on the Washington State NDPC board; Sal Lopez, Kings County, California Democratic Committee chairman; John Weber, American Jewish Committee activist and Los Angeles chapter chairman; Tom Kersey, active in the Georgia branch of the American Agriculture Movement; Max Dean, treasurer of the Flint, Michigan NAACP; and Dennis Murphy, President of the sheet metal workers' union local in Rapid City, South Dakota.

A thousand chapters by July 4

NDPC revenues as reported to the Federal Election Commission are growing at a faster rate than any other issues-oriented political action committee in the United States. The same is true of NDPC membership, which has more than doubled since the end of 1981.

In early February 1982, NDPC leader LaRouche announced a 50-state push to build the committee's local infrastructure, citing the failure of the incumbent Democratic Party national leadership to defend party members from the Abscam political witchhunt run out of the Carter Justice Department as a signal that a counterpole leadership for the party must be assembled quickly. Specifically, LaRouche called for an NDPC defense of Sen. Harrison Williams of New Jersey, a 22-year veteran of the upper chamber with a long pro-labor record, who had been the victim of a nationally publicized federal court and Senate Ethics Committee railroading in the Abscam case against him.

When LaRouche issued his call, the NDPC had 90 functioning chapters in 18 states. By May 14, five hundred thirty-five chapters, complete with organizational charts from chairman down to treasurer and issues coordinator, were operating in 46 states, and membership tallied 13,848.

A coordinated national and international political information network, centralized at NDPC headquarters in New York City, ties together all chapters and has played a powerful role in the committee's organization-building effort. Chapters from coast to coast received news of NDPC-backed Pennsylvania gubernatorial candidate Steven Douglas's benchmark vote in the May 18 primary only hours after the polls had closed. By June 7, the NDPC had established 90 new chapters, and mapped plans to reach a national goal of 1,000 chapters operating in 50 states by the Fourth of July.

In virtually every state, new chapters are being established regularly. The committee's Northwest regional leadership has announced plans to form eight new chapters in Alaska, including one in the town of Dead Horse, to join its three functioning chapters in

Anchorage, Juneau, and the small town of Prudhoe Bay. From California, a spokesman for Will Wertz, the NDPC-endorsed challenger to Gov. Jerry Brown for the U.S. Senate seat being vacated by S. I. Hayakawa, reports that by the time of the June 8 Democratic primary, the National Democratic Policy Committee's California membership outnumbered that of Alan Cranston's decades-old California Democratic Council and Tom Hayden's Campaign for Economic Democracy, which was founded in 1976 to drive moderates out of the party leadership and elected offices.

The local and state organizations of most PACs exist only on paper. Not so for the NDPC, whose chapter organizations exert a marginal but decisive influence on local, regional, and national politics. In Hobart, Indiana, the three-person NDPC decided to heed LaRouche's recent advice that voters had the right to "own" their Congressmen. With handbills, a door-knocking campaign, and a telephone tree, they defeated incumbent State Assemblyman William Drozda, after securing a pledge from Drozda's opponent Chester Dobis that Dobis would oppose liberalized drug laws in the state legislature. Drozda won the distinction of becoming the Hobart chapter's first target by supporting legalized marijuana and hashish, and serving as the lawyer for the Bailey Alliance environmentalists in their successful effort to force the cancellation of the Bailey I nuclear plant. As chapter chairman T. J. Hopkins put it: "The NDPC has assured that one less pig will be rooting and grunting in the Indiana State Legislature for the next two years. We have muscle. The Hobart NDPC chapter has just made a down payment on the ownership of a state legislature."

Many U.S. Representatives and Senators are familiar with the NDPC through its chapters in their home states, since a favorite activity of many chapter leaders is to assemble a delegation of constituents for a heart-to-heart talk with the Congressman or his aides. The NDPC has mobilized local delegations to pressure the Congress on a number of issues since its inception, notably in support of anti-Volcker initiatives at the state and federal level, in defense of Senator Williams, and on such international issues as the Haig State Department's covert support for a Sicily-based coup against the republic of Italy and its overt support of the British in the ongoing South Atlantic crisis.

The NDPC's program

This year, NDPC candidates for local, state, and federal office are running on the platform of Lyndon LaRouche's program for ending the depression. Other issues, such as the crisis in education, the illegal drug epidemic, the blight in America's cities, and the local manifestations of these problems, are addressed from the vantage-point of restarting the nation's economy

and using revived U.S. economic power to realign world economic relations to ensure mutually beneficial East-West cooperative development of the Third World.

LaRouche's program to accomplish this, released in March of 1982, has four points:

1) *supply low-interest credit to essential goods-producing industries and farms by remonetizing U.S. gold reserves at about \$500 an ounce.*

"The Congress," wrote LaRouche in his draft of the recovery program, "has the power to issue gold-reserve-denominated notes. These notes should not be used for government spending, but got government lending . . . through the private banking system to farms, industries, and transportation improvements, at interest rates not to exceed 4 percent."

2) *produce 100 billion watts of nuclear electricity producing capacity by 1986-87, and an additional 50 billion watts by 1990.*

"This will not cost us a cent," LaRouche wrote, "since this energy will represent a major saving to the economy. It is a cost-reducing productivity-increasing investment. This will create about 2.5 million work-places in the private sector."

3) *develop an integrated water resource and transportation complex which will overcome the critical problems in these two interdependent systems.*

"The water resource program, including the long-projected effort to bring water from Canada and Alaska into the states west of the Mississippi and into the Great Lakes system, and the Delaware River basin water project to service the lower Northeast, is essential if the nation is to have the water necessary for its agricultural, industrial, and household needs. Since water transport can be efficiently integrated with rail, truck, and air systems, an integrated container system must be designed which is compatible with every aspect of this transport system. Along with this, the nation must rebuild its rail system and its maritime fleet for both economic and national security reasons."

4) *reorganize the developing nations' debt structures so that necessary world trade can be expanded by \$200-\$400 billion annually.*

"If the developing nations' debt structures were reorganized in a sensible fashion, nations such as India, Brazil, and Mexico represent magnificent investments in modern goods-producing capacity through infusions of capital goods from industrialized nations," wrote LaRouche. "This is the great market for capital goods of the developing nations over the coming 50 years. It is time we acted to make that market a reality."

The NDPC reported an income of \$192,216 to the FEC for the first quarter of 1982. More than 80 percent is spent on publications, which have been produced on a wide array of topics since its inception. These include policy pamphlets on industrial revival, nuclear energy,

national credit and monetary policy, and reform of the Federal Reserve System; an exposé of the Carter Justice Department's Abscam and Brilab operations against trade-unionists and political leaders; the Carter State Department's *Global 2000 Report* master plan for depopulating the Third World; and a monetary-reform initiative offered to the government of Italy by LaRouche under the title of "A 'Gaullist' Solution to Italy's Monetary Crisis." An NDPC legislative packet, in circulation to all chapter leaders, includes a resolution calling for the ouster of Fed chief Volcker, a resolution for full funding of the 1980 McCormack Fusion Energy Research and Development Act, resolutions for emergency farm parity prices, maintenance of the Davis-Bacon Act, and full funding of the Drug Enforcement Administration; and legislation to outlaw the sale of drug paraphernalia and toughen anti-marijuana laws.

Target: traitors in the party

The NDPC makes no bones about its intention to rebuild the Democratic Party without the Malthusians, Volckerites, and liberal environmentalists which it asserts have wrecked the party from within. The committee's monthly newsletter, initiated in January 1981, features a "DemoRat of the Month" column, a sobriquet so far conferred on such party leadership personalities as Socialist International-linked machinist union leader William Winpisinger, and Mrs. Pamela Harriman, and former SDS radical Tom Hayden, characterized by LaRouche as "probably worse than Hitler" for his support of the anti-nuclear movement.

The more recently established NDPC Fact-Finding Division has sharpened its pen to an even finer point. The Fact-Finding Division is charged with researching and publicly releasing dossiers on party leaders, opposition candidates, and in some cases, GOP incumbents and influentials. NDPC leader LaRouche has directed fact-finding activity toward two categories of Democratic Party leaders: those, like House Speaker Tip O'Neill, Senator Robert Byrd, Ted Kennedy, and others in the congressional leadership who have shielded Volcker from constituency outrage against his depression-inducing tight-money policies; and those whom he has charged as anglophile traitors within the party:

- **Averell Harriman**, who during the 1930s and 1940s organized a left social-fascist wing of the Democratic Party as a counterweight to the FDR coalition. Harriman, the Fact-Finding Division has established, comes from a background which explains his support of Mussolini fascism during the 1920s and 1930s. His mother Mary Averell Harriman founded the racist Eugenics Record Office in Cold Spring Harbor, New York, and attended the 1932 Third International Congress of Eugenics, which hosted a delegation of Nazi race scientists at the New York City Museum of Natural

History. William Draper, later General Draper, founder of the Draper Fund and the Population Crisis Committee, both U.S. think tanks for Third World depopulation, also attended this 1932 meeting.

Harriman is married to Pamela Churchill Harriman, the former wife of Winston Churchill's son and the mother of the British Tory parliamentarian Winston Churchill III. Pamela Harriman now runs Democrats for the 80s, a political action committee whose policies, the Fact-Finding Division has documented, are a continuation of Harriman's social-fascist strain.

The now-senile Harriman's entire career was a wrecking operation against U.S. national interests, sometimes from the "left" and sometimes from the "right" as need be. During World War II, Harriman served as U.S. Ambassador to the Soviet Union, a post from which he sabotaged President Roosevelt's policies for cooperative U.S.-Soviet development of the Third World, and an end to British and French colonialism. After Roosevelt's death, Harriman and strategist George Kennan pushed Truman into supporting Winston Churchill's Iron Curtain policy of containment against the Soviets, setting the stage for an eventual U.S.-Soviet showdown in which the British would emerge as the mediators of superpower relations.

Harriman also oversaw the Marshall Plan, which imposed Friedmanite austerity on Western Europe and bailed out the bankrupt British, re-establishing Britain's financial control over its colonial dominions in the Third World. The explicit intent of Harriman's Marshall Plan was to choke off U.S. export markets in both Europe and the developing sector.

As governor of New York from 1954 to 1958, Harriman destroyed the state's labor-Democratic Party alliance, principally by pushing the state's building trades unions into the arms of the GOP, thus ensuring the election of Nelson Rockefeller as governor.

• **Tom Hayden**, the former SDS radical turned community organizer and anti-nuclear activist in the state of California. The NDPC Fact-Finding Division has documented Hayden's longstanding deployment as an agent of Averell Harriman's left-wing wrecking of the Democratic Party. Hayden met with Harriman in Paris *before* Hayden led the 1968 riots at the 1968 Chicago Democratic Convention, which discredited the Democratic Party in the eyes of millions of voters and led to Hubert Humphrey's loss at the polls in November. These riots and Humphrey's defeat opened the way for the reorganization of the party through the McGovern rules, and for the disaster of the 1972 election.

Then Tom Hayden moved into California, where he was welcomed by the organized crime associates of Jerry Brown's father, former Governor Pat Brown. Over the last six years, Hayden's Campaign for Economic Democracy, funded by the Playboy Founda-

tion—which also funds the NORML marijuana lobby—has organized for localized, low-technology industry in the nation's most populated state, and built a base for a fascist, anti-nuclear, anti-technology movement in the United States.

• **Governor Jerry Brown**, whose funding by organized crime has been so thoroughly documented by the Fact-Finding Division that the governor has been compelled to issue rebuttals to the California press. Jerry Brown is supported by the attorneys for now-deceased mobster Al Capone, Sidney Korschak and Paul Ziffren, as well as with funds from Meyer Lansky associate Bernie Cornfeld. These individuals are part of the so-called new mob, which took the dirty money of 1930s and 1940s mobsters Capone and Luciano and laundered it through offshore banking fronts they created on the Bahamas Islands, principally through the organized crime front known as Resorts International.

• **Charles Manatt**, nicknamed Charles "the Banker" Manatt by NDPC leader LaRouche, who now serves as chairman of the Democratic National Committee.

Manatt is tied in, through his law firm of Phelps, Manatt, Rothenberg and Tunney, to most of the drug and terrorist fronts operating on the West Coast. This became evident last year when his law partner Peter J. Kelly shared the podium with Pat Brown at a fundraiser for Tom Hayden's Campaign for Economic Democracy. Manatt law partner Mickey Kantor is Jerry Brown's current campaign chairman.

More revealing are Manatt's clients. Aside from such riffraff as rock queen Linda Ronstadt and marijuana-promoting movie-stars "Cheech and Chong," Manatt's firm represents Playboy Enterprises (funder of the U.S. legalized dope lobby), Eli Lilly (at the center of American LSD distribution and the MK-Ultra project which created the counterculture in the 1960s), and Gulf & Western (one of the "Big Six" Hollywood holding companies, also linked to Warner Communications and MK-Ultra, as well as—through its Transnation subsidiary—Meyer Lansky).

NDPC leader LaRouche elaborated the Malthusian British-liberal sympathies of the Democratic Party faction represented by Hayden, Brown, Harriman, and Manatt in a May 16 policy document headlined "The Harrimanite 'Peace Movement' Pushes U.S. Military Policy Toward 'Population Wars' Against Latin America, Asia, and Africa." The Malthusianism represented by this foursome of so-called Democrats, said LaRouche, "was the issue around which the American patriots fought two wars against our mortal adversary Britain, and the British have become only more morally degenerate, more evil, over the two centuries since U.S. independence was originally secured. Similarly, our treasonous Tories inside the United States, such as the Harrimanites, echo their British masters' degeneration."

How Wallace and Reagan challenged the Democrats

by Freyda Greenberg and Kathleen Klenetsky

The presidential campaigns of former Alabama Governor George Wallace and President Ronald Reagan represent two important challenges to the anglophilic takeover of the two-party system in the United States. While not comparable to the National Democratic Policy Committee (NDPC) in content of program or in breadth of political undertaking, the Wallace and Reagan campaigns are comparable to the NDPC in that they were serious grass-roots movements fueled by popular revolt against the refusal of especially the Democratic Party to represent the economic interests of its constituents.

The Wallace phenomenon

The Wallace for President phenomenon first made its mark as early as 1964, when the economic depression we now see unfurled was first getting under way. Following the assassination of John F. Kennedy, the Democratic Party leadership under the dominance of Lyndon Johnson and his party associates began to abandon ties to the state and local organizations. This, coupled with the beginnings of serious economic dislocation among predominantly blue collar workers and farmers fueled a modest but impressive Wallace bid for the Democratic presidential nomination in 1964. Wallace entered three primaries, winning 34.1 percent in Wisconsin, 29.9 percent in Indiana, and 42.8 percent in Maryland. The percentage of working class vote drawn by the Wallace line in cities like Milwaukee and Baltimore pointed to the viability of a presidential bid on a third party ticket; Wallace, however, decided to support Barry Goldwater's GOP campaign.

By 1968, the Democratic Party had made a decisive break with the tradition, established during the presidency of Franklin Delano Roosevelt, of supporting economic growth. In its stead, the party leadership promoted a left-liberal redistributionist policy—urging constituents to share, i.e., compete for jobs, wages, and benefits under conditions of worsening economic contraction. It was under these conditions that the civil rights stance associated with the party in the early 1960s began to smell like a cheap scheme to pit blacks and

other minorities against the rest of the population.

Wallace, correctly profiling the Eastern Establishment press, flaunted his racist and militant anti-integration planks to draw maximum coverage. While the Wallace campaign was comprised of economic proposals—mainly the anti-big government, tax reform planks that years later got Ronald Reagan the presidency, and a sharp critique of the bankruptcy of the Democratic Party leadership—the press featured the racism.

Wallace's 1968 independent candidacy

For his second attempt at the presidency, George Wallace ran a third-party campaign that achieved ballot status in all 50 states. While the party leadership tried to dredge up support for Hubert Humphrey out of what remained of the party machinery around the country, Wallace built an independent machine. The bulk of his financing came from small contributions—contained in sometimes over 100,000 letters in one day. Even the polls were forced to reflect his growing grassroots support. By late September, Wallace trailed Humphrey by only seven points in the polls.

The labor support for Wallace was outstanding. Knowing this, the leadership of the AFL-CIO and the UAW denounced Wallace's politics as racist and mounted the largest political education campaign in U.S. history in the effort to defeat him. This campaign included 125 million pamphlets, 100,000 door-to-door canvassers, and more than a million phone calls. Despite this, Wallace won five states in November, 45 electors, and 13.6 percent of the popular vote. One out of every six voters in the north and two out of every five in the south was a union member. While Nixon edged Humphrey by less than a million votes, Nixon won 32 states compared to Humphrey's 14 states. Wallace determined the vote in 25 states, came close to defeating Nixon in South Carolina and Tennessee, and gave Humphrey the plurality in Texas.

In the aftermath of the 1968 defeat, the party leadership did not seek to recoup the loss of its constituency organization so vividly exposed by Wallace's

successes, but rather proceeded with its left-liberal transformation. The prominence of the McGovern candidacy in 1972 epitomized the party's demotion of what remained of the FDR alliance and its replacement with a new, ultra-liberal party based on the young activists of the peace movement. By the time of the 1972 party convention, the composition of the delegates would change drastically: delegates under 30 would rise from 2.6 percent to 23 percent; women delegates would rise to 38 percent; and the percentage of trade unionists at the convention would drop down to 13 percent.

The 1972 campaign

Wallace announced his candidacy for the Democratic presidential nomination in January 1972 and proceeded to win primaries in Florida, Tennessee, North Carolina, Michigan, and Maryland, and came in second in Wisconsin, Pennsylvania, Indiana, West Virginia, and Oregon. In Florida, Wallace got 42 percent of the vote in the primary, double that of Humphrey.

As in 1968, Wallace inspired "stop Wallace" campaigns from the AFL-CIO leadership. Democratic Party National Chairman Lawrence O'Brien disavowed the Wallace campaign shortly after it was announced. But in spite of these efforts, the steamroller grew and Wallace succeeded in influencing other candidates—Nixon and Sen. Henry Jackson (D-Wash.)—to adopt public anti-busing stands.

What did stop Wallace, however, was his serious injury by the bullet of Arthur Bremer on May 15, 1972. After placing third at the nominating convention, Wallace chose not to pursue an independent campaign for medical reasons. McGovern, who became the party's nominee, entered the convention with 25.3 percent of the primary votes cast. Wallace, entering the convention, trailed by less than two percent.

The epilogue to the 1972 race was delivered by AFL-CIO President George Meany, who proclaimed that a "small elite of suburbanites and students took over the apparatus of the Democratic Party." In a highly unusual move, the AFL-CIO executive council voted to remain neutral in the election rather than support McGovern. With no party base, the McGovern candidacy went down to a resounding defeat in November.

Destruction of both major parties

With the traditional Democratic Party alliance forged by FDR's pro-growth programs a shambles, a vast labor, farmer, and minorities constituency was up for grabs. However, the same British-inspired interests, including Averell Harriman and Cyrus Vance, who engineered the self-destruction of the Democratic Party, were ensuring that the Republican Party would be in no better condition. The bottom line for the opponents of the existing American party system was to cripple both

parties, disenfranchise and demoralize the American electorate, and then elect candidates like Jimmy Carter, using the mass media and without a party organization.

In 1972, the GOP was being torn apart by a series of scandals and internal subversion punctuated with the targeting of Vice-President Spiro Agnew, his replacement by Gerald Ford (and when Ford became President liberal Republican Nelson Rockefeller), and the Water-gating of President Nixon. With George Wallace personally side-lined, this strategy would have succeeded then were it not for the coalescence of the Wallace base and the growing number of dislocated voters from both parties around the person of California Gov. Ronald Reagan.

Reagan had firmly established himself as a leading anti-liberal spokesman during his terms as governor of California. As early as 1974, Reagan decided to make a bid for the presidency, announcing his candidacy against incumbent Gerry Ford in March 1976. Significantly, Reagan attacked Ford's sponsorship of the "secret diplomacy" of Secretary of State Henry Kissinger.

After five primary losses, including a loss in New Hampshire by less than 1.5 percent, Reagan decisively defeated Ford in North Carolina, recording the first primary victory against an incumbent since 1952.

Reagan went on to win nine more primaries out of the remaining 19 that he entered. He went to the convention with 45.9 percent of the primary votes compared to Ford's 53.3 percent.

Citizens for the Republic

Following his defeat at the 1976 convention by Gerry Ford, Reagan broke the traditional "rules" of the GOP by immediately preparing for the next round. In early 1977, off the momentum of his primary race and the almost instantaneous anti-Carter reaction, Reagan formed the Citizens for the Republic, a political action committee that would serve as his constituency machine going into the 1980 campaign.

The initiative was timely and went beyond the narrow issues of the Wallace campaign, while drawing in the Wallace base plus more. The strong points of the committee effort were the issues it chose and the method of organization. In contrast to the Wallace campaigns, Reagan's appeal was far broader: a new coalition that would benefit the working man and eliminate government bureaucracy.

Reagan targeted the very institutions that were dominating the Democratic and Republican National Committees—the Trilateral Commission and the Council on Foreign Relations. Reagan conveyed an optimism that America could and would be great again—drawing more and more support with each TV speech by President Carter calling on Americans to sacrifice in a new

period of hardship.

What the Citizens for the Republic aimed to do was to create a structure parallel to the official Republican Party—and totally controlled by Reagan loyalists. Aside from publishing a column by Reagan in each of its newsletters, the committee provided other public platforms for their proto-candidate. Under the group's aegis, Reagan conducted numerous cross-country speaking tours, giving countless media interviews in the process.

The committee also provided financial and political support to Republican candidates for Congress and other political offices. This part of its operation helped to establish significant blocks of support for Reagan in key areas of the country, which could be relied on to turn out the vote come the November elections. Another part of the Committee's operations involved training grassroots activists through a series of workshops and seminars. Those recruited in this way formed the core of Reagan's official campaign machine, Citizens for Reagan, when the actual campaign went into high gear.

The weakness of the committee was that it was not solely controlled by Reagan loyalists, in much the same way that Mr. Reagan's current administration is not. Following the experience of the Wallace campaign, the circles who had engineered the crises in both parties determined that there be a way to control future grassroots movements. From this was born what is today known as the "neo-conservative movement." Unlike the Wallace machine that was built by Wallace and a core of activists, individuals like direct-mail fundraiser Richard Viguerie and the British intelligence outpost Heritage Foundation insinuated themselves among the truly patriotic sections of the operation.

In this fashion, Mr. Reagan's relationship to his constituents was mediated by organizations other than his own campaign—eventually resulting in the subversion and disorientation of the campaign. Only a comprehensive domestic and international political program that was capable of translating Reagan's aspirations into real gains for the American people could have surfaced and isolated the British-infected portions of the campaign apparatus. Lacking that, shortly after his first big win in the 1980 primary in New Hampshire, Reagan wavered in the program that had built his base with increasing evidence that he was beginning to take on the GOP habits of making deals. By the time Reagan brought his campaign to Texas, he had decided not to challenge also presidential hopeful George Bush for his affiliation with the Trilateral Commission. At the convention, after accumulating 60 percent of the vote from primary victories in 29 states, a tribute to the base he had built over the course of six years, and easily attaining his party's nomination, Reagan chose George Bush as his running mate for the general election.

The Harrimanites downplay the NDPC

by Robert Zubrin

How do other sections of the Democratic Party view the unusually rapid growth of the National Democratic Policy Committee? To find out, the EIR's Robert Zubrin talked with aides to the Democratic National Committee, spokesmen for other political action committees, officials of the ousted Carter administration, and members of the opposition camp in several state primaries. This sampling of the responses indicates a particularly keen interest in the 20 percent statewide vote for NDPC-backed candidate Steven Douglas in the May 25 Pennsylvania gubernatorial primary.

Peter Fenn, director of Pamela Churchill Harriman's Democrats for the '80s, reached at Mrs. Harriman's home:

"The LaRouche party is a fringe party. I think that you would find that people who cast their ballots for it are not very committed. I think that LaRouche is a fringe politician. He is kooky and has no real credibility within the Democratic Party. I don't think that he is talking about anything that is likely to capture the imagination of the American people. He is the one who has people at the airports with signs saying things like 'more people have died in Ted Kennedy's car than in nuclear power plants.' There is a degree of bizarreness in his whole approach. Conspiratorial theories abound. There was a thing in his newsletter recently about someone trying to kill his wife in West Germany. It's all rather Twilight Zone-ish.

"What I'm intrigued about is where they get their money. It would be interesting to examine their FEC records. . . . They say they represent the grand coalition of the FDR? Hah! I've never seen any platform of theirs that makes any sense. Just kooky, conspiratorial stuff and simplistic arguments for nuclear power.

"This Douglas vote was just a fluke, a function of spending a lot of media money in a limited market. I don't think it will happen again."

Stuart Eizenstat, a former domestic policy adviser to President Carter, at his Washington, D.C. law firm:

"The Democratic Party is certainly in disarray now, but I don't see the LaRouche group as a significant force nationally. This Pennsylvania vote is the only significant

vote they have gotten so far. . . . To the extent that the new party rules give more power to office-holders, it makes it more rather than less difficult for groups like LaRouche's to make progress. . . . Right now, the Democratic Party ought to be putting forward economic alternatives. We ought to start with energy, with an acceleration of our efforts to develop alternative energy sources and conservation. We should call for an oil import fee, which will raise revenues and decrease consumption. . . ."

Ann Lewis, political director of the Democratic National Committee, reached at DNC headquarters:

"I am very familiar with LaRouche, but it is impossible for me to assess the importance of the vote for Douglas in Pennsylvania. I don't know what it means. I don't have the data yet."

Steve Glaser, deputy chairman of Jerry Brown for Senate campaign, reached at Brown campaign headquarters.

"We are polling for [NDPC-endorsed challenger to Brown, Will] Wertz, and he has less than a percent. I don't think the same thing will happen here as did in Pennsylvania. Are you trying to predict a trend?"

"You know, LaRouche and his people harrassed Governor Brown in New Hampshire in 1980?"

"Did Douglas have a lot of TV time? Where did he get his votes?"

Jack Leslie, executive director of Ted Kennedy's Fund for a Democratic Majority, reached at the PAC's headquarters.

"I don't see them as a significant force in Democratic Party politics. . . . I don't know where they get their funds from. They appear to be well-financed. But they are a fringe organization that won't have any real appeal."

Kurt Wiley, executive director of Walter Mondale's Committee for the Future of America, reached at committee headquarters:

"What's the big deal about this Pennsylvania vote? I do not think it is significant. It is not significant. That's the bottom line. Good-bye."

Amy Isaacs, deputy national director of the Americans for Democratic Action, reached at the ADA's Washington, D.C. office.

"I heard about the Douglas vote, and I don't think it has any significance, at least not outside Pennsylvania."

"I automatically discount everything they say. But if I were in their position, I'd be saying exactly the same thing. We have to see what happens in a few more primaries. You know, we've had a lot of the one-election phenomenon in American politics, where a candidate made a real strong showing and then disappeared."

Interview: Democrat Hulan Jack

'NDPC can bring equal opportunity'

Hulan Jack was born in the British West Indies and came to the United States in 1923. He was active in the formation of the National Democratic Policy Committee, and continues in its efforts to revive mainstream American politics. He served in the New York State Assembly from 1941 to 1953, and again from 1968 to 1972. In 1953 he was elected the first black borough president of Manhattan, in which office he served for seven years. His autobiography, Fifty Years A Democrat, is scheduled for publication later this year.

He was interviewed by EIR on June 4.

EIR: What do you see as the goals of the NDPC for the Democratic Party?

Jack: Who represents the Democratic Party? Who portrays the kind of life where a person feels security, where the education of his children is something he can look forward to, where there are some kinds of standards? The NDPC has for its purpose re-establishing the kinds of programs that mean everyone will be given equal opportunity to develop within the framework of a healthy family life.

EIR: How would you size up the political leaders of today compared with 20 or 30 years ago?

Jack: In the past the Democratic Party was always concerned with the welfare of the people. Now we seem to be imposing certain penalties on the poor. . . . We have turned our backs on the development of technology, on the farmers. . . . There is no reason—with the vastness of America, the technical know-how, the magnificent productive ability of America—why anyone should be without employment, without the opportunity of getting a job.

EIR: The NDPC played a major role in Harrison Williams's defense against Abscam. What do you think was the significance of this effort?

Jack: I too have had my Abscam. I came to these shores many years ago, and I am proud to be an American. But I am vigorously opposed to any segment of the government—particularly our FBI or any division of our Justice Department—violating the law in order to crucify a person. I think that is what happened with Senator

Williams, and with a number of individuals in Abscam. . . . You can trap anybody; you can trap the President of the United States under those circumstances. . . . I was extremely happy to have had the opportunity to travel around the country fighting for justice for a man whom I not only believe was being persecuted, but who showed the kind of spirit that our democratic institutions should be proud of.

EIR: How do you think Ronald Reagan should handle America's economic and foreign policy crisis?

Jack: I believe that there is a vast vacuum between Ronald Reagan and the men who are responsible for the various areas of government, such as Volcker. It seems to me that the President ought to assert himself, that as long as the U.S. keeps its high interest rates, we're going to have trouble, and we're inviting a collapse. . . . We have no budget either. Mr. Reagan has been fighting for a budget for a long time, and now he's going to Versailles . . . to try to bring about some sort of understanding among our allies. If he has failed in the business of adjusting the economy of the United States, what kind of leadership can he offer to those countries?

It's almost shocking to recognize the struggle that's going on in his cabinet. . . . I don't think that the President knows all of the implications of what we were getting involved with in the Malvinas. . . .

Our credibility had been tarnished by the Malvinas situation where Latin America has been pitted against us. . . . I shall never forget that England has been the greatest trademaster in slavery, in denying other than Anglo-Saxon people their rights and ambitions.

EIR: Looking ahead to 1984, what kind of leadership can the NDPC provide?

Jack: Come 1984, both the Democratic and the Republican Party are going to be in serious trouble. . . . I want every American who goes to the polls and votes to recognize that he is a King and she is a Queen in this democracy, for without their votes no one can be elected to the high office of President.

Neither the Republican Party nor the Democratic Party—as it is constituted now—will be able to produce. I say that the NDPC offers the best program for the development and redevelopment of the economy of our nation. I frankly believe that we have a good candidate to offer to the people, and that is Lyndon LaRouche.

EIR: Do you think that your political autobiography, which will be published soon, will help the voters?

Jack: I hope that my book will help establish within each of us the pride of citizenship, the importance of being a participant—remembering that you play an important role in the continued existence of the best government on the face of the earth.

Will the Democratic Party survive its midterm session?

by Freyda Greenberg

On June 25, the Democratic Party will hold its midterm convention in Philadelphia, the party's first national meeting since the 1980 election of Republican Ronald Reagan. Although the "mini-convention" is billed as a consolidation point for a Democratic alternative to the Reagan administration, a tactical split within the party leadership, and strong constituency pressures for specific policy solutions to the intensifying political and economic disorder in the United States, threaten to turn it into a battle royal.

Potential flashpoints

Private and public clashes can be expected to arise at the convention around the following issues:

Party accountability: The Democratic National Committee (DNC) voted at its May 28 meeting to introduce a controversial resolution into the midterm convention that "elected Democrats must be held accountable not merely in rhetoric but in action to the principles of this party and its leadership."

The defeat of incumbent Rep. Ron Mottl in the June 8 Democratic primary in Ohio sets a precedent for efforts to purge elected representatives who diverge from DNC positions. The national AFL-CIO and the state and Cuyahoga County Democratic Party mounted a campaign to defeat Mottl because of his opposition to Paul Volcker's high interest rates, and support for Reagan's tax and budget. Mottl introduced a resolution in January 1981 stating that the Federal Reserve was not autonomous, and that interest rates should be held below 10 percent. Although the national leadership, including House Speaker Tip O'Neill (Mass.), gave lip service to defending Mottl, as an incumbent, the policy of Lane Kirkland and Democratic National Chairman Charles Manatt to divert anti-Volcker sentiment to opposition to Reagan's budget prevailed. O'Neill called Mottl's defeat an "important lesson" for incumbents.

Party platform: Votes on specific political policies at the convention are being strongly discouraged by the congressional incumbents and an increasingly nervous DNC, who are concerned to avoid any major policy splits prior to the November 1982 elections. If anything,

party policy will be to channel policy discussion into votes *against* Reagan programs instead.

The agenda for the convention is to include presentations by the 1984 presidential hopefuls; a day of "issues" groups; and a day of resolutions. Issues discussion at the convention will be shaped by the *Democratic Fact Book, Issues for 1982*, prepared by Pamela Harriman's political action committee, Democrats for the '80s and consisting of some 17 topic areas from agriculture to arms control to social security to women. The DNC is preparing policy papers for the seven Issues Workshops on June 26 which include: Food and Agriculture Policy; Citizens Rights and Personal Security; Protecting the Environment and Promoting Energy Security; Investing in Human Capital; Promoting Economic Growth and Opportunity; Foreign Policy, Defense, and Arms Control; and Making Government Work Better. According to the office of the Vice-Chairman, however, "The midterm is by charter *not a convention*. We want to shape policy discussion but this is not a party platform. Votes are not binding."

But the DNC has been spending the majority of its time arranging a sideshow of presidential hopefuls in hopes of diverting delegates' interests away from policy decisions and toward the personalities of the candidates. To date, the lineup includes former Vice-President Walter Mondale; Sens. Gary Hart of Colorado, John Glenn of Ohio, Alan Cranston of California, and Ted Kennedy of Massachusetts; and Govs. Jay Rockefeller of West Virginia, John Y. Brown of Kentucky, and Ruben Askew of Florida.

Depending on the delegate representation at the convention, the DNC's attempted diversion may fail. On the one hand, the hard-core Socialist International elements within the party and affiliated trade unions plan a radical policy fight. To the extent traditional party constituents are represented on the floor, strong demands for platform debate, especially for a Democratic alternative to Federal Reserve Chairman Paul Volcker's high-interest-rate policy, are expected.

Delegate selection: Recently enacted changes in the selection of delegates for the Democratic presidential nominating convention reverse the liberal procedures set by the McGovern Commission following the 1968 convention. The new rules, which emphasize the role of elected officials and impose strict state and national party scrutiny of delegates, have been applied to the selection of delegates and "participants" to the mini-convention as well.

Affirmative action delegate selection quotas have already been dropped, sparking reactions from black and Hispanic constituents. In one of several planned actions, Philadelphia City Councilman Lucian Blackwell will be leading a picket line at the convention.

At its May 28 meeting, DNC executives under the

direction of Chairman Charles Manatt quickly appointed 100 "delegates-at-large" as an attempt to, according to the vice-chairman's office, "correct any imbalances in affirmative action representation caused by the selection process." There is no indication that the leadership's corrective actions will satisfy the disenfranchised constituencies.

According to Manatt's office, the National Democratic Policy Committee is being deliberately denied admittance to the midterm convention. Manatt is confident that LaRouche delegates have not been chosen during the election of delegates by the state parties, said a source at the DNC national headquarters on June 8. With this accomplished, Manatt's office is now denying "non-participant credentials" to individuals affiliated with Mr. LaRouche. A request by the NDPC to permit Mr. LaRouche to address the mini-convention will also be refused, said the source. The 35 percent of the Democratic electorate in Philadelphia, the site of the convention, which voted for LaRouche-backed candidate Steve Douglas in the recent gubernatorial primary will hence be denied representation.

The post-November 1980 strategy

Immediately following the 1980 presidential election defeat, there was an agreed-upon strategy among the party leadership encompassing the Harriman wing of the party, the circles around Cyrus Vance, as well as Ted Kennedy, Walter Mondale, House Speaker Tip O'Neill, and the Democratic congressional leadership, to transform the party into an American branch of the British Labour Party. This strategy, developed at the Dec. 5-7, 1980 conference of the Socialist International in Washington, D.C., titled, "Eurosocialism and America," was reported on at length by *EIR* in early 1981.

The essential plan as it pertained to the Democratic Party called for radicalizing the party around the anti-capitalist, anti-technology planks most commonly associated with "Democrats" Tom Hayden and California Gov. Jerry Brown, thus deliberately driving conservatives and moderates out of the party. With this accomplished, party rule changes which reversed the liberal pluralist policies known as the "McGovern reforms" would be replaced with British-modeled party accountability rules which would link Democratic membership with adherence to the Hayden-Brown policies.

In the aftermath of the 1980 Democratic Party convention, the party established a Party Accountability Commission and a Commission on Presidential Selection, later known as the Hunt Commission, to prepare for the adoption of party rules that would truncate primary seasons, give greater delegate power to already elected officials, and mandate candidate accountability to party line. Groups like the Committee for Party Renewal, the Democratic Conference, the Duke Forum,

and Cyrus Vance's Public Agenda Foundation were spawned to dovetail the DNC's own groups, to publish studies and promote a consensus for the changes.

At the March 26, 1982 meeting of the DNC, the recommendations of the Hunt Commission on Presidential Selection were unanimously adopted, including:

1) A rule that 14 percent of the presidential nomination convention must be composed of elected and state officials. In the DNC discussion, Glenn Watts, current president of the Communications Workers of America and member of the zero-growth Club of Rome, supported having 30 percent of the delegates be elected officials, emphasizing that officials must be chosen "in a manner which screens, challenges, or discourages those who do not support party positions." By elevating the role of elected officials, the party is directing potential candidates to woo incumbents in order to prove their viability rather than build grassroots organization.

2) Candidates may win all the delegates to the nominating convention from a single district, rather than having these delegates divided among the candidates according to their share of the popular vote in the primary. In this fashion a candidate receiving less than 50 percent of the vote will get no delegates at all.

3) The primary-caucus season will be reduced to a set number of weeks during the campaign year, thus favoring the well-known, well-funded candidates who have a distinct advantage early in the primary campaign.

The centrists

While the DNC and its overlapping Socialist International circles under the leadership of Chairman Charles Manatt are sticking close to the initial plan, congressional incumbents have been increasingly overcome with the reality principle of facing re-election, especially as November 1982 nears. Although the most radical of the initial conspirators acknowledged and supported the fact that the planned transformation of the party would hopelessly splinter it, others, including the Harriman-Vance circles, had projected an ability to control the electorate around synthetic issues and candidates along the lines of the Jimmy Carter campaign.

However, of late, a party centrist position has been steadily growing, even among Harrimanites, that supports avoiding the adoption of party positions and instead focusing on maximizing Democratic victories in the November 1982 elections. This can be seen in the controversy over party accountability. While the Hunt Commission's recommendations passed with no objection from within the party leadership, the issue of party accountability has become a point of dissention.

There is significant trepidation over the accountability clause not only because it seriously challenges the independence of elected officials, but more significantly, especially at this time, because it raises the question of

specific party platform. If elected officials are to be held accountable, what are they to be accountable to? Even a close associate of Cyrus Vance—the architect of most of the British-style rule changes—admitted recently that "party accountability has got to be several steps away. We're not like a European party even though everyone thinks we need to be. . . . As far as the convention goes, let's hope there are not votes on platform."

The constituency problem

The split in the party leadership does not have to do with differences with the policy outlined at the 1980 Socialist International conference. Upcoming elections can usually be expected to upset congressional incumbents and cause them to moderate from post-election ideology. The hesitancy on the part of the Cyrus Vance circles, however, to enact British parliamentary party accountability rules at this time derives from recently developed doubts that even the marginal percentage of the electorate needed to justify the media label "party constituency" could be mustered should the party formally adopt the Brown-Hayden line.

Behind these doubts is the popular uproar over Paul Volcker's credit policies—a sentiment now demanding a Democratic Party response despite all attempts to channel the ferment into opposition to Reagan's budget. The 20 percent vote in the Pennsylvania Democratic gubernatorial primary earned by National Democratic Policy Committee-backed candidate Steve Douglas is being read seriously by leading Democrats as further confirmation that the electorate will not be so easily subverted as in 1976. Douglas won his vote by systematically activating Democratic constituency machines throughout the state around a specific programmatic alternative to Gov. Richard Thornburgh's enforcement of Paul Volcker's depression policies. By contrast, the national leadership of the Democratic Party has virtually abandoned county and local organizations since the media-created victory of Jimmy Carter in 1976.

Will the party survive?

A longtime campaign aide to Democratic liberal George McGovern summed up the tension leading into the mini-convention, "most people wish the convention could be put off until after the November elections." Against this backdrop, the main questions for the party leadership are: 1) will they be able to skirt the issue of party policy at the convention and keep the party from splitting before the November congressional elections? and 2) if they can, will they be able to skirt the issues at the polls in November?

For the present and potential constituencies of the Democratic Party, a more urgent question is whether a traditional alliance of labor, farmers, businessmen, and minorities can wrest control of the party and revive the tradition of progress.

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EIR Executive
Intelligence
Review

U.S.S.R. is the winner in Israel's latest war

by Judith Wyer

There is every reason to believe that the failure of the United States to halt Israel's bloody invasion of Lebanon will cost the United States the influence it has enjoyed in the Arab world. Following an open admission by Secretary of State Alexander Haig this month that the Reagan administration has been arming Ayatollah Khomeini through Israel, the United States has now doubly discredited itself as a superpower by allowing Israel to chop up Lebanon.

Facing both Arab extremism and Israel's expansionism, the so-called moderate Arab states—most emphatically Saudi Arabia and the other oil-producing countries of the Persian Gulf—are looking for guarantees of security. Only two countries are militarily capable of providing security: the U.S. and the U.S.S.R.

"With every advance Israel has made into Lebanon, the Soviets are gaining a greater hold," observed a Mideastern journalist. "Throughout the Middle East there is a growing lack of confidence in the United States. Arab leaders say to themselves, 'Look how Washington treated its close ally, the late Shah of Iran, and compare that to the Soviet backing of Syrian President Hafez Assad.'"

A message from Moscow

A stern message to President Reagan in Bonn on June 9 affirmed Moscow's commitment to uphold its military treaty with Syria. The warning came after Israel had engaged Syrian troops in combat in Lebanon and had bombed a village in Syria eight miles west of Damascus. The Soviet intervention visibly backed Syria

against apparent plans by Israeli Defense Minister Ariel Sharon to destroy Syria's military and industrial installations. How far the Soviet Union was prepared to go in defending Syria is not known; but American intelligence sources say that the Soviets had already begun airlifts of additional arms to Syria and had put its forces on alert in Czechoslovakia, in Afghanistan, and on the Iranian border.

Over the past month Moscow has been quietly mediating the war between Iran and Iraq. It was the only big power to have issued a stern warning to Iran not to invade Iraqi territory, after Iraq withdrew its forces from its Iranian stronghold of Khorramshahr last month, marking Iraq's defeat in its 21-month battle against Khomeini. Alongside their effort to end the Gulf war, the Soviets are working to overcome longstanding differences between Iraq and Syria, in order to create a sphere of influence in the region centered around Iran, Iraq, and Syria.

On May 26, Ivan Archipov, the First Deputy Chairman of the U.S.S.R., began a three-day visit to Damascus in what observers believe was devoted to resolving Syrian-Iraqi differences. A week later, on June 6, Iraq's Deputy Prime Minister Tariq Aziz arrived in Moscow for talks with Archipov. On June 9 the Baghdad government announced a unilateral ceasefire with Iran in order to commit its forces to Syria in the event of an all-out Syrian-Israeli war.

Though Iraq also has a military agreement with the U.S.S.R., since 1978 Baghdad-Moscow relations have been cool as Iraq attempted to move closer to the

United States. But over the past two months, Tariq Aziz has repeatedly stated that Iraq was prepared to upgrade its ties to the U.S.S.R. given Washington's support of Khomeini.

So outraged is the Lebanese government at the U.S. refusal to restrain Israel that the Lebanese Foreign Minister Wazzan on June 8 told *L'Orient de Jour* that Lebanon should "rupture" all links with Washington. Egyptian President Hosni Mubarak has sent two strongly worded messages to President Reagan since the beginning of Israel's June 6 invasion, warning Reagan about the consequences if the United States continues to be humiliated by Israel's actions. On June 8, Mubarak announced that he would boycott all future Palestinian autonomy talks until Israel withdraws from Lebanon. Less than one week before, he had refused an invitation to come to Washington to meet Begin and Reagan to renew the stalled autonomy talks mandated by the Camp David accords between Israel and Egypt. That day Egypt's parliament voted to break all trade relations with Israel, and Arab sources say Egypt could break relations with Israel altogether and scrap Camp David.

On June 5, Egyptian Minister of State for Foreign Affairs Butros Ghali had reiterated Egypt's readiness to take Egyptian-Soviet relations out of the deep freeze, beginning with resumed economic and technical relations.

Even the Saudis

Saudi Arabia, too, has begun contacts with Moscow through third parties, including Kuwait and Jordan. Saudi Arabian Interior Minister Nayef made a surprise visit to the Marxist People's Republic of South Yemen on June 6. After Kuwait, it is the only Arab Gulf state to have official relations with Moscow, and he arranged a reconciliation between the PDRY and its neighboring adversary, the Yemen Arab Republic, a Saudi Arabian ally.

According to a Kuwaiti reporter, "the failure of the United States both economically and diplomatically" in the Arab world has created a new situation in which understandings with countries allied to the Soviet Union are being reached as a matter of regional security and war avoidance." He noted that (complementing the reconciliation between the two Yemens) Sudan, a strong ally of Saudi Arabia, is now holding talks with Marxist Ethiopia.

Immediately after the Israeli invasion of Lebanon, the Saudi government called upon *both* superpowers to work together to end the crisis. The statement reflects the awareness in Riyadh that in the long run only East-West cooperation can support stability. But if Saudi Arabia sees no other alternative, it will turn to Moscow to guarantee stability in the region.

The dismemberment of the Lebanese nation

by Nancy Coker

Israel's invasion of Lebanon came as no surprise to Middle East watchers and readers of this journal. For months now, Ariel Sharon, Israel's maniacal defense minister, had, at the behest of his British intelligence collaborators, been gunning for a full-scale military strike to reorganize Lebanon, Syria, Jordan, and even Saudi Arabia.

On June 6, Sharon got his way, ordering tens of thousands of Israeli troops into Lebanon to carry out the "final solution" of the "Palestinian problem" there—the liquidation of the Palestine Liberation Organization as a political and military force, and the partition of the country.

Sharon had one other goal: to emerge from his military adventures as Israel's new war hero and the assured successor to Prime Minister Begin.

There is a difference between what many Israelis hope to achieve by the Lebanon caper and what in point of fact will be achieved. Firstly, the PLO problem will not be solved. Sharon's invasion was calculated to further radicalize the Palestinian movement, and to set the stage for terrorist "Black June" retaliations that will make those of the "Black September" group pale in comparison.

On the strategic level, Sharon's actions are intended to radicalize the moderate Arab world and wreck America's position and credibility in the Middle East. Arab moderates will find themselves caught in a pincers between Israel on the one hand, and Israel's Islamic fundamentalist allies in Iran on the other. They will be forced—as indeed is already happening—to turn to the Soviet Union for protection.

Three-way split

Israel's plan for Lebanon is to dismember it. In *the south*, Israel envisions a Maronite Christian micro-state measuring roughly 25 by 30 miles under the nominal leadership of Israel's Lebanese puppet, the pathetic Maj. Saad Haddad. It was to Haddad that Begin, with such fanfare, turned over Beaufort Castle in southern Lebanon, captured from the Palestinians on the second day of the war.

Another deal with the Maronites is planned for *central Lebanon*. Bashir Gemayel, the leader of Lebanon's Falangist militias—the Lebanese outgrowth of Europe's fascist movements—is to consolidate his con-

trol in the Beirut area under Israel's tutelage.

The *northern third* of the country is to be turned over to Syria—Israel's sop to the corrupt Hafez Assad.

In addition, the strategic port city of Tyre may be turned over by Israel to Lebanon's Shiites, some of whom are allied with Khomeini in Iran.

Gemayel's role in the three-way partition of Lebanon along tribal lines is crucial. Israel's intention is to bring Gemayel to power as the new puppet President of Lebanon in the end-of-July elections there. According to the agreement that has been struck, Gemayel, as President, will then sign a Camp David-style peace treaty with Israel.

In the first days of Israel's Lebanon invasion, the French daily *Figaro* reported on Israel's dealings with the drug-running Maronites. Gemayel's militias, the paper wrote, are "impatiently waiting for Israel to arrive in Beirut . . . and enter into contact with Bashir Gemayel." Israel will then link up Gemayel's units in Beirut and the central region with Haddad's forces in the south, a move, asserted *Figaro*, that will change "the whole political structure in Lebanon and the correlation of forces in a good part of the Middle East."

According to intelligence insiders, Philip Habib, the duplicitous U.S. special envoy dispatched by Reagan to resolve the crisis, is personally overseeing Gemayel's installation as President of Lebanon.

Commented one Habib associate, "Israel's invasion of Lebanon will push Camp David down the throats of the Arabs, and in particular will force Jordan to play the Camp David game."

Israeli Foreign Minister Yitzhak Shamir elaborated on this scenario. "Only the complete elimination of the PLO as a terrorist political element will prepare the ground for the fullest advancement of the process that began in Camp David, and will allow for the signing of peace agreements with the rest of Israel's neighbors."

Redrawing the map

Israel's establishment of a "clean zone" in Lebanon has meant the massacre of some 15,000 Palestinians and Lebanese civilians, as of June 11. Israel is moving to seal off the south of Lebanon from the rest of the country; Sharon has reportedly brought into Lebanon huge earth-moving equipment to build massive land barriers and to divert the Litani River into the south. In addition, all communications systems, roads, and bridges connecting north and south have been cut. Work is now under way to integrate southern Lebanon into Israel's electricity and communications grid.

To police the region, from Lebanon on south, Alexander Haig hopes to put into place a 20,000-man Sinai-style multinational force, comprised mostly of Americans, in the spirit of NATO's new out-of-area interventions.

Britain set up the Israeli ambassador

Democratic political figure Lyndon H. LaRouche, Jr. announced June 8 that "Corroborated intelligence supplied to me by Israeli and other sources constitute proof that the British intelligence services orchestrated the Abu Nidal gang's assassination attack against the Israeli Ambassador to London, Shlomo Argov."

The 1980 Democratic presidential contender qualified his accusation. "*Fact One:* The Ambassador was shot as he exited from a meeting at the Arab-owned Dorchester Hotel in London, under circumstances which prove conclusively that Britain's Special Branch had dropped the security-screen against the attackers.

"*Fact Two:* The screen was dropped precisely at the time the attack was deployed. The probabilities against a coincidence between the two facts are almost 100 percent.

"*Fact Three:* The British government had security-stripped the Ambassador of his own security forces shortly prior to the night of the attack.

"*Fact Four:* The attacking five-man assassination-team was a joint Syrian-Iranian unit linked to the notorious Abu Nidal. This is part of the Syrian-Khomeiniac faction involved in secret agreements between Israel's Defense Minister Ariel Sharon and President Hafez Assad of Syria, agreements covering planned partition of Lebanon.

"*Fact Five:* Ariel Sharon is not only a confederate of U.S. Mafia-figure Meshulam Riklis of Rapid America, and a confederate of both the Bronfmans and Montreal attorney Harry Bloomfield. Sharon is a confederate of a prominent figure of British intelligence, Lord Caradon (Foote), a key operative running networks inside both the Israeli and Arab governments.

"*Fact Six:* Prime Minister Menachim Begin had been attempting to prevent an Israeli military invasion of Lebanon, under agreements with President Ronald Reagan. The Prime Minister and President were scheduled to meet soon to plan measures for war-avoidance in the

Middle East.

"Fact Seven: Sharon, Secretary of State Haig, London and Paris have been conniving behind the backs of both President Reagan and Prime Minister Begin. London and Paris have reactivated the 1916 Sykes-Picot Treaty between Britain and France, and are committed to force the United States out of the Gulf petroleum-exporting area by aid of bringing blame on the United States, among Arabs, for supplying Israel the added material for conduct of a new Arab-Israeli war.

"The clear and irrefutable consequence of these facts is that Britain deliberately collaborated with the assassination-attack upon Ambassador Shlomo Argov, for the purpose of creating the incident required to force Prime Minister Begin to support an immediate military assault against Lebanon.

"However, it is also my information that the same terrorist networks engaged in the assassination-attack on Ambassador Argov are being deployed in a way which implies an early attempted assassination-attack on both President Reagan and Prime Minister Begin."

'Insane as well as criminal'

The former Democratic presidential contender added: "The forces behind this and related current deployments are insane as well as criminal. By destroying the United States' position as a politically credible superpower, as they have done in the South Atlantic and now with the new Middle East warfare, Britain and its accomplices have created a condition of several exploding strategic hot spots under circumstances that the Soviet Union has suddenly become the only credible superpower. Now, a pair of minor nuclear powers, a pathetic Britain and a significantly better-armed France, are attempting to take over NATO and to take over dominant position in the world strategic situation through aid of exploding crises in the Western Hemisphere, Africa and Asia, as well as the Balkans.

"We have presently a war in the South Atlantic, an imminent destabilization of the entirety of the petroleum-exporting Gulf, a new Arab-Israel war, and an imminent financial default, orchestrated by a foolish Congress, of the government of the United States. We are presently on the verge of new wars involving Angola and Mozambique, are on the verge of a Greece-Cyprus-Turkey crisis and a prepared royalist military coup in Greece, a simmering combined Albanian-Croatian attempt to dismember Yugoslavia, a threatened conflict between Pakistan and India, and a heightened potential for a new military crisis in Korea.

"Under these circumstances, whatever the Soviet leadership's intent may have been eight weeks ago, the Soviet Union is being forced to intervene in some decisive way in at least some of these exploding strategic hot spots. Given the political temper of the present

strategic situation, although the Soviet Union will tend to seek to reestablish some form of crisis-management stability in key regions including the Middle East, Moscow will do nothing it believes to be of help to the United States.

"Moreover, it has been the continuing policy of the Lord Carrington who is still orchestrating British-French strategic policy from behind the scenes, to prevent any direct strategic negotiations on fundamental issues between Moscow and Washington. Carrington's policy has been what is sometimes termed a 'New Yalta Policy,' under which Britain replaces Washington as the negotiating-partner with Moscow.

'The President must come home'

"The only effective course of action by which the present strategic explosions could be brought under control would be for President Reagan to dump Haig and certain other scoundrels from his administration, and conduct direct crisis-management negotiations with Moscow, probably with assistance from West Germany's Chancellor Helmut Schmidt and certain prominent leaders of the developing nations. This, however, is exactly what Carrington and his accomplices—together with their accomplices inside Moscow itself—have been determined to prevent.

"Thus, a lunatic Britain, riding France's military capabilities, is charging off to attempt to bully the Soviet strategic capabilities in the Middle East and elsewhere. We are headed toward the brink of thermonuclear war, at the point Britain and France could be rescued from a decisive strategic humiliation only by the U.S. thermonuclear deterrent. This is the direct, and intended consequence of Lord Carrington's January-February 1982 preparations for a war against Argentina in the South Atlantic, an operation set up from January onward with complicity of the ever-British-loving Alexander Haig:

"Haig's shameful orchestration of the U.S. veto of the U.N. Security Council resolution, aiming to embarrass both Ambassador Jeane Kirkpatrick and President Reagan, is merely symptomatic of the overall lunacy of the present strategic situation.

"Most lunatic of all, Haig and complicit forces inside the White House have successfully manipulated President Reagan into running off on a politically useless, protracted junket in Europe, putting the President virtually in front of a deployment of terrorist firepower amid riotous deployments by hundreds of thousands of forces riddled with terrorists and their sympathizers.

"The President must come home immediately, fire Haig, Weinberger, Volcker, and a few others, and for the first time since he became President, actually begin to take charge of the situation."

The Malvinas conflict: 'Total war strategy required to defeat Britain'

As the war has escalated in the South Atlantic over the past two months, Latin America's elites are now forced to recognize that what at first appeared to be an Anglo-Argentine battle has now emerged as full-scale economic and military warfare directed at the continent as a whole.

In addition to the mounting casualties and dramatic battles on the Malvinas themselves, events in June drove this message home to even those governments most reluctant to consider the implications of a de facto state of war between themselves and their erstwhile allies, Great Britain and the United States.

The United States vetoed a ceasefire resolution at the United Nations, while shipping American missiles and ammunition to British forces in the South Atlantic; France extended economic sanctions against Peru, refusing to sell that country either new Exocet missiles or spare parts for Peru's French-made Mirages; and London slapped punitive hikes on interest rates for loans to several Latin American countries, while orchestrating a general drying-up of credit to the continent.

Recognition that the war will be neither short nor limited to the stormy tip of South America is sinking in, and with it, the potential for counter-sanctions against Great Britain and the United States. Brazil, Ecuador, Uruguay, and Venezuela have announced that their naval forces will not participate in this year's "Unitas" joint maneuvers with the U.S. Navy, which have taken place every year since the early 1950s. A withdrawal of delegations to the defense arm of the Organization of American States, the Inter-American Defense Board, is also under discussion.

Exemplary are the signs of a change in policy in Colombia, which voted against the resolutions of support for Argentina and sanctions against Great Britain and the United States passed by the Organization of American States in mid-May. Colombia's new President-elect, Belisario Betancur, has stated that Colombia would return to "its natural environment—the inter-American system." A delegation from his Conservative Party visited Argentina for a second time.

Prominent individuals in several Latin American nations have begun arguing that Latin America's response

so far has been inadequate, and that a strategy of "total war" against the enemy—and its allies—must be adopted. Argentina journalist Manfred Schoenfeld's call for economic sanctions against the United States, reprinted on page 45, is indicative.

Below, *EIR* assesses the weaknesses and dangers of a "limited war" strategy on the military battlefield itself. A full review of Latin America's possibilities for action—on the economic field as well—is being prepared by *EIR* founder Lyndon H. LaRouche, Jr.

On June 11, Laurence Hecht interviewed Contributing Editor Uwe Parpart for EIR. Parpart, the research director of the New York-based Fusion Energy Foundation, has written studies of U.S. and Soviet military capabilities, and spoken widely on strategic matters. He is a graduate of the West German Naval Academy.

EIR: How would you describe the military situation in the South Atlantic?

Parpart: Before getting into a detailed discussion of the military situation on and around the Malvinas, I would like to say a few things about the broader strategic context. In fact, it would be quite difficult to see how the present military situation could have arisen without recognizing the total disparity of objectives of the British and the Argentine sides. For the Argentines it was a matter of asserting their long-standing and historically clearly justified claim to sovereignty over the islands, a relatively limited and simple objective. For the British it was something different entirely. It was not the Malvinas that mattered, and certainly not the question of "armed aggression." When has that ever been a matter of concern in British colonial history?

What actually counted was the British determination to rope the United States and the European NATO allies into "out-of-area" deployments, that is, into a commitment to extend potential NATO military activity to a global scale. This geopolitical aim, rather than the specific possession of the Malvinas Islands, was at stake. Beyond that, there is talk of establishing a series of British and U.S. or NATO bases in the South Atlantic,

and the South Pacific, using in particular an alleged offer by Chile to make available the ports of Punta Arenas and other locations on the Pacific coast for such purposes.

When looking at this global British strategy, what comes to mind is the historical parallel of the dying Roman Empire in the third century B.C. Under the Emperor Diocletian the Romans attempted to fortify the outer reaches of the Empire, by using satrapies or surrogate powers, the role that would today be played by Israel or Chile. And indeed they had established all along the borders of the Empire military outposts which could quickly be occupied and reinforced by means of their equivalent of today's Rapid Deployment Force. This strategy did not work then, and it will not work today.

However, I do not think that at the beginning of the Malvinas conflict, the Argentines had a full understanding of the broad geopolitical objectives of the British. And thus they probably underestimated British determination to go through with the military expedition to the bitter end. To repeat: in the disparity of objectives, a very fundamental strategic objective on the British side, and a much more limited claim to sovereignty over islands immediately off their coast on the Argentine side, lies the basic explanation for the evolution of the conflict up to this point.

Judged from the British standpoint, the Argentine claim to the islands in fact had the significance of the much broader claim to full sovereignty in its territorial—as well as by implication, economic—aspirations of a southern tier nation. And it is this claim that is unacceptable to the British as well as to such international monetary and economic organizations as the IMF, the World Bank, and the Bank for International Settlements.

EIR: Do you think the British are going to take Port Stanley?

Parpart: Barring the development of new political, economic, or military flanks, a very short answer to that is yes. The Argentine forces on the island are in an untenable position. This does not mean that they don't retain the ability to inflict significant, even heavy, damage on the British forces. Still, it is difficult to see the basis for a total turnaround. What is, even at this late point, capable of changing this are *political* factors, such as unacceptably high British casualties or a change in the strategic constellation.

The question one should really try to answer is how the present point was reached. Somebody might say, this is not so difficult to see; how could a developing-sector country like Argentine pit itself against the combined forces of the British and NATO troops and the logistical and, much more important, the political support of the United States, and expect to win?

However, if we recall the situation at the outset of the battle, it was by no means clear that the current situation

was the necessary outcome. From the beginning, to the extent that mistakes were made on the Argentine side, they were in effect not so much specific military mistakes as strategic mistakes: misjudging the British determination to carry their military operation all the way through. At every step of the way, the Argentines hesitated to fully deploy their own forces in the most effective way against the British.

A limited-war posture is always a losing one. If you have two forces facing each other and one of them is committed to total war, and the other committed to limited war, but otherwise both are relatively equal in overall capabilities, the side fighting the limited war is going to be at a disadvantage.

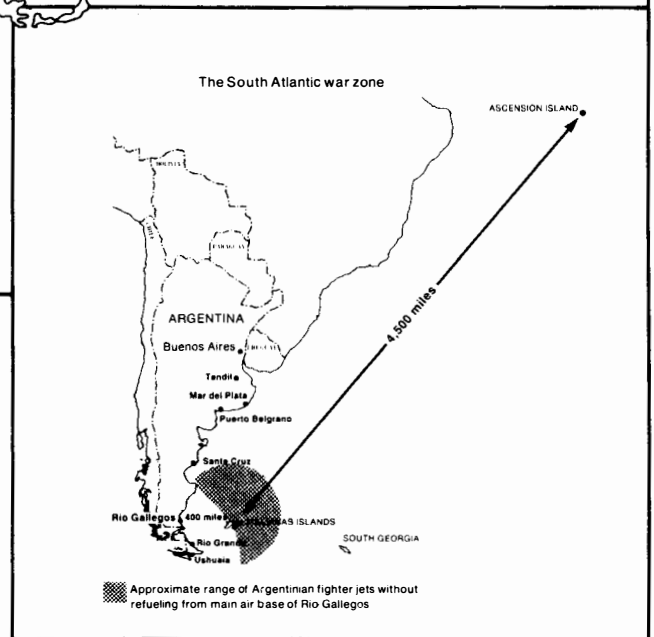
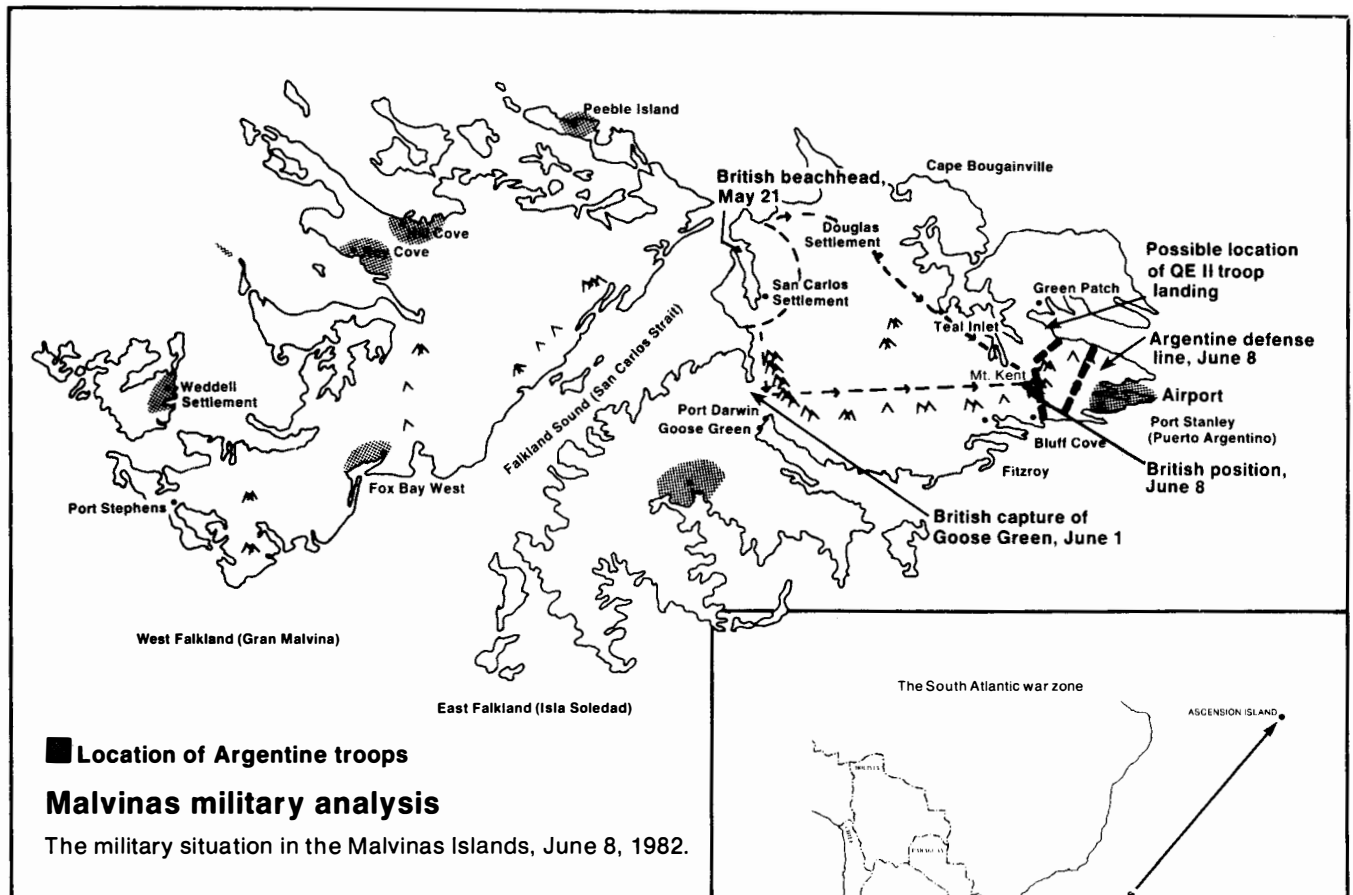
EIR: More specifically, the British have a naval superiority and the Argentines have air superiority. For a long time, the British had an 8,000-mile supply line to deal with, and they seemed very vulnerable. If you would accept the classical doctrine that it takes a three-to-one superiority to capture an island—the British have accomplished their objective with nothing like that. Start with the period before the British landing. . . .

Parpart: I think the initial phase must have been one of almost ten-to-one superiority in favor of the Argentines, and they expected three-to-one ground superiority as it initially shaped up. The initial reports had it that the British were sending about 3,000 in ground forces and that they were going to be up against 9,000-10,000 Argentine troops.

Quite apart from the superiority of the British navy, and its ability to contain the Argentine navy through the deployment of nuclear submarines, which I think nobody ever questioned, the combination of large air superiority and a significant ground superiority, or even parity, would have created the situation in which one would say there is really no way in which the British could actually win.

The only advantage that I can see that the British might have had is that even though they had very long supply lines, these supply lines were considerably shortened in effect at the moment the U.S. decided to logistically help out. The traffic at Ascension Island has been massive. The British have been resupplied with everything they needed by the United States. The other thing is that one could assume that the British weapons systems in general were somewhat more modern on the average than the weapons systems of the Argentines, and they had a more experienced fighting force. Still, at the outset it would have seemed very difficult for the British to have accomplished their objectives.

However, the Argentines entirely left the tactical initiative to the British. There were no hostile activities of any kind engaged in by the Argentines, or at least no significant ones prior to the sinking of the *Belgrano*. In



fact, the Argentines themselves publicly declared that their military posture was *deliberately* strictly neutral. The first phase of the conflict was characterized by many as Britain's violation of its own declared 200-mile war zone by the sinking of the cruiser *Belgrano*, which was outside of that zone.

That would already indicate to me that the Argentines had made a misjudgment. It would be very, very foolish to trust that the British would necessarily abide by some declaration of such a war zone. That is like playing chess according to the rules; in that way you cannot win a war, no matter what the situation is.

The Argentines, being stirred up by the loss of the *Belgrano*, responded with the sinking of the *Sheffield*, and at that point the entire war took on a new phase. It is my sense that even after this first exchange the Argentines once again adopted a limited-war conception, a waiting position, and left the initiative to the British forces once again.

EIR: Didn't the British stay out of the range of Argentine aircraft for most of that period? What could the Argentines have done?

Parpart: I do not think that was a physical limitation on their capabilities. I think it was a mental self-limitation on what they were going to do, and I think that this may

have its political explanation but not a full military justification. It was proved in later engagements that with refueling, the Argentine air force was quite capable of very significantly extending the range of its aircraft. I think that from the Argentine standpoint, they did not at that point take advantage of the combined superiority of entrenched ground forces and massive air superiority. They did not fully exploit with a major attack on the British fleet, the advantage that they had.

A major attack, even if it would have lost a significant number of aircraft, could have been quite an equalizer. I do not know what kind of warnings, on the part of the United States, for example, may have been received by the Argentines against such a tactic. There were reports in *Der Spiegel* about the fact that the British task force

was carrying nuclear warheads, which in the case of real danger to the fleet they might have used.

But not to have launched a major assault against the fleet clearly left the tactical initiative on the British side, and it continued the no-win position of the Argentines.

I think that there was a great deal of room for improvisation under these circumstances. You have to take chances, even if it costs a good many of your pilots' lives. After all, if you look at how the conflict has since evolved, a dozen or so planes that might have been lost under those circumstances were in any case lost later at a point when their effectiveness was much diminished.

A massive attack on the British naval task force should have occurred well before any attempted landing by the British forces. I think Argentina was holding back for political reasons at that point. There followed some very puzzling situations that, again, I find hard to believe have a simply technical explanation.

If one looks at the disposition of the Argentine forces, which must have been known to the British, there was no point for the British to land on the western island under any circumstances, because they would still have had to go across the sound and it would have been much more difficult to cross over at a later point.

The Argentines had to assume that the landing would occur on the east Malvina. There were, frankly, only two possibilities: either direct frontal assault—in effect, parking the Queen Elizabeth at the docks at Port Stanley—or else landing in the areas of the Falkland Sound. I find it surprising that this area was not better defended than apparently it was.

One can use mining, especially in the case of a relatively narrow strait with a predeterminable number of possible landing sites, quite effectively, with a certain amount of selective mining so as to actually force a landing task force into a certain pattern which is then easier to attack. Mining is not necessarily for the purpose of having somebody run into a mine and put out of action; it can also thrust them into a pattern of deployment which is easier to deal with.

I am puzzled about why that was not done. There were very valiant attacks made by the Argentine air force against the landing forces; still, they were limited essentially to air attacks. I don't understand that. I think the Argentines had the capability of lifting a significant infantry force into the vicinity of the landing area at San Carlos. In the first 48 hours or so of a landing, a beachhead is most vulnerable. I think that there is no question in the mind of anybody who has read even one or two pages of a textbook on tactics, that you do not defeat a landing simply from the air. You have to counter with ground forces, in combination with air support. There was a puzzling lack of determined Argentine resistance to the landing when it was most vulnerable.

Port Darwin was apparently not even defended at all;

the force there essentially capitulated without much of a fight. Goose Green was much more heavily defended and an actual battle ensued; still, one cannot be too impressed by a situation in which the attacking force loses 12 killed, as they claimed, and captures 1,400. That does not wash.

I think that the Argentine air force acquitted itself in a way that there can be no question of the courage of Argentine soldiers, so I am looking for another explanation as to why this debacle occurred.

There was one report I want to mention. This may seem like a cruel thing to get involved in, but there were numbers of canisters of napalm found at Goose Green which had not been used by the Argentines. It so happens that in a relatively unprotected area with a significant concentration of troops, like on a beachhead, napalm is certainly quite effective. I think when you are involved in a full-scale war those questions have to be faced.

Now, the next stage. If you look at phase one as the no-war situation, and phase two as the actual landing, questions arise surrounding phase three—the relative ease with which the British marched across the island; I think of all three, that's perhaps the most puzzling element. For this I have no explanation at all. There was not a single point that we know of at which any significant flanking operation was attempted. One is reminded of a situation in which in the Korean war, U.S. troops were pushed back and were about to be pushed off the peninsula altogether, when MacArthur and others commanded a counteroperation within close vicinity and turned the war around in a matter of just a few weeks.

There is no question in my mind that the Argentine forces had both the equipment and the wherewithal to create counterattacks and flanking attacks.

EIR: So even if you have a much larger force, landing right at Stanley, this could not have justified maintaining the entire Argentine force there?

Parpart: Let's look at what Argentina now has. How could you possibly have put yourself in a worse position than they are in right now? The only historical parallel I know is the British at Yorktown in 1781, where they were in the exact opposite position and they eventually had to give up without a fight because the whole thing was obviously hopeless, surrounded on three sides and cut off by the French navy on the sea. So I don't see how you could have gotten yourself in a worse position. You could always fall back to some defensive position, if necessary. Any form of counterattack, some form of surprise, movement of troops into a position where you know the British have to come through—because after all there are not many ways you can go on that island—should have put them in a much better position.

The final puzzle is the apparent fact that, within the relative vicinity of Port Stanley, the British were able to seize, or at least establish an important presence on, the

high ground without much of a fight at all. I don't just mean Mount Kent, about which there are still conflicting reports; I mean also several other mountains overlooking the Port Stanley area where the British claim they have been able to implace their 105-millimeter guns. It's going to be very, very uncomfortable sitting in a defensive position and having these things showering down on you.

EIR: Would you say now that it's largely the weather that is holding the British back?

Parpart: I don't think the weather has a lot to do with it. I think the basic problem that the British probably had was getting heavy equipment cross the island, getting in position. And when you are in a situation where you have reduced the enemy to a defense perimeter and you are the party laying the siege, you are really in no great hurry.

I would think that what held things up basically was the British reluctance to go in for the final attack, before they had all their equipment and manpower in place. There may have also been political considerations. Perhaps they didn't want to start the attack while President Reagan was addressing the British Parliament.

EIR: There are some very interesting things concerning hardware, it seems to me. For example, the British navy seems to have taken a hell of a beating. In the beginning of the war, all the electronic apparatus on these ships was ballyhooed. Probably the worst losses were taken at the attempted landing at Port San Carlos, where it didn't seem to do them much good. Without the use of Exocets, the Argentine air force, using these old Skyhawks, was able to inflict serious losses.

Parpart: Any time you do a landing, you have landing craft, you have larger group transports and supply ships to protect. One should not be too surprised if such a landing force loses a handful of destroyers and frigates. Without wanting in any way to diminish the success of at least some of the Argentine air attacks, it should be pointed out that any naval commander launching this kind of an operation would expect to lose a number of ships under these circumstances. It would be miraculous if they didn't. In fact, what surprised me, really, was that the losses were kept within those limits. I would have expected that in some way or other, if the Argentines were still in possession of their submarines, they would have brought them to bear against the landing force at that point, which apparently did not occur. And I don't know the reason for that.

There are many well-known battles of World War II that one could cite here. They're not exactly parallels, but just think of the battle of Iwo Jima, where the U.S. lost 20,000 men, and the Japanese defending force was smaller than the total losses incurred by the U.S.

EIR: So if the Argentines had used their air superiority, it's conceivable that the British might not have even gotten in there?

Parpart: You see, one interesting point is that once the British ships were on the Malvinas coast, the most effective weapon that the Argentines had, namely, the French Super Etandard equipped with Exocet missiles, was not useful, because of the closeness of the mountain ranges. So the time to use this capability would have been before this.

EIR: What about the Exocet—especially when it sank the Sheffield, it was sort of the wonder weapon of this war. Would a power like Argentina with sufficient Exocets be able to drive off a modern naval fleet?

Parpart: No, I don't think so. I think that the British fleet was, for whatever reason, very ill-equipped to deal with this kind of threat. The Israeli Navy was subjected to similar rocket attacks by the Egyptians in 1973. The Israelis had learned a big lesson earlier, I think, when one of their destroyers, The *Eilat*, was sunk by one of these rockets. They equipped themselves with a combination of electronic countermeasures and anti-missile missiles, and the result was that from the point on, they did not lose a single ship, or even incur any damage to any of their ships. So I don't think this is a situation against which one cannot defend. The British were just very ill prepared for this kind of an attack. Perhaps they didn't expect it because they have consistently underestimated Argentine capabilities and resourcefulness.

Again, I don't want to detract from the significance of the Argentine air attacks, but the point is, it's quite well known that it's not that easy to attack a well-defended naval task force which is equipped with modern defensive equipment. By the way, in the next phase, laser weaponry is stationed on board of large ships which should have no trouble whatsoever dealing with cruise missiles, which, after all, fly at less than the speed of sound. . . .

EIR: What can the Argentines do militarily now?

Parpart: Well, right now I think there is precious little that can be done in strictly military terms. The only possible thing would be to launch a flanking move which would break through enemy lines and force the British to divide their forces. Also significant would be a determined counterattack at some relatively weak point of the British lines, possibly achieving a politically significant effect, and making the British think twice about the final, necessarily bloody battle. Still, the chances of success at this late date are very small, barring a change in the strategic constellation which could have military repercussions—most notably if the U.S. were to constrict British resupply capabilities. Because it is, after all, not just the British doing battle with the Argentines, but the British backed with U.S. logistical capabilities.

EIR: Is there any hope of the Argentines reinforcing themselves . . . establishing a beachhead?

Parpart: I don't really see that happening. There have been reports that they have some troops on the western islands. I would see that more as a kind of bargaining chip in the negotiations that will ensue as this thing winds down. I don't see how they are going to get those troops across the sound and into a position to threaten the British in time.

I'd like to just close the circle in a way, to point out that the greatest danger I see right now is that the British succeed somehow in dragging the U.S. into the situation of participating in, or being a party to establishing a military base on the islands, and in that way being dragged into this global strategy I described earlier, while simultaneously once and for all ruining any chance of establishing any semblance of decent relationships with—certainly Argentina—but also with other Latin American countries.

And the second lesson I think to be learned by this, as

I said at the outset, is not to impose limitations on your own fighting capability. You have to ruthlessly exploit the opportunities you have. You cannot permit yourself to hope that pulling back will bring you some rewards. I think that at least some of that kind of thinking must have gotten into some of the heads of some of the Argentine leadership; otherwise I cannot understand this whole sequence of events I have described. Clausewitz's book on war says that if you limit yourself and the enemy doesn't, you will lose.

EIR: Could it have been the nuclear threat?

Parpart: I don't think so. It was a much broader political threat that initially played an important role. The Argentines, many of them political as well as military, said from the outset that if the U.S. gets involved, we have no chance. I don't buy that. I think they could have inflicted the kind of damage on the British which could have turned the whole situation to their advantage. I think certain opportunities were definitely missed.

An Argentine calls for economic warfare

Leading Argentine journalist Manfred Schoenfeld, arguing that Argentina cannot vacillate in waging "total war" on Britain, called for Argentina to break with the "ally of our enemy"—the United States—for supporting Great Britain's war in the Malvinas. Excerpts from Schoenfeld's May 30 op-ed in the Buenos Aires daily La Prensa, translated by EIR, follow:

It is the fact, let me stress, that Washington has such disdain for Latin American opinion that it is systematically arming a power which on its own is incapable of invading the territory of the Western hemisphere.

We must respond directly to the ally of our enemy and our invaders. We must break diplomatic relations with Washington and expel from the country the band of CIA agents and spies which, with or without diplomatic immunity, inhabits that fortress in Palermo known as the American Embassy.

Moreover: the country must prepare itself, as I have been saying for some time now, for a war that is something more than a war for the Malvinas or for the other southern archipelagos. This has become a total war, and it is important that this be understood,

that we declare this before the world. . . . What is important is that the world, and even more so our own country, realizes that . . . this will be just the beginning of the war. . . .

Meanwhile, we have to hit the United States where it hurts. Beginning now, we have to declare economic warfare against them which, unfortunately . . . was not even done in the necessary manner against Great Britain; we must take over—and not as late as was done in the case of British companies, which had rushed beforehand to "convert" themselves into "Dutch" companies—all of the American companies in the country; close [American] banks; seize their assets; and above all, make felt the threatening weight of a freeze of all our foreign debt. This is not the time for pretty talk, but for bludgeoning and applying the old adage "scratch with the nails that you've got."

We are in a position to create a bit of chaos on Wall Street, much as it pains some of the beloved friends of our "financial geniuses." What are we waiting for? For them to destroy our Air Force and our Naval Air Force with their missiles?

The idea that if we don't pay our debts now, in the future, no one will ever again give us credit is false and unrealistic. Credit is not a favor; it is business for the lender who grants it. The capital markets are seeking clients and Argentina has always had a reputation as a reliable payer; if on one occasion, it fails to do so, it will be recognized in the future that it took this action selectively against countries with which it was at war—because it was under attack.



Who is Yuri Andropov?

Rachel Douglas, Soviet Union Editor, explains the significance of the new Communist Party Central Committee Secretary's 'Bukharinite' lineage.

On May 24, a plenary session of the Soviet Communist Party (CPSU) Central Committee adopted the long-awaited Food Program of the party. It also installed Yuri V. Andropov as a Secretary of the Central Committee. A few days later, Andropov relinquished his job as Chairman of the Committee for State Security, the KGB.

Central Committee (CC) Secretary, unlike KGB Chairman, is a post from which the 67-year-old Andropov could ascend to the position of General Secretary of the CPSU. Brezhnev's successor in this most important role will most likely come from the 10-man Secretariat of the CC, and already, Andropov has assumed the number-two or -three spot in the Secretariat. He is placed where he can affect Soviet policy even more than he has done as KGB chief, especially as there is no evidence that Andropov will sever his KGB links and a good deal of evidence that he will not.

'A liberal'

What does more power for Andropov betoken? Considering the reputation of the KGB, the casual observer will have been surprised to read analyses from Sovietologists serving different Western elite factions that Andropov is "a liberal." Andropov's shift closer to Brezhnev was "one of the most favorable developments to have occurred in the Soviet Union in recent years," wrote Jerry Hough from Duke University and the Brookings Institution in the May 26 *Washington Post*, adding that it means "the Soviet succession will bring significant reform fairly quickly."

The slightly more cautious London *Economist* editorialized June 5 that Western leaders should contemplate "the possibly beneficent rise" of Andropov, who, as an "enlightened conservative," albeit "no liberal," would be just the man to respond with "flexibility" to Western pressures to make the Russians lean "towards butter rather than guns."

Not only the British think along these lines. At an April 1982 conference of the Südost Institut of Munich, an organization dominated by the European oligarchy's nostalgia for the Austro-Hungarian Empire, Vienna-based intelligence specialist Paul Lendvai was among those boosting Andropov's rating as a liberal on economic policy, and particularly a devotee of the Hungarian experiment in decentralized decision-making.

These evaluations are a political datum of weight equal to, if not greater than, the truth about Andropov's power and what he believes. There is something more dangerous than dangerous Soviet policies, and that is Western strategic misestimation of Soviet policy.

"Liberal," in its usage by these analysts, is defined by the speaker's ideology. It means various things at various times. Sometimes it means "loose," when Soviet policy is measured on the peculiar scale of "tight" to "loose." The logic of preferring the "loose" is that Soviet economic policy-makers who favor decentralizing economic power are also those who would lower the priority on heavy industry—and defense—in favor of consumer-goods production. Thus the *Economist*, which suggested pushing the Soviets toward butter instead of guns, advised that Western leaders should want Russia "to be governed more flexibly." The *Economist* neglected to observe that the Soviet Union has a perfect record of not responding to such pressure.

Soviet specialists at one London think tank have put into circulation a novel definition of the Soviet "liberal," in which flexibility hardly figures. According to this version, the KGB for decades (even when under the thumb of the thug Lavrentii Beria in the last years of Stalin's life) has been "exceedingly liberal" because its directors always put top priority on the good life for themselves—and hence cared little for the heavy industry and defense buildup that were the hallmark of Soviet "conservatism"!

It is possible to say a lot more clearly than the word "liberal" does, who Yuri Andropov has been. We can find his roots in the wing of the CPSU which, indeed, is historically akin to the "liberal" British aristocracy. In making this identification, we discover that the rise of Soviet "liberals" may be considered advantageous by Western oligarchs who anticipate the crumbling of the Soviet Union to their ultimate gain; but it is not in the interest of Western nations. The industrial economy of the West is collapsing while the Soviet economy stagnates, and the West is ill-positioned to survive the war that is a likely outcome of economic collapse and geopolitical confrontation; and the Russian faction rashly called "liberal" has a history of aggressive asset-building overseas.

What Andropov lacks is what was crucial to Brezhnev's ability to forge a policy toward the West that promised something other than confrontation. Brezhnev, like Prime Minister N. Tikhonov and Central Committee Secretary Andrei Kirilenko, came from the Dnepr valley industrial center of the southern Ukraine, and kept with him a guiding commitment to building industry. This commitment has supported one leg of Brezhnev's détente policy, namely, the conclusion of trade and development deals that aim to anchor political détente in joint efforts for scientific progress and industrialization. Its high point was the 25-year economic cooperation agreement signed between the U.S.S.R. and West Germany in 1978.

A sign of the times

That leg of the policy slipped when détente partners of Brezhnev like former French President Giscard d'Estaing were lost, and fighting mounted in the West about whether East-West trade were not just bailing out a leaky Soviet boat. The other leg, which remains, is arms limitation and disarmament negotiations, which are incapable of stopping war on their own; disarmament only will avail after peace is secured by more substantial means. If great powers are hurtling toward war, sitting at a disarmament table can soothe minds that ought to be alert, and so make war *more* likely. For the Soviets, disarmament has become a chute down which hundreds of millions of rubles pour—all to aid a sham "peace" movement that endangers the peace by putting Western governments in disarray and shelters terrorist who might eliminate key peace-makers just when they are needed.

This spring, as Andropov made his move, Soviet foreign policy has centered around this mammoth support for the peace movement and diplomatic forays into the developing sector. In the Middle East, South America, China—everywhere the United States has bungled relations with its allies, real and sought-after—the Soviet Union is maneuvering to rush into the breach.

Yuri Andropov, schooled in the acquisition and preservation of power, is just the man to rise at such a moment of opportunism.

Suslov's shoes

Much prognostication about Andropov's alleged liberalism hinges on the economic policies he would support. But to date, Andropov has made no attempt to assert authority on economic issues. He had an opportunity to do so, when he gave the annual Lenin Day speech on April 22; last year's speaker, Central Committee Secretary and Politburo member Konstantin Chernenko, had devoted a long section of his speech to the subject. Andropov was brief and vague on the economy, although he called it "the main sphere of activity of the Soviet people." He did not discuss the forthcoming party food program, and, after the Central Committee plenum, it was Chernenko, not the newly appointed Andropov, who briefed agriculture sector ministries on carrying out the policy.

What Andropov did, however, is lay claim to the position of Mikhail Suslov, the party ideologist and power-broker who died in January after more than three decades as a Central Committee Secretary. Suslov's portfolio bridged foreign policy and internal party affairs, a double dose of power; as KGB chief, Andropov has accumulated experience in both areas.

The CC Secretariat, like the Politburo whose membership it overlaps, is an executive body of the 300-man Central Committee. Its 10 members direct the CC staff, the center of party power in the Soviet Union. There are now five Secretaries who also sit on the Politburo: Kirilenko, who has apparently reduced his workload due to illness; Brezhnev's long-time aide Konstantin Chernenko; Mikhail Gorbachov, the CC Secretary for agriculture and only 51 years old; Brezhnev himself; and Andropov.

Andropov has been a CC Secretary before. He only went to the KGB in 1967, after a career in the party and foreign service that culminated in a 1962-67 stint as Secretary in charge of relations with ruling communist parties, i.e., Eastern Europe and China. This post is now held by another Brezhnev aide, Konstant Rusakov; Andropov has returned to the Secretariat at a higher slot in the hierarchy.

The sign that Andropov was appropriating Suslov's mantle came in his April 22 speech, the one in which he avoided the economy. Here he held forth on a classic Suslov theme, the nature of Marxist-Leninist theory. Andropov echoed Suslov's dictum that the party must "learn from Lenin a genuinely creative attitude to revolutionary theory, to develop it in every way," as he said, in turn, that the principles of Marxism-Leninism "cannot tolerate stagnation . . . are alive and continue to develop."

The man who brought Yuri Andropov to Moscow to work in the CC department for ties with ruling communist parties was an old Finnish communist named Otto Kuusinen. After a failed attempt to become the Soviet-sponsored President of Finland on the eve of World War II, Kuusinen joined the CPSU and eventually sat on its Politburo from 1957 until his death in 1964.

Andropov was Kuusinen's subordinate, first in the party organization in Karelia, near the Finnish border, then in the CC department.

The Comintern legacy

In the 1920s and 1930s, Kuusinen had worked on the Executive Committee of the Communist International. Time and again, Kuusinen was caught up in rumors about his connections to British intelligence—and in this he was not unique, for the Comintern was a nexus of intelligence agencies, the milieu that produced triple agent Kim Philby. In the case of Kuusinen, the rumors often hung on his mistresses, such as the Finn Hella Wuolijoki, who had the reputation of a British spy and was related by marriage to the British communist specialist on the Third World, R. Palme Dutt, of the same Baltic noble family as Sweden's social-democratic fascist, Olof Palme.

According to the memoirs of Kuusinen's estranged wife, his best friend among Russians on the Comintern Executive Committee was Nikolai Bukharin, the Vienna-trained economist whom Stalin demolished in order to start the Soviets' crash industrialization drive at the end of the 1920s. It is the Bukharinite profile of advocating a market economy at home (in agriculture, if not for everything), and promoting revolution abroad, that the British today say they discern in Kuusinen's trainee Andropov—and call it "liberal."

Kuusinen was instrumental in effecting an institutional shift in the late 1950s which was momentous for Soviet foreign policy. Together with the Armenian Politburo member Anastas Mikoyan, he called for expanding the intelligence-gathering capabilities of the Soviet party and state. Two things resulted: re-establishment of Hungarian Cominternist Eugen Varga's think tank under the name Institute for the World Economy and International Relations (IMEMO), and constitution of a special CC consultants' group on international affairs, reporting to Kuusinen and then to Andropov. There was, and still is, much circulation of personnel between the think tanks (formally attached to the Academy of Sciences) and the CC staff. Georgii Arbatov, the head of the IMEMO spinoff Institute of the U.S.A. and Canada and another Kuusinen protégé, was head of the CC consultants group in 1964-67. Several officials from the CC International Department of former Comintern bureaucrat Boris Ponomarev, which

is the equivalent, for non-ruling parties, of Andropov's former department, double on the board of think tank magazines.

The think tanks have been a channel into the Soviet Union for "sociological" methods of analysis, which undermine the intelligence and security of any nation, whether capitalist or socialist. They have also harbored triple agents like Kim Philby's friend Donald Maclean. But, like the old Comintern apparatus, the think tanks are now an accepted, integrated part of Soviet decision-making. So too the wing of the CPSU Andropov comes from, the Bukharinite wing, is part of the ruling coalition. His is not a challenge to Brezhnev from an outsider, but a tilt within the power center of the Soviet Union.

Control of the KGB

When Andropov took charge of the KGB in 1967, it was to replace V. Semichastnyi, the last disciple there of Alexander Shelepin, a former KGB chief who was a CC Secretary considered able and wanting to challenge Brezhnev before the latter's power was consolidated. Andropov's first speeches as KGB chief stressed that party control over the intelligence service was necessary.

That is a principle Andropov will no doubt assert once again, for what happened in the KGB leadership

Soviet agriculture plenum was an anti-climax

One after another, the sources who define Yuri Andropov as "liberal" forecast that he is the one who could take the Soviet Union in the direction of a "Hungarian model" of economic liberalization, toward a market economy. The first test of this analysis was the Central Committee plenum on agriculture, the same meeting that promoted Andropov to the CC Secretariat.

In advance of the plenum, leaks in the Italian, Yugoslav, and other press heralded a "milestone" for the Soviet economy. After all, the Hungarian experiments began in (and have largely been confined to) agriculture, where a system of heavily subsidized incentives for the individual farmer has raised productivity and given Hungary more stability in food supplies than any other Eastern European country. Then *after* the plenum, the *Financial Times* of London claimed that the reform was going to re-create the

as he left it in May signaled that he meant to remain the ranking party official with say-so over the KGB he ran for 15 years. The choice of Andropov's successor was a power play by Andropov against men closer to Brezhnev than he.

The First Deputy Chairman of the KGB, Semyon Tsvigun, died in January a few days before Suslov. He was Brezhnev's brother-in-law and a member of the Central Committee, but extraordinary breaches in the formulation of his obituary (Brezhnev did not sign it) and the protocol of his funeral (out-of-town delegations were reportedly barred from attendance) fed rumors that he took his own life. Nevertheless, there were two more Deputy Chairmen of the KGB, each in office for more than a decade and each from Brezhnev's southern Ukraine clique, who might have gotten the job. But both S. K. Tsinev (75) and V. M. Chebrikov (59), as well as Deputy Politburo member G. A. Aliyev, a former KGB officer and associate of Tsvigun, were skipped over. Andropov's successor is Vitalii Fedorchuk, KGB boss for the Ukraine.

Fedorchuk is a hatchetman who made his career during Andropov's tenure at the KGB. According to a Radio Free Europe grid of his career, Fedorchuk won political advancement when he purged the Ukrainian party organization of supporters of ousted Politburo

member Pyotr Shelest. According to intelligence specialists, this was not the last of Fedorchuk's Ukrainian exploits: in the past year, as *EIR* has reported, there have been stories of internecine warfare and bloodshed among the party and police in the Ukraine, under cover of an anti-corruption drive. Some of the victims, it is said, were from Brezhnev's machine. Published Soviet sources tend to corroborate such reports: in the fall of 1981, the Ukrainian branch of the Interior Ministry (MVD), the national police force that is administered separately from the KGB, was taken to task for laxness in combating crime and speculation. Ukrainian MVD officials published self-criticism. Nationally, the MVD is run by Brezhnev's south Ukraine associate Gen. N. Shchelokov, whose first deputy is Brezhnev's son-in-law, Y. M. Churbanov.

Andropov, in sum, has increased his power over the foreign affairs departments of the Central Committee and the KGB. He has not totally eclipsed Brezhnev's aide, CC Secretary Chernenko—in the first week of June Chernenko not only ran the Central Committee staff briefing on agriculture policy, but was honored with a medal from a visiting foreign communist chief, Gustav Husak of Czechoslovakia. But he has established himself as a force in the Soviet leadership for the coming months and years.

class of *kulaks* (rich peasants), who were destroyed in Russia 50 years ago, and once again give these private farmers huge leverage over the Soviet economy.

Word was out on the British Sovietology circuit that the plenum would produce nothing less than a Bukharinite manifesto, with Andropov leading the cheering crowds.

The program announced by Brezhnev does not justify these claims (and Andropov, as we have noted, has kept quiet about the economy). Nor does it promise a solution to the woes of Soviet agriculture. The CPSU Food Program relies on a new system of incentives to ensure that the now even higher number of rubles to be poured into agriculture will result in higher productivity. But how it will succeed where previous policies have failed is not demonstrated. There is no decision for radical change.

The mechanization of agriculture, the purpose of the "agro-industrial complex" that figures constantly in the new Food Program, was declared by Brezhnev in March 1965 the core of Soviet agricultural policy, designed to correct the disarray wrought by the Khrushchev regime—which put thousands of acres of marginal land under cultivation without adequate capital investment, for instance. In his report to the

May 1982 plenum, Brezhnev vowed to continue the industrialization of agriculture and raise its share of national investment from 27 percent in 1981-85 to 33 percent by 1990!

In the Soviet farm sector, there is a dissipation of resources that would make any American farmer faint: thousands of tiny machine shops persist in thousands of collective farm sheds for the purpose of manufacturing their own spare parts, for instance, and yet a huge number of farm machines are out of commission at any given moment.

The cure for Soviet agriculture appears in the new program in the form of a mandate for building more infrastructure, an exhaustive list of types of technology to be produced for the farm sector, and even a management plan that combines local autonomy for managers in the deployment of their labor and machinery with more "simplified"—which may mean centralized—management of the agro-industrial complex "as a single unit at all levels." But Brezhnev's speech was much more precise about the ruble amounts assigned to incentive funds and procurement price subsidies than it was about building the crucial roads, storage facilities, and means of mechanization that Soviet agriculture most needs.

Investigative Leads

Hospitaller knights of a new dark age

by Scott Thompson

Investigation into the networks responsible for the May 12, 1982 attempt to assassinate Pope John Paul II has now uncovered the fact that Secretary of State Alexander Haig is a witting participant in a secret-cult network that poses the principal assassination-threat potential against both President Ronald Reagan and the Pope.

This network centers upon the transnational branches of the **Hospitaller Order** (a.k.a. **Order of St. John of Jerusalem**, a.k.a. **Knights of Malta**). Directly associated with Haig in this secret-cult network is a John Birch Society member, **Rep. Larry McDonald** (D-Ga.), head of the cult's military-subversion front organization, Western Goals, Inc. of Alexandria, Virginia and Munich, West Germany, and **Gen. Jack Singlaub**. The Hospitaller network represents a higher-level control point over the same network of assassins behind the two attempts upon John Paul II and the attempted killing of President Reagan (see *EIR*, June 8).

Origin of the Hospitaller order

The Hospitaller order was founded about 1050 A.D. in Jerusalem by Pope Gregory I and Venetian merchant banking interests, to serve as a crusading, military, and religious order for the oligarchs who brought feudalism to Europe after the Carolingian city-builders were routed. From the outset, the Hospitalers' main strength lay in a vast political intelligence capability.

In the first half of this century, it was the oligarchic families that hold commanding positions within the Hospitaller network, including the **Thurn und Taxis**, **Wittelsbach**, and others, who created Hitler's Bavarian Nazi Party. Though they successively distanced themselves publicly from their Nazi creation, especially after the 1938 Anschluss, these families did not completely dump the Hitler project until after Stalingrad in 1943. With the aid of secret agreements worked out between Prime Minister Winston Churchill and OSS representative Allen Dulles, typified by Dulles's negotiations for a secret surrender with SS Gen. Karl Wolff, arrangements

were made to preserve strains of the Nazi experiment for use in the ensuing Cold War.

Major branches of the Order

There are four primary branches of the original crusading Hospitaller Order in existence today:

The **Sovereign Military Order of Malta** (SMOM) was rechartered by the Papacy in 1815. When Napoleon conquered the Hospitaller's island base of Malta in 1798, Czar Paul I of Russia assumed protectorship of the Order. After his assassination, his son, Alexander I, relinquished this office to the Papacy. The SMOM remains affiliated with the Roman Catholic Church, though it has been condemned by Popes John XXIII and Paul VI. It is the only branch with true sovereignty, and has diplomatic immunity for its emissaries and offices on the Via Condotti in Rome. Under the current Grand Master, Prince Angelo de Mojana di Colonna, the SMOM is controlled by the leading families of the Italian "black nobility," including the House of Savoy, Pallavicinis, Orsinis, Borgheses, and Spadaforas.

The SMOM represents the higher-level control over the Propaganda-2 Masonic Lodge of former Mussolini secret police (OVRA) official **Licio Gelli**. All the former chiefs of military and intelligence sections in Italy who were ousted for their secret membership in the P-2 Lodge had also been invested into the SMOM. Italian magistrates are currently investigating P-2 as an international coordination center for narcotics and for repeated coup d'état attempts and assassinations deploying "red" and "black" terrorism ranging from the Italian Red Brigades to Ordine Nero. The first exposés of P-2 were made by Vatican-linked officials in retaliation for the May 13, 1981 attempt to assassinate Pope John Paul II.

Outside Italy, leading members of the SMOM include those prominent families of the Hapsburg Holy Roman Empire such as the Thurn und Taxis family of Regensburg, Bavaria and the closely intermarried **Lobkowitz** family of Bohemia and **Braganza** family of Portugal that bear immediate responsibility for the May 12, 1982 attempt to assassinate the Pope at the Our Lady of Fatima shrine in Portugal. These oligarchic families jointly oversee a network of feudalist cults that have burrowed within the Catholic Church, including followers of the schismatic **Archbishop Lefebvre**, who personally ordained Pope John Paul II's would-be assassin, **Fr. Juan Fernández Krohn**; the far-reaching **Blue Army of Our Lady of Fatima** cult; and **Tradition, Family and Property** (TFP), the Braganza family-founded paramilitary group whose members in Brazil have been photographed using a picture of John Paul II for target practice. (See *EIR*, June 8).

The **Most Venerable Order of the Hospital of St. John of Jerusalem**, affiliated with the Anglican Com-

munion and under the direct protection of Queen Elizabeth II, is a revival of the English Priory of the Hospitalers that had been dormant since Henry VIII broke from the Catholic Church. Its revival in 1831 was part of the Oxford Movement ("Tractarian") effort to penetrate the Catholic Church and foment schisms. Under its current Grand Master, **the Duke of Gloucester**, the MVO has recruited from among the wealthiest and most influential families of Great Britain, the Commonwealth, and the United States. Members of the MVO dominate the boards of the four major City of London clearinghouse banks (Barclays, National Westminster, Standard and Chartered, Lloyds), the five major banks of Canada (Royal Bank, Bank of Montreal, Bank of Nova Scotia, Toronto Dominion, Canadian Imperial), and in the United States members dominate the boards of Morgan Guaranty Trust, major media, and many defense-related advanced electronics industries. The U.S. command center of the Most Venerable Order is the **Episcopal Cathedral of St. John the Divine** in New York, under **Bishop Paul Moore**, an heir to the Morgan-allied Moore family, and **Canon Edward West**, the protocol officer of Queen Elizabeth II.

Almost every major figure involved in laundering the estimated \$500 billion annual income from illicit narcotics trade has been invested into the Most Venerable Order, including such former "bootlegging" families as the Bronfmans, Jacobses, and Kennedys, who built the drug routes out of their early whiskey smuggling activity. Another member of the MVO is **Maj. Louis Mortimer Bloomfield**, a former high-ranking member of Division 5 of the FBI, who was a key coordinator of the **Permindex** "Murder, Inc." corporation. Permindex, whose board includes several other members of the SMOM and MVO, was identified by New Orleans District Attorney Jim Garrison as responsible for the John F. Kennedy assassination and by French intelligence as responsible for dozens of attempts to assassinate French President Charles de Gaulle in the early 1960s. Canon Edward West, in his capacity as chairman of the **Tolstoy Foundation**, oversees a crucial intersection point between British intelligence and the "Solidarist" networks of White Russian and Eastern European fascists in such paramilitary, terrorist groups as **Narodnyi Trudovoy Soyuz** (NTS—code named "Death to Tyrants").

The **Johanniterorden**, affiliated with the Lutheran Church of Germany, was largely crushed during World War II as part of Churchill's campaign to destroy the Humboldt-trained Prussian nobility. After the war, the Johanniterorden, which maintains extensive political intelligence networks in the Baltic States and especially East Germany, was largely taken over by the Anglican Most Venerable Order. Its associations in the Netherlands and Sweden split off, and are now under the

respective control of former SS officer **Prince Bernhard**, the co-founder of the **Bilderberg Society**, and the Swedish royal house.

In 1961, these three major Hospitaler branches signed a "Convention of Alliance" to form an International Secretariat that is based in Geneva and Zürich, Switzerland. One of the chief officials of this alliance, **Sir Fernand Oltramare**, is a close relative of Georges Oltramare, the founder of the Swiss Nazi Party which served as part of Allen Dulles's networks in liaison with top fascist circles in Germany and Italy during the war. Oltramare is, in turn, an associate of the Swiss banker **François Genoud**, who is the chief financial source for post-war activities of the "fascist international." According to well-informed sources, castles maintained by the Orders in Geneva, and also in Luxembourg, provide facilities for training assassins, similar to the facility in Malaga, Spain that trained Fr. Juan Fernández Krohn. Krohn was implicated as an assassin in two earlier cases.

The "Fourth Order," **The Sovereign Order of St. John of Jerusalem** (a.k.a. "the Russian Order"), descends from a group of Knights who sought the protection of Czar Paul I after Napoleon's conquest of the Order's base in Malta. The Order was revived in the early 20th century by the Russian nobility who feared impending revolution, and, following 1917, its leaders, including the Grand Duke Alexander and Grand Duke Cyril, worked in exile to help launch the Nazi experiment as a means to reconquer Russia.

Affiliated variously with the Uniate Roman Catholics, the Lefebvrist "Traditionalists," the Russian Orthodox Church, and other Orthodox Churches and sects, the Russian Order is today splintered into 16 or more subgroups which act as "throwaway" spinoffs for political intelligence operations of the other major orders. The most visible threat to the life of President Reagan at this time comes from a throwaway branch of the Russian Order chartered in 1963 by **King Peter II of Yugoslavia**, who became a leading asset during and after World War II of the British royal family's Secret Intelligence Service. It is to this branch that Rep. McDonald belongs, while **Al Haig** is a member of a closely affiliated Danish Association founded by Prince Peter of Greece and Denmark.

Ironically, for McDonald, Singlaub, and Haig, through this Fourth Order's ties to the Russian Orthodox and Antiochian Churches, both are brought into association with KGB-contaminated circles of the Andropov-Suslov-Kim Philby "Russian chauvinist" faction of the Soviet Union which is every bit as fascist as the Nazis. The KGB faction in the Kremlin is well aware of the importance of the Hospitalers. It offered to exchange ambassadors with the SMOM before World War II, and has maintained a special bureau to monitor the Order since the Bolshevik Revolution.

A new diplomacy

Peking is looking toward Japan. It is also looking away from its weakened "American Card."

The recent visit to Japan by Chinese Premier Zhao Ziyang is the latest in a series of moves which suggest a reorientation of Peking's policy toward much closer ties with its eastern neighbor. The visit emphasized economic cooperation, but that emerging courtship is only one aspect of a shift in China's strategic posture, presaging a possible cooling of relations with the U.S.

Zhao's six-day trip in the first week of June culminated several months of vigorous diplomatic, economic, scientific, and cultural exchanges between Japan and China. Accompanying Zhao on the trip were Foreign Minister Huang Hua, senior Vice-Foreign Minister Wu Xueqian and Minister of the powerful State Economic Commission Zhang Jingfu.

To make the Zhao visit as cordial and successful as possible, not so much as an oblique reference was voiced on either side to the dispute outstanding over sovereignty of the Senkaku Island. Emphasis was on the expansion of economic cooperation between Japan and China. Prime Minister Suzuki answered Zhao's calls for expanded cooperation by promising economic cooperation, a pledge unreservedly endorsed by representatives of the Japanese Chamber of Commerce and Industry and the powerful Keidanren business federation.

Zhang Jingfu told Shintaro Abe of the Ministry of International Trade and Industry that Japanese

oil companies would be given top priority for participation in joint venture exploitation of China's promising offshore petroleum deposits, news that will pique the multinationals salivating over prospects for resource extraction in the region since China began accepting bids for joint-venture drilling earlier this year. Japan agreed to considerable increases in imports of Chinese-made machine tools, and Abe called for a quick conclusion to a bilateral accord governing imports of Chinese coal. Japan is busily revamping its facilities to accommodate increased imports of coal.

Tokyo is also expected to increase government and private sector financing for infrastructural improvement related to raw-materials recovery. Japan's Overseas Economic Fund is currently helping China to finance the construction of two railways and wharves connecting the coal mines of Shanxi and the port city of Tianjin.

Behind the promises of enhanced cooperation lie fundamental strategic considerations. Peking's move toward Japan coincides with an increasing shift away from the United States. This shift is being fueled by a perception among Chinese leaders that the United States has entered a period of deepened economic and military decline, calling into question its ability to counter the Soviet Union.

According to the *People's Daily*, a recent meeting of high-level

economists and social scientists in Anhui province concluded that the United States has rendered itself incapable of assisting China economically in the way originally anticipated, even if the dispute over Taiwan did not exist.

Japan is eminently capable of providing the economic assistance that would be lost in the event China decides to distance itself from the United States and is perceived as less prone to loot China's oil than the multinationals.

Because Japan has increasing economic and political ties with other Asian nations, as well as Latin America, and is untarnished by its stand on the Falkland Islands and Mideast crises, Peking thinks Japan could help further China's own cause in the Third World.

That the Chinese leadership is preparing for the possibility of a breakdown in Sino-U.S. relations was hinted at by Zhao on several recent occasions when he made it a point to publicly reassure the Japanese that no matter what happens to relations between Peking and Washington, Chinese relations with Japan will not be affected.

Peking surmises that Tokyo has an increased stake in a potential "symbiotic" relationship with China. Given the intensification of trade pressure on Japan from its traditional trading partners, and given the renewed threat to Mideast oil supplies, relations with fossil-fuel-rich China is one of Japan's principal contingency plans. Japanese leaders also fear that a cooling of Sino-U.S. relations could result in a Chinese tilt toward Moscow (a notion Peking is subtly encouraging), and think that forging closer ties with China will keep her in the "Western camp."

Tensions high on election eve

Opposition parties are capitalizing on the nation's economic troubles to stir popular unrest.

On June 2, a group of peasants attempting to take over rural land in the state of Puebla were received with heavy gunfire by the landowners. The ultra-radical Socialist Workers Party (PST), which led the peasants into the tragic confrontation, is now claiming that 26 people died.

As I have reported in the past, the PST, with its radical organizing in this country's most backward rural areas, has become one of the main vehicles of the powers planning to bring Iranian-style "revolution" to Mexico. As a way of pressuring the López Portillo government to "do justice" to the sacrificed peasants, the party has suspended the electoral activities of its candidates for the presidential, congressional, and local elections, which will be held July 4. The group has also let it be known that it will be arming peasants in several parts of the country, so the peasants can better "defend" themselves from the landowner violence the PST intends to provoke.

The PST's provocations are the latest in a series of volatile events which have characterized the electoral process.

Unlike previous elections, this year's race takes place in the middle of a deep economic downturn.

As any student of the "Mexican System" knows, the legendary efficiency and power of the PRI ruling party does not lie in its electoral popularity, but in its identification

in the eyes of most Mexicans with the economic progress the country has enjoyed since the 1920s. With that progress now blocked, the entire spectrum of the opposition, ranging from the Trotskyist Revolutionary Workers Party (PRT), the PST, and the PSUM left alliance to the rightwing National Action Party (PAN), are competing to exploit the post peso-devaluation fallout in the economy and discredit the PRI and stir anti-government feelings.

On June 8, for example, a PRI rally in the city of Juchitán, Oaxaca, was attacked by followers of the leftist PSUM. The confrontation ended with several people injured by firearms.

The entire political machine of the "system," that is, PRI, labor union, and government officials, is now completely absorbed in the task of not only ensuring a substantial vote for the PRI, but keeping in check the radicalized passions awakened by the opposition candidates.

In early June, local authorities in the southern state of Chiapas had to prohibit PRT presidential candidate Rosario Ibarra de Piedra from making an incendiary speech near the border with Guatemala, calling on Guatemalans to rebel against their "right-wing" military government. Over the protests of the vociferous leftist community, the PRT candidate was asked to leave the area. As I have reported, authorities here are deeply concerned

about the national security risks which would flow from a hook-up of radical Mexican groups with Central American guerrillas.

On the U.S. border, the rightwing populist PAN is taking charge of similar provocations. On June 4 a mob of 200 Panistas seized the Mayor's offices in Nogales, Sonora, on the Arizona border. They were protesting the Sonora government's disallowing of several of their candidates because of their criminal records, which ranged from fraud to arms smuggling and involvement in subversive activities with the leftist 23rd of September League terrorists. Like the PST, the PAN threatened to destabilize the shaky electoral process, by announcing that it would withdraw all its candidates unless the Sonora government reinstated the candidates. The government, after a review of the case, agreed that in one or two instances candidates would be reinstated.

These confrontations seem to meet the specifications for "civil insurrection" proposed recently by the presidential candidate of the PSUM, Arnaldo Martínez Verdugo.

The government is taking countermeasures. On June 8, the Federal Electoral Commission (CFE) rejected a request by the Social Democratic Party (PSD)—one of the "brains" behind the Iran-modeled "social revolution" plans—to change 41 of its congressional candidates. (For a dossier on the PSD, see Dateline Mexico in March 23 and 30, May 25, and June 1 *EIR*.) The CFE argued the changes can't be made three weeks before the elections, thus effectively eliminating the PSD from the congressional races.

International Intelligence

Mexican government hits political pornography

"Sadomasochistic" was Mexican President José López Portillo's word for the practice of Mexican government agencies which advertise in virulently anti-government left press outlets. The President's observation came during a June 8 press conference in which he vigorously defended his government's cancellation of such advertising.

Hardest hit has been the left-Jesuit weekly *Proceso*, which lost all its government advertising in May and has had to close down its news service.

Responding to charges from the left that he was "singling out" targets for punishment and interfering with freedom of the press, López Portillo retorted: "A commercial enterprise . . . has the right to have the government give it advertising, so that it can systematically oppose the state? That, gentlemen, is a perverse relation, a sadomasochistic relation that comes close to many perversions I will not mention here. . . . I pay you so you can hit me? No, sir."

London sneers at 'senior citizen' Reagan

An editorial in the London *Daily Guardian* at the beginning of June gave a succinct summary of the current British view of the United States: "As his election majority at home has slid away, as Congress has deadlocked over the budget and the signs for next November's midterm election have grown ever more ominous, so there has been a sense of Mr. Reagan withdrawing from the struggle, becoming in effect a European-style President (the man who reviews the guards and meets his natural opposite number, the Queen) rather than the chieftain of a powerful process. Political life in America goes on, of course, but somewhat on the Italian model: from memory and inevitability rather than purpose. The President is a senior citizen.

When crisis breaks, he is left to sleep. When policy changes—as it is doing, at least presentationally, on arms control—he is handed a new script and another dollop of conviction. . . .

"When Mr. Reagan, in the early days of the Falklands crisis, sought to distance himself from the rights and wrongs of the crisis, American public opinion tugged him back into line. But such natural pressure is an ephemeral mood. It is turning already to distress at the mounting toll at Port Stanley, to apprehension at the damage to America's fragile reputation in Latin America, and to exasperation. . . . America's worst, most volatile hours come when the levers of superpowerdom hang loose and unconnected. Iran, for Washington, was a horror. Now, simultaneously, two awkward allies—Israel and Britain—are ploughing their own furrows, whilst the White House tags along in impotent admonition. . . ."

Central America back on the front burner

Just after President Reagan complained to the British Parliament that the press was ignoring the favorable developments taking place in El Salvador, it was reported that 135 people had been massacred during an anti-subversive sweep in the northern part of the country carried out by Honduran and Salvadoran troops that had just returned from receiving special training at Fort Bragg and Fort Benning in the United States.

"It is natural that there were a series of people killed, including some women, and I understand some children, in the cross-fire between them and us," said a Salvadoran officer, according to the *Washington Post* of June 10. The sweep operation "was in part a test of the counterinsurgency tactics advocated by the United States," the paper added.

The incident underscored the fact that, despite Washington's pledges of moderation, the population war in Central America is heating up. The newly elected government of El Salvador is reversing the land reforms carried out by

the previous Christian Democratic-military regime, threatening a new round of social upheaval as dispossessed peasants are forced off the land.

In Guatemala, "born again" Gen. Efraín Ríos Montt got rid of his junta partners and took sole control of the government last week. The would-be ayatollah, a member of the California-based Christian Church of the Word, claims that his rule will be based on the Scriptures. Since Ríos Montt came to power last March, the government has carried out a campaign to exterminate Guatemala's majority Indian population, which it claims to be "subversive."

The Nicaraguan Sandinista government meanwhile is bracing for a civil war against opposition forces led by dissident Sandinista Eden ("Commander Zero") Pastora and Panamanian adventurer Hugo Spadafora. According to a source at the right-profile Heritage Foundation, the dissidents also enjoy support from officials in the U.S. State Department.

Italian city says no to Rolling Stones rock

Following a four-hour debate on June 9, the City Council of Florence, Italy, voted to ban a concert to be held by the British rock group, the Rolling Stones. The Council stated: "The music of the Rolling Stones is based on the drug culture: the concert would have no other effect than to increase the use of narcotics."

The Florence decision is the outcome of a weeks' long campaign run nationally by the Italian Anti-Drug Coalition, an affiliate to the organization of the same name initiated in the United States by *EIR* founder Lyndon LaRouche. The day before the Florence vote, the Italian ADC held a press conference attended by seven leading daily newspapers and ANSA, the leading news service, explaining why the event had to be banned. Coverage of the press conference appeared in several leading dailies June 10.

The Italian ADC resolution calling for the ban is now being reviewed by other Italian municipalities. ADC chairman Christina Fiocchi reports that Turin

Briefly

will likely also ban the Rolling Stones concert, but that Milan probably will allow the event to occur. In Milan, the concert is being supported by industrial magnate Umberto Agnelli.

At the June 8 Florence press conference, Fiocchi denounced the Rolling Stones as a creation of British intelligence services working to promote fascist cult ideology around drugs.

In Florence, the Christian Democrats in the City Council supported the anti-Stones effort, while the communists supported the rock group's right to hold the event. The vote against the concert was 28-25 after a six-hour debate.

Is NATO preparing to confront Libya?

The United States, the British, the French, and the Israelis, under the umbrella of NATO's new out-of-area deployment command, are preparing a new showdown with Col. Muammar Qaddafi's Libya soon. Ongoing NATO naval maneuvers off the coast of Libya in June could trigger a repeat of last year's Gulf of Sirte incident, in which U.S. planes shot down two Libyan jets, almost precipitating a strategic confrontation in the Eastern Mediterranean.

Although Libya's Qaddafi is a madman puppet of the Italian fascist Propaganda-2 freemasonry and the Swiss banks, the Soviet Union has invested a great deal of political and military resources in Libya and is expected to defend it from any NATO-Israeli attack.

But the Brussels NATO command hopes to use the tension resulting from a confrontation over Libya to reorganize its entire East Mediterranean deployment, with upgraded military roles for Israel, Greece, Turkey, Cyprus, and Egypt.

According to some London sources, Britain and France have asked Egypt's Defense Minister Abu Ghazala to permit joint British-French military maneuvers in Egypt's Western desert, near the border with Libya. This will raise tensions dramatically between Egypt and Libya.

To oversee the entire operation, NATO Commander Bernard W. Rogers, a U.S. general, arrived in Athens the first week in June to meet the Greek military brass and Prime Minister Papandreou. The Rogers visit, according to Greek sources, is a follow-up to the trip to Greece and Turkey two weeks ago by Secretary of State Alexander Haig. Part of the scheme may be to attempt to bring Cyprus, a non-aligned island nation now partially occupied by Turkey, into NATO itself.

An explosion with Libya, given the set of eastern Mediterranean relations being established by NATO, might serve to coalesce these reluctant forces into a more coherent bloc.

Argov's hunter is a British-Swiss agent

EIR's file on Black September terrorist Abu Nidal shows that the man widely reported to be responsible for the shooting of Israeli Ambassador Shlomo Argov in London is an agent of British and Swiss intelligence services. He plays a crucial role, the file indicates, in the Muslim Brotherhood subsector of British-Swiss operations in Iran and throughout the Middle East.

Abu Nidal's circle is part of a Middle east network under the protection of British-dominated sections of U.S. intelligence. Through institutions such as the Committee on Man in Modern Society, the Arab Thought Movement, and the Club of Rome, this apparatus enjoys the protection of sections of NATO as well. Through the International Institute for Applied Systems Analysis in Vienna the same networks plug into the Soviet KGB.

Abu Nidal's Muslim Brotherhood network, touching London, Switzerland, and Madrid, has historically been deployed by British Intelligence's Arab Bureau since the days of German Abwehr boss Wilhelm Canaris, whose Second Division in the Middle East during World War II included a special Islamic capability.

● **N. SHISHLIN**, a Soviet Communist Party Central Committee member, alluded on Soviet television May 29 to the fact that East Europe could cause economic pressures currently being directed against itself through its foreign debt to backfire. Referring to proponents of sanctions on trade and credit to the Soviet bloc, Shishlin warned that "those who are applying these sanctions can also be the losers, because the relationship between debtor and creditor is by no means simple."

● **LEONID KONSTANDOV**, a Deputy Prime Minister of the U.S.S.R. and chief Soviet delegate to the German-Soviet Economic Commission went to Bonn June 2 to talk about new joint energy development projects. According to the West German business daily *Handelsblatt* June 2, coal liquefaction was a major subject of discussion. The Soviets are seeking DM 7 billion worth of project orders.

● **ADMIRAL HAYWARD**, U.S. Chief of Naval Operations, established a protocol with Israel when he visited in May, which involves the powerful Israeli air force in the defense of the U.S. Sixth Fleet in the Mediterranean.

● **PAUL MARTINEAU** of the Quebec Superior Court on June 2 denied the Italian government's request for the extradition of Francesco Piperno, implicated in the kidnaping and murder of former Italian Prime Minister Aldo Moro. The *Toronto Globe and Mail* reported that evidence that two terrorists now being held in Italy "had carried out Mr. Piperno's instructions within the Red Brigades . . . [constituted] 'guilt by association not recognized by our law,'" according to Martineau.

A presidency left without any clothes?

by Richard Cohen, Washington Bureau Chief

Direct discussions with sources close to the President have supplied convincing evidence that neither Mr. Reagan nor his most loyal advisers are yet fully aware of the shocks delivered to the world strategic situation during the President's carefully orchestrated tour of Europe which concluded June 11.

Washington intelligence and diplomatic sources are increasingly horrified by the administration's conduct. The U.S. is ceasing to function as a superpower capable of asserting its own national interest, and is instead letting minor powers like Britain and Israel lead it around by the nose. President Reagan, despite the theatrics of the European trip and its "presidential power projection," is rightly seen as impotent on the world scene. One analyst likened the President to the unclothed emperor in the fairy tale, existing in a fantasy world created by treacherous advisers.

Why the crises emerged

The British deliberately triggered the crisis over the Malvinas Islands. They then demanded that the United States back its colonial expedition to butcher the Argentinians, despite the obvious damage to U.S. hemispheric relations. A superpower would have told the British to take their fleet and stay out of the hemisphere, invoking the principles of the Monroe Doctrine.

Instead, on his European tour, the President reaffirmed his backing for the British. Secretary of Defense Caspar Weinberger, in an interview with the West German daily *Die Welt* June 4, made the bald admission

that the Malvinas War was a test case for NATO out-of-area deployments—the British-sponsored plan to extend NATO southward as a colonial army to police wars of depopulation in the developing sector.

"The Falklands situation is just such an occurrence outside the NATO area—thousands of miles away—which concerns NATO and should therefore belong to advance NATO planning," said Weinberger. "There have been other instances in the past in which military forces were temporarily diverted and that is just what happened here."

"Many countries would rather not think about what goes on outside the NATO area," Weinberger continued. "Great Britain is an exception to that. . . ."

Weinberger's statements confirm the charges made by *EIR* founder Lyndon LaRouche, Jr. that the British were orchestrating the Malvinas war from the outset to implement their genocidal conventional-war doctrine.

As Weinberger spoke, Israeli troops were already preparing to launch their final solution against the Palestinian population of Lebanon. Sources close to the Joint Chiefs of Staff report that the Israelis threatened the United States that unless they were allowed to go ahead with their invasion, they would be forced to use their nuclear weapons. The United States refused to call the Israelis bluff. Instead, once the invasion was launched, Secretary Haig on June 7 referred to Israeli military losses as "ours."

This ongoing strategic humiliation has already created a perception of President Reagan in world capitals



Weinberger inspecting M-1 tanks: he admits the Malvinas crisis was launched as a test run for NATO expansion.

as a “weak leader,” unprepared to secure U.S. national interests. And this perception has itself become a crucial piece in the strategic puzzle. This, my sources emphasize, could well be decisive in encouraging an Israeli decision to go well beyond conventionally accepted thresholds in their current invasion of Lebanon, a move that the Soviet leadership on June 10 warned President Reagan they will not tolerate.

The particular vulnerability of the President and his allies, operating under the consistent intimidation of Haig and the Baker-Deaver White House group, crystallized for me in recent discussions with individuals known to reflect the President’s own thinking. I learned that there is an unpublicized but entrenched consensus at the White House that Britain’s war in the South Atlantic will not only be a “long drawn-out affair,” but will with each passing day increase the deadly consequences for U.S. relationships with Latin America.

However, during his European trip, the President, operating more and more under the influence of Haig, meekly accepted a blunt rejection by British Prime Minister Margaret Thatcher, when, on June 4, in a private meeting he pleaded for British sensitivity to U.S.-Latin American ties. Then, on June 8, speaking before the British Parliament, the President turned around and made his strongest emotional statement supporting the “full” British cause in the South Atlantic.

Similarly, my discussions revealed intense White House suspicion as to possible Israeli complicity in

setting up their own Ambassador to London in order to secure a pretext for invasion of Lebanon. However, within 24 hours of the invasion, Haig had not only subdued voices within the administration demanding an immediate condemnation of the invasion, but had persuaded the President and his most trusted people to issue statements justifying Israel’s incredible Lebanon objectives, short of direct confrontation with Syria.

My sources report that both the British and Israelis are privately seeking the introduction of U.S. military forces into the front lines of their military adventures. Reportedly, the British are seeking a Malvinas solution that would establish a joint Anglo-American military presence on the islands following an Argentine withdrawal. In addition, the Israelis are said to be circulating a “postwar” Lebanese plan that would place U.S. forces in southern Lebanon, making them a prop for the planned “final solution” to the Palestinian problem.

There is a sickening feeling among many Washington diplomatic veterans that they are living through the extension of the nightmare known as the Carter administration. What passes for the Reagan foreign-policy establishment resembles in all its ineptitude the Vance-Brzezinski mess, with the traitorous Haig playing the key role.

Reliable sources are reporting that Haig is in fact taking some of his orders from Cyrus Vance, Jimmy Carter’s discredited Secretary of State. In particular, Vance and Haig are cooking up schemes to further compromise U.S. sovereignty—and further emphasize the U.S. as a castrated superpower—to the United Nations. The plans center around having the United Nations function as the key crisis management institution to deal with “regional conflicts” such as Lebanon, enhancing its peace-keeping powers. Vance has also reportedly instructed Haig to “get U.N. Ambassador Jeanne Kirkpatrick out of the way,” sources report.

Will the White House wake up?

President Reagan certainly has the capability and instincts necessary to assert U.S. interests as a superpower, provided he can see the world as it is and not through the deliberate distortions of advisers like Haig. There is also the question of whether well meaning advisers are willing to tell him how bad things really are.

There are signs that his exchanges with Soviet President Brezhnev on the Mideast crisis may have sobered the President up a little. He seems to be relying more on trusted advisers like Meese and he has kept Haig from flying off on a disastrous shuttle mission. But this is a long way from acting as the leader of one of the world’s only two superpowers. As long as the United States continues to refuse to accept that role, the world remains on a path toward nuclear annihilation.

California primary elections: the wildest vote fraud in history

by Susan Johnson, Managing Editor



William Wertz

In the June 8 Democratic primary elections in California, zero-growth Gov. Jerry Brown managed to win over 51 percent, gaining the senatorial nomination, and Brown's chief grassroots backer, former SDS leader Tom Hayden, won the nomination in Santa Monica for state assembly in a hot race. Brown's and Hayden's aggressive opponent, William Wertz of the National Democratic Policy Committee (NDPC) was accorded 1 percent in a senatorial bid, tying with three others for last place in the 11-man contest. But the results are not final.

The night of June 8 witnessed perhaps the wildest attempt at election fraud in U.S. history. Rather than permit counting of an unexpectedly high vote cast for an NDPC-backed candidate, strategically placed state Democratic officials ordered the election-tallying computers shut down in county after county.

Five hours after the polls closed, major breakdowns in the computers in no less than 14 counties were reported by KABC radio, with only a small fraction of the total vote said to have been counted in each case. Every county's computer tallying is a separate operation, and the reported causes for the alleged breakdown were diverse. No such pattern of statewide computer breakdown has ever occurred in U.S. electoral history.

Experts in both computer technology and voting procedure agree that the California breakdowns were a statistical impossibility. All of them contend that some central agency must have ordered the California vote shut down. Such an order could have come only from Governor Brown—who slipped 13 percent in the last poll of the race, with insiders predicting a 40 percent vote for him—or from the State Committee of the Democratic Party, if fixing the Democratic vote were the goal.

The early edition of the *L.A. Times* reported June 9 that with 18 percent of the precincts' results in, Wertz had 6 percent of the vote, or 28,805 votes. The later edition reported that 65 percent of precincts had submitted results, and Wertz's vote was 1 percent, or 15,665!

Judge calls Secretary of State to account

On June 10, Judge Lloyd Phillips of the California Superior Court in Sacramento, in response to a petition filed by Wertz, directed Wertz's attorney to submit a

letter to the Secretary of State detailing the charges of computer breakdown and asking for a full explanation on the record. The Secretary must come forward with a list of all counties where breakdowns occurred, all counties not in compliance with Section 15208 of the Election Code which mandated the filing of computer programs seven days before the election, the reasons for such breakdowns, and the steps now being taken to guarantee the integrity of the vote.

The Superior Court Judge set a hearing date of June 16 to review the Secretary's submissions. Should the Secretary of State fail to respond, or provide an inadequate response in the face of the evidence, the judge can impound the election machinery in the challenged counties and enjoin certification of the election.

On June 7, the Secretary of State's office had told the NDPC that 32 out of the 44 counties with computerized voting had not complied with Section 15208 of the California Election Code, which specifies that each county must file its computer program with the Secretary of State seven days before an election. That day, the Wertz for Senate campaign had filed in Superior Court before Judge Mike Virga asking for a writ of mandate that would compel each county in violation of the code to recount manually 10 percent of its ballots at state expense, to monitor vote fraud, instead of the usual 1 percent. Judge Virga issued a writ that the counties failing to file their programs on time make the 10 percent count or show cause why they did not comply.

On election night

Caught between risk of legal action and a Wertz vote they were not permitted to report, election officials hid behind a general suggestion that they report computer breakdown.

In San Francisco County two out of every three ballots were spat out on the floor by the computerized card reader on election night. Finally, officials began repunching the cards.

In the rest of northern California, things were going wild, too. In Santa Clara County, a quarter of the counters malfunctioned, bringing down the rest, so that

nothing but absentee ballots could be counted until 10:30 P.M., when the computer had been reprogrammed. An official in Shasta County said, "It's going fine," but another said there were all sorts of problems because of defective cards. At 8 A.M., a poll worker reported that the holes had not been punched properly. In Yolo County, which expected to have a final count at midnight, only 10 percent of the votes could be counted by 11 P.M. Alameda County, just east of San Francisco, had one out of two of its card readers incapacitated.

In San Mateo County, where there was extensive labor support for Wertz, the computer was down for at least an hour, and many key-entry problems were reported.

In central California, San Joaquin reported a 50 percent rate of computer problems. Napa County was forced to fly in a new computer, and began tabulating results at 7 A.M. Mendocino County had to ship its ballots to a computer in Tehama County. Tulare County had wild program errors.

In southern California, Kern County and Ventura County suffered card-reader and other computer breakdowns. Los Angeles County and Orange County card readers would not accept the ballots.

News was so scant that network television was reduced to broadcasting the projections made on absentee ballot totals and exit polls. At midnight, California's ABC affiliate was telephoned to ask why it had reported no change in the vote count for an hour. "Because computers are down in 12 counties," said the station. Its anchorwoman, Christine Lund, came on at 12:45 A.M. to report that "trolls and gremlins are causing computer foulups."

Tom Hayden was persistently reported as winning in Santa Monica, and then the report was as frequently revoked, because the KABC reporter was taking the percentage of votes counted for the whole county and attributing it to Hayden's assembly district. Hayden himself, asked for an acceptance speech, said that it was premature because "the problem is that there is no information. There are computer problems." Statewide, no results were reported except the counting of absentee ballots for two hours after the polls closed. Three hours after the polls closed, in counties where there were "no problems," such as Los Angeles County and Orange County, only .0025 percent— $\frac{1}{4}$ of one percent—had been counted as of 11 P.M. Pacific Daylight Time. In Orange County, only 12 of 2,033 precincts had been counted by 11 P.M., even though everything was "going smoothly." This unbelievably slow tabulation was the pattern statewide.

Statewide, there was an unusual percent rate of blank votes in the Democratic Senate race, compared with 3.2 percent on the GOP side and 2.9 percent in the gubernatorial race.

In the 1980 presidential primary in California, Lyndon LaRouche, who later established the NDPC, had won a nominating convention delegate in Orange County with some 9,000 votes by early evening; then, beginning at midnight, electoral officials—as they confessed afterward—altered the computer program to give LaRouche a final vote in the 2,500 range. The Secretary of State refused to act.

Who benefits?

According to conversations with officials in the state Democratic Party recorded before the primary elections, an agreement had been made to manage the election count to ensure that Wertz's vote would be kept statewide below 2 percent, and nowhere allowed to exceed 6 percent. The deal was struck after another NDPC-backed candidate, Steve Douglas, won 20 percent of the statewide vote in the Democratic gubernatorial primary in Pennsylvania on May 18, and 35 percent of the total vote in the city of Philadelphia. Circles within the Democratic National Committee—headed by Charles T. Manatt, a California banker tied to organized crime who supports Paul Volcker's economic policies (see Special Report)—feared that even a 10 percent vote for Wertz would publicly establish the NDPC as a powerful nationwide factor in the Democratic leadership.

Manatt's factional ally Jerry Brown was thoroughly implicated in Jimmy Carter's 1976 "Operation Big Vote," which drew on the "vote early and often" services of the Reverend Jim Jones and his then-California-based People's Temple.

The NDPC, which has 7,000 members in the state, made Wertz the talk of his enemies as well as his supporters. In the April 1-June 1 reporting period, Wertz had the third highest number of campaign contributors in the 11-man race. At the beginning of June, the Wertz campaign circulated 500,000 leaflets, in English and Spanish, blasting the racist anti-minority policies of Jerry Brown as the same policies embodied in Volcker's deliberate, population-slashing depression and Britain's war against Argentina. He drew endorsements from 50 labor leaders, and delighted California's pro-growth "silent majority" with his radio advertisement ending with one fruit fly's warning another not to land on "that strange, exotic fruit"—"No, no, that's the Governor."

Hayden's wife, Jane Fonda, was reported by one labor leader to be "digging deeper and deeper into her pocketbook" to counter Wertz. "The LaRouche people are driving her crazy" with their mass literature charging that Hayden's "small is beautiful" policies equal national socialism, or "green fascism" aimed at eliminating "useless eaters" among minorities.

Those minority voters who gave their campaign efforts or their votes to Wertz are not going to quietly accept disenfranchisement.

Defense debate continues in Senate

A representative of the National Democratic Policy Committee, testifying June 9, told the Senate Defense Appropriations Subcommittee that "two opposing strategic doctrines confront the United States. One is the LaRouche proposal to pivot our military-strategic policy around the concept of war-avoidance, based on the development and deployment of space-based particle-beam systems [to knock out ICBMs], and on a policy of stabilizing the world through technology-vectored economic development." The LaRouche reference was to the political action committee's advisory board chairman.

"The opposing policy of the Anglo-American elite," the spokesman continued, "asserts that the military threats of the 1980s arise from population and resource pressures below the Tropic of Cancer, and that Western military capabilities must be geared toward conventional 'depopulation' wars." The witness pointed to Defense Secretary Weinberger's June 4 confirmation that the British war in the South Atlantic is the first attempt to carry out this policy, and then—to the surprise of subcommittee chairman Ted Stevens (R-Alaska) and Jake Garn (R-Utah)—asserted that the "nuclear freeze" and "no-first-use" movements were designed to give NATO a free hand for this kind of conventional warfare.

In a report to the Senate Armed Services Committee released on May 13, Sen. Sam Nunn (D-Ga.) had confirmed the accuracy of the NDPC's charges. Entitled "Can the Alliance Be Saved?", the report

is based on Nunn's January trip to various NATO countries. It recommends that "the Alliance dedicate its maximum effort to building a credible conventional defense and an improved and more sensible nuclear deterrent." Nunn then endorsed the "no first use of nuclear weapons" proposal put forward most substantially by population control advocates McGeorge Bundy and Robert McNamara in the Spring issue of *Foreign Affairs*, with the single exception of insisting on a NATO conventional buildup prior to discussions with the Soviets on "no first use."

Immigration bill passes Senate committee

A bill which would make it illegal for the first time to hire undocumented foreign workers passed the Senate Judiciary Committee May 27. It is expected on the Senate floor by the third or fourth week in June. Dubbed the Immigration Reform and Control Act, it was introduced by Sen. Alan Simpson (R-Wyo.), and passed the committee 16 to 1. An escalating system of fines and punishment for employers who "knowingly" hire such workers would be imposed.

As originally introduced by Simpson, the bill mandated a three-year study on establishing "a universal employment verification system" and was widely viewed as an effort to set up a system of worker I.D. cards. Aides to Simpson said he "shuddered at the word 'card,'" and tried to avoid mention of it because it evokes images of a police state.

After the committee changed the bill, work cards are not mandated if the administration decides

that the current Social Security system is adequate proof of legal work status. A study would still be commissioned.

In an attempt to defuse protest, the bill exempts from oversight by the legislation those undocumented workers currently in the United States who entered prior to January 1982. Simpson had originally granted this exemption to those in the country before 1980.

Similar legislation was introduced in the House by Romano Mazzoli (D-Ky.). It is expected to pass the Judiciary Committee soon.

House leader demands Volcker's ouster

House Majority Leader Jim Wright (D-Tex.) demanded that Paul Volcker be fired and his job taken by "somebody more responsive to the needs of the economy and of the people and of small business," during a meeting with reporters June 8. "What President Reagan has sought has been set at naught by the Federal Reserve which was elected by nobody and is responsible to nobody," he declared. "I've tried eight times to talk to Volcker to get him to understand some of the hurt the Federal Reserve's monetary policies have caused, and I've gotten nowhere. If I were President, I would ask for his resignation and get somebody more responsive to the needs of the economy and of the people and of small business. . . . I would see at least that the administration's fiscal policy and monetary policy worked in tandem. . . ."

Some months ago Wright had called for a bipartisan economic summit to be presided over by

President Reagan, in order to give the president a chance to reassert control over economic policy, particularly with respect to bringing interest rates down. At the time, Wright's initiative was shoved aside by Rep. Tip O'Neill and other Democratic protectors of Volcker, who want to let the economy collapse, bringing down Ronald Reagan and the U.S. presidency with it.

At the press conference Wright asserted that there is no "economic justification, and never has been, for interest rates staying up at the level they have been for the last 18 months. . . . The prime rate used to hover about two points above the inflation rate, but for the last year and a half . . . it has hovered about 14 points above the rate of inflation.

"What we're seeing is a redistribution of wealth and power upward, a concentration of wealth in fewer and fewer hands—and that's counter to the thrust of American history."

Informed congressional sources say that Wright has renewed his campaign in order to give the President and the country a way out of the disaster which will befall the country if the Volcker policy remains in effect. So far, there has been no indication that the President is willing to seize the opportunity Wright has offered.

With friends like these, who needs. . . ?

John Heinz (R-Pa.) introduced a bill to restructure the Export-Import Bank on the Senate floor on May 27. The Export-Import Bank Restructuring Act of 1982, S.2600,

is co-sponsored by Senate Banking Committee Chairman Jake Garn and nine other Senators, including Democrats Alan Cranston (Calif.) and Alan Dixon (Ill.). Under the guise of strengthening the Eximbank against the budget-cutting depredations of OMB Director Stockman, the legislation in reality represents a major retooling of the bank as a weapon of trade war.

The ketchup heir's proposal has three components. First, it would provide the Exim board of directors with fixed four-year terms. At present, the Board of Directors serve at the pleasure of the President, and Heinz charges that the current Board, rather than independently defending the mission of Eximbank, has been complicit in administration efforts to eventually eliminate the bank. Second, the bill takes the Eximbank off-budget (where it was prior to 1976), since the Bank pays back to the government all money loaned out, and hence, Bank financing should not be considered a budget expenditure. Third, Heinz resurrects a proposal for establishing a "Competitive Agricultural Commodity and Manufactured Product Export Subsidy Fund" at the bank which would give the bank a \$2 billion war chest by which to conduct trade war against Western Europe and Japan.

The last provision underscores the actual intent of the Heinz reorganization. While the bill's supporters are concerned that the "accountants" in the administration do not understand the value of Eximbank as a weapon of trade war against those countries who refuse to sacrifice their economies to the dictates of the "free market," the ultimate aim of both orientations is the same. As Heinz

confirmed in his floor statement introducing S.2600, "the purpose of this section [the Export Subsidy Fund] of the bill is to bring about meaningful negotiations for the reduction and eventual elimination of all forms of official export credit and extravagant agricultural export subsidization."

Heinz's defense of the Eximbank came simultaneously with a proposal by Sen. Jesse Helms (R-N.C.) that the institution be phased out entirely.

Conservation corps backed in House

The House endorsed a proposal June 9 to establish a youth conservation corps. The legislation, introduced by John Seiberling (D-Ohio), H.R.4861, won support in a 291-102 vote.

A corps modeled on the Great Depression program would put unemployed youth to work at pick-and-shovel jobs for nominal wages. The bill specifies that the work must be "labor-intensive."

Similar legislation was introduced into the Senate by Daniel Moynihan (D-N.Y.), well known for his proposal that poor minorities be blessed with federal "benign neglect." In introducing his bill, Moynihan said openly that it was modeled on the 1930s program, and that "the work will be hard and the pay will be low." Explicitly targeted at minority youth, the bill anticipates an enrollment of about 100,000.

It was a heavy Democratic vote that pushed the bill through the House. Little support for moving the bill onto the floor is expected from the GOP-controlled Senate.

National News

Helms continues attacks on Haig's Malvinas policy

Senator Jesse Helms (R-N.C.), the sole member of Congress who has consistently opposed the administration's active support for the British in the Malvinas crisis, called into question Sen. Charles Percy's (R-Ill.) attack on U.N. Ambassador Jeane Kirkpatrick for her recent opposition to Secretary of State Haig.

Speaking from the Senate floor June 8, Helms, who called for invoking the Monroe Doctrine against the British task force when it sailed for the South Atlantic, reiterated his criticisms of Haig's handling of the crisis: "Secretary of State Haig has failed to prevent increasing levels of military force by the British. He has failed to act as an impartial mediator . . . and he has failed to preserve the unity of the West, which is so essential to the security of freedom. . . ."

"It is in this context that I genuinely regretted a statement attributed in the media to my friend, Senator Percy, in which Senator Percy reportedly commented that Ambassador Kirkpatrick 'does a tremendous disservice and I think she misled the Argentines by buttering them up, by going to their parties. . . .'"

Percy took to the floor later that day to respond: "I would like to reply, because I strongly disagree with the Senator's assessment of Secretary Haig's performance in these matters. . . . It was Secretary Haig who undertook a creative and strenuous negotiation to resolve the crisis without war. . . ."

European Greens organize U.S. rallies

Petra Kelley and Roland Vogt, founders of the radical West German Green Party, met with 200 U.S. sympathizers in New York May 28-30 to build a June 12 mass demonstration for a "nuclear freeze." This demonstration, to be held at the U.N. Special Session on Disarmament in Manhattan, will coincide with mass

"Greenie" rallies against President Reagan in West Germany. At the meeting, Vogt said that he represents the "direct action" segment of the Green Party. "Direct action" is radical terminology for use of violence.

"There is potential for violence, including violence against the President," Paul Warnke, the Carter administration's arms negotiator and theoretician of the peace movement, told a reporter recently. "But it's not the fault of the Greens. They are leftists, not extremists."

However, both Kelley and Vogt are linked to known deployers of terrorists. Vogt met with the aides of Libyan dictator Muammar Qaddafi when Qaddafi went to Austria three months ago to meet with the Socialist International leader, Austrian Chancellor Bruno Kreisky. Kelley, chairman of the Green Party which organized violent demonstrations at the Frankfurt, Germany airport last fall, is an American-born former congressional intern for Sen. Edward Kennedy (D-Mass.), who is now on the payroll of the European Commission. She works for Sicco Mansholt, a leader of the European oligarchy's Pan-European Union, an organization committed to destroying Europe's nation-states.

Henry Kissinger testifies in wife's assault case

Former Secretary of State Henry Kissinger appeared in Newark Municipal court June 10 to testify on his wife's behalf in the assault case brought by Ellen Kaplan, who was attacked by Mrs. Kissinger on March 7 while Miss Kaplan was manning a Fusion Energy Foundation fundraising table at Newark Airport.

After hearing testimony from both Mr. and Mrs. Kissinger stressing Henry Kissinger's health and the fact that he was on his way to Boston for open-heart surgery when the attack occurred, Judge Julio M. Fuentes found Mrs. Kissinger not guilty on the charge of simple assault.

Miss Kaplan testified that Mrs. Kissinger had grabbed her by the throat and threatened to slug her after Miss Kaplan had asked two questions Mr. Kissinger

had originally agreed to answer. The first concerned General Westmoreland's published charges that Kissinger had needlessly prolonged the war in Vietnam at the cost of countless lives; the second was about reports of Kissinger's possible encounters with young boys at Manhattan's Carlyle Hotel. Mrs. Kissinger reacted as only after the second question.

Mrs. Kissinger admitted to grabbing and threatening Miss Kaplan, but justified her action by saying that her husband's physicians had ordered him not to exert himself. Kissinger, who has conducted a personal campaign against the Fusion Energy Foundation and *EIR* founder Lyndon H. LaRouche for many years, then took the stand, stating "I had had some experience with this group before." The Kissingers are estimated to have spent \$50,000 on defense in the case

Wertz: 'Investigate Huey Johnson'

Will Wertz, former candidate for the Democratic nomination for Senator in California, called June 8 for a commission of inquiry into what he termed the "brutally racist" incident in which Gov. Jerry Brown called in state police to physically evict members of a community action group from his Los Angeles campaign headquarters. The group from Watts was there to demand the firing of Huey Johnson, Brown's Human Resources Commissioner. Johnson has called for the sterilization of welfare recipients, and Peking-model cuts in public services to families with more than two children. Johnson has asserted his support for sterilization on a number of occasions, and been consistently supported by Brown.

Johnson's first public call for a Peking population-control model was at the Washington, D.C. press club on Aug. 26, 1980. His initial program was for limits to building low-income housing, limits on tax deductions for large families, advocating the use of abortion for population control, and forced sterilization of welfare recipients. Twenty-seven California State Senators, led by the

black and Hispanic caucus, signed a letter calling on Brown to dismiss Johnson; Brown refused.

Johnson reiterated his racist population-control policy a year later, at the October 1981 U.S.-Mexico Border Governors' Conference. There, he spoke in favor of a resolution he had written, later adopted by the conference, that "the United States should not export technology which carries with it environmental hazards until the U.S. can export the solution to the hazards. . . ." Johnson made it clear he was referring to "the danger of nuclear waste." He then went on to endorse "natural" Chinese agricultural methods, calling American capital-intensive agriculture "short-sighted."

After his speech, however, Johnson admitted to a reporter that his real worry about American agriculture was that if Mexicans were to adopt American methods, they would be able to continually expand their population.

Johnson chairs the Border Governor's Conference Environmental Committee, and has campaigned to stop the transfer of advanced technologies to Mexico, on the basis that they would destroy the Mexican environment. According to officials associated with Johnson, "Mexico does not need nuclear energy; they are spending needed pesos on a risky technology. Why do they think they can have a technology that not even the U.S. thinks it can afford?"

Who puts the words in the President's mouth?

Beneath the eerie air of unreality in President Reagan's recent speeches lies a nest of official speechwriters who constitute a hazard not only to the English language but to the President. Operating under the direction of White House Press Secretary David Gergen, a Yale classmate of *Washington Post* Watergater Bob Woodward, the President's speechwriters' office is headed by Aram Bakshian, a former speechwriter for William Simon and a member of the Reform Club of London, hangout of old British liberals adored by William F. Buckley.

A co-author of Reagan's address to the British Parliament was his chief speechwriter Anthony Dolan, a 1970 Yale graduate who began his service to the Buckley family as a deputy press secretary in James Buckley's campaign that year for U.S. Senate. From 1974 to 1980, Dolan wrote enough dirty-tricks Watergating journalism for the *Stamford Advocate* in Connecticut to drive a dozen or so city and state officials out of office, and won a 1978 Pulitzer prize for "investigative reporting."

Vice-President George Bush's chief speechwriter is William F. Buckley's son Chris, whose literary talents have recently been displayed in *Steaming to Bamboola*, an account of drunken and drugged revels on a tramp steamer, featuring such episodes as getting his wrist tattooed in Hong Kong with the words "F--- Off." Describing himself as "a right-wing nut," Chris Buckley became Managing Editor of *Esquire* magazine at the age of 25, and two years later signed on another freighter to do "an oral history of the men on board."

Bush Republicans take New Jersey

Millicent Fenwick, the incumbent Republican in New Jersey's 5th district, is calling her June 9 primary victory over Jeffrey Bell a demonstration that she is the "real Reaganite" in the race, since she had put the issue of balancing the budget over that of lowering interest rates in economic recovery.

However, New Jersey political analysts have told *EIR* that Fenwick's victory indicates that the Bush-James Baker III faction of the Republican Party now dominates New Jersey. New Jersey Governor Kean is also closely tied to this faction: Fed Reserve Chairman Paul Volcker attended the swearing-in of Sen. Nicholas Brady, Kean's appointee to the seat vacated when Abscammed Sen. Harrison Williams resigned.

Fenwick's opponent, Jeffrey Bell, ran his campaign on the issue of stopping the Federal Reserve's high interest rates from wrecking the U.S. economy.

Briefly

● **ABSCAM** victims' interlocutory appeal on due process motion was denied by the Supreme Court June 7. This denial is not an opinion on the merits of the full appeal of the case, which is pending. The defendants are Philadelphia City Councilmen George Schwartz and Harry Janotti.

● **WILLIAM WEBSTER**, Jimmy Carter's appointee to head the FBI, said June 9 Reagan White House legal counsel Fred Fielding had told the Bureau in January 1981 that it was unnecessary to ask Labor Secretary Ray Donovan about his possible ties to organized crime. Fielding responded in a statement that there was little supporting evidence for the investigation, "but there was never any effort to curtail any relevant inquiry."

● **DETROIT**, whose city officials claim they are unable to pay police and firemen's pensions, spent \$800,000 in preparation for the early June Grand Prix Auto Race held in the city. This "is the kind of event that will help us develop tourism," said an aide to Detroit Mayor Coleman Young. Detroit was once a great auto producer.

● **DR. MICHAEL BADEN**, former chief Medical Examiner of New York City, is seeking more than \$1 million in damages from the City of New York and personally from Mayor Ed Koch, Manhattan D.A. Robert Morgenthau, and former Health Commissioner Reinaldo Ferrer. Dr. Baden was summarily fired from his position in 1979. Ferrer has testified under oath that he met with Koch, Dan Wolf, former editor of the *Village Voice*, and gay activist Lenny Bloom, to plan to oust Baden, who was producing honest figures on drug-related deaths in the city.

A proposal to sink the British pound

Last week the *EIR* presented statements by the Foreign Minister of Argentina, the Foreign Minister of Panama, and other leading Latin Americans to the effect that they would not rule out declaring a moratorium on their foreign debt payments.

After several capitals and private financial circles requested a more precise statement from *EIR* founder Lyndon LaRouche, whose advocacy of such a move has been prominently covered in the Latin American press, he issued a July 11 reply. We excerpt:

"First, I wish to make it clear, in this written form, that I have proposed three distinct actions bearing upon reorganization of the external debt of the nations of Central and South America.

"I have proposed that the government of Argentina help to prevent the triggering of a domino-like collapse of the international monetary order, by limiting its unilateral action on financial relations to expropriating British financial claims against Argentina under the title of 'contraband of war.' . . .

"I have made a second recommendation, that the OAS force negotiation of measures for reorganization of the approximate quarter-trillion dollars of external debt of the nations of South and Central America. I have emphasized that the projected 25 percent or possible greater collapse of the depression-ridden U.S. economy, combined with the effect of Volcker's high interest rates on international financial markets, will prevent most of these nations from meeting their 1982-83 debt-service obligations unless appropriate measures of debt reorganization are taken in the relatively immediate future. I have emphasized that debt reorganization by nations one at a time would almost certainly fail to produce any useful result.

"In addition, separately, I have repeated my insistence that the President and the Congress of the United States have no sane choice remaining, but to implement an interconnected series of emergency actions forcing both rapid reform of the U.S. financial situation, and creating the conditions to force through sweeping reforms of the international monetary order.

"The combined effect of these three sets of meas-

ures would be to collapse London and Switzerland as the dominant financial centers of the world, and to establish a new gold-reserve system based on the U.S. dollar." Under those conditions, writes LaRouche, "the required form of reorganization of debt relations within the OAS can be effected to the mutual advantage of both the United States and the other members. . . .

"In making these proposals," he continues, "I have stressed the crucial political fact that most of the influential economic advisers of the United States, including the President's own Council of Economic Advisers, are a pack of wretched incompetents concealing from the President the fact that the United States has already entered a new 'Herbert Hoover' depression, a depression triggered by the insane and cruel policies of Federal Reserve Chairman Paul A. Volcker. . . .

"I have proposed emergency concerted actions by members of the OAS in order to force a perception of reality into governmental and private commercial banking circles in the United States. Forced, however reluctantly, to face reality, those circles will begin quickly to recognize the urgency of the kinds of corrective measures I have proposed. . . ."

He then restates his gold-reserve program, which we summarize in this week's Special Report, stressing that "Nations which elect to join the United States in implementing the same measures, must form a new international lending facility, operating on a gold-reserve basis. By means of this mechanism, the urgent debt reorganization can be effected. Debtor nations will issue gold-reserve denominated bonds at nominal coupon, discountable within the processes of the new international lending institution. These bonds will be offered both to purchase outstanding debts of the issuing nations and to secure additional credit for high-technology development projects. . . . Such measures will have the effect of establishing immediately the kind of Common Market in the Western Hemisphere which will unleash the potential prosperous growth of all members."

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