

EIR

Executive Intelligence Review

July 6, 1982

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EIR

From the Managing Editor

We happily commemorate the departure of Alexander Haig from office. *EIR* has been Haig's most unsparing critic since the days when he helped NATO create the peace/environmentalist movement in order to limit technological progress, and assisted the installation of the Ayatollah Khomeini in Iran.

Since Haig became Secretary of State, we have exposed in every world capital his commitment to the Global 2000 policy he inherited from his Foggy Bottom predecessors, a policy of reducing the world population by any means necessary. We have identified his alliances with the Socialist International to create mayhem in Central America. We have shown how he betrayed both Argentina and the United States over the Malvinas Islands question out of allegiance to Great Britain. And we have consistently warned that he was the best friend in Washington of Israeli Defense Minister Sharon and Sharon's butchery.

Under Haig, the United States "lost" Latin America in two months; "lost" the Middle East in roughly a week; and, with the June 18 pipeline sanctions decision, may have done the same with Western Europe in one day.

The Special Report in this issue of *EIR* demonstrates the falsity of the claim that the "moderate" Haig was the most pro-European figure in the administration. Not only has he jeopardized Europe's Mideast oil supplies, strengthened the "Third Way" anti-Americans in Europe, and protected the Volcker economic policies that are undermining Western strength: Haig was among the strategists of the effort to oust West German Chancellor Schmidt.

A new foreign policy will be inseparable from economic policy, and that is why Paul Volcker has to go, too. Haig's depopulation efforts abroad were the correlative of Volcker's "controlled disintegration" at home. Instead of dirty tricks against our allies, the United States has to take the lead in stabilizing potential markets and providing them with the development credits that will multiply profits at home. The United States need not fear exporting to anyone, were we to return to a policy of deliberate, accelerated technological advances.

Susan Johnson

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Special Report



West German Chancellor Helmut Schmidt. His current troubles originated not in West Germany, but with a London- and Geneva-centered clique of financial institutions that considers his government the major obstacle to austerity regimes in Europe, NATO's expansion into the developing sector, and East-West confrontation.

Courtesy of the German Information Center.

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- To our subscribers:** In accordance with our usual schedule, *EIR* will skip publication of the issue that would otherwise be produced during the July 4 holiday. The next issue you receive will be dated July 20.

Volcker on the way out: but what will replace him?

by David Goldman, Economics Editor

Federal Reserve Chairman Paul Volcker's days in office are numbered, as Treasury Secretary Regan's June 18 announcement to the *Washington Post* of a general administration review of Federal Reserve conduct of monetary policy might suggest.

In fact, the rumors that unnerved the bond market June 22 that Volcker had submitted his resignation letter were not entirely false: the beleaguered Fed Chairman had written such a letter and left it on prominent display on his desk, but did not deliver it. In one way or another Volcker will leave, possibly as early as August; but it is far from clear whether a new and better policy direction will emerge.

Certainly the White House does not grasp the urgent need for the United States to take the lead in debt restructuring and long-term credit to the so-called Third World. Volcker himself, speaking to the Council on the Americas in Washington on June 22, said that the Latin American debt problem must be solved by cutting what he termed "rates of growth . . . that do not appear to me to be sustainable. . . . Fortunately," he added coyly, "there seems to be some tendency toward a slowdown," especially in lending to Brazil and Mexico. Acceptance of International Monetary Fund austerity regimens, he said, should be taken by private lenders as "a stamp of good housekeeping on a country."

Volcker concluded, "I hope in 1990 to be able to look back to some period of rising investment, rising productivity, and perhaps even lower interest rates."

Policy review and rumors

At least two separate policy-review efforts are at

work. Publicly acknowledged is the Treasury review, in cooperation with the Council of Economic Advisers and the Office of Management and Budget. However, as the *Frankfurter Allgemeine Zeitung*, West Germany's leading business newspaper, revealed in a Zürich-dated dispatch June 22, the Treasury is working out contingency plans for emergency action in the event of bankruptcies of "large corporations, raw-materials companies, or even large banks, as well as a possible big drop in the stock market." Swiss bankers, the German newspaper reported, concluded that Regan had given indirect confirmation to fears of a financial collapse; the article was headlined, "Fears of a Eurodollar Market Crash." Rumors of imminent American credit controls, originating in London, swept the foreign-exchange markets June 24.

Presidential Counsellor Edward Meese has made no secret of his inclination towards "other measures" than what the Fed has to offer, and Sen. Paul Laxalt's public comment that "credit allocation" might be required made public, in effect, the discussion among the President's political advisers.

According to usually reliable Washington sources, Meese recently conducted a meeting at Camp David with Treasury and other administration staff to plan a "Sunday massacre" in August, in which the White House would force Volcker's resignation on a Sunday, keep banks closed on Monday, and re-open the banking system on Tuesday under some form of controls. However, it seems unlikely that such a plan would be attempted unless the administration were to justify it on national-security grounds.

With money-supply growth now strongly in excess of targets, due to Volcker's decision last year to include savings banks' NOW accounts in the M-1 definition, the Treasury is complaining that Volcker shifted the definition in order to artificially raise money growth and obtain a pretext to keep interest rates high. The charge, which has understandable weight in the Oval Office, is true; Federal Reserve officials have emphasized to *EIR* that their policy is *not* to limit inflation by restricting money growth, which they believe is monetarist dogma, but to keep interest rates high—to “hold their feet to the fire,” as one Volcker aide likes to put it.

Since the political pressure on the administration arising from persistent high interest rates is enormous, the Treasury position, as represented by arch-monetarist Beryl Sprinkel, has gained some credence in the White House for the first time. One indication of this is that Sprinkel has succeeded in forcing through a technical change long desired by the monetarists, the introduction of “contemporaneous [rather than lagged] reserve accounting” within the next six months.

The Treasury task forces are referred to internally as “Troika One” and “Troika Two.” The first, on forecasting, is comprised of CEA economist Jerry Jordan (late of the St. Louis Fed); Office of Management and Budget chief economist Lawrence Kudlow, formerly of Bear, Stearns; and an unnamed Treasury representative, probably Dennis Karnowsky, a Sprinkel aide and former St. Louis Fed monetarist. The second and more important “troika,” on monetary policy, is composed of Sprinkel, Kudlow, and Jordan. Overall direction of the task force is under the supervision of CEA Chairman Murray Weidenbaum, Regan, and OMB Director David Stockman. Sprinkel and his runabout Karnowsky have operational charge of the whole matter.

Nothing special is likely to emerge out of the task forces, which do not convene, much less report, during the crucial immediate period ahead; but the pressure has already begun to build. Speculation in financial and congressional circles centers on some dramatic move to impose *credit controls* in order to reduce money growth, since Volcker's rising interest rates have failed to stop the money supply from rising. That phrase is used in at least three different ways by different elements of the administration.

The credit-control question

First, as noted, Meese, Laxalt, and the “Western” group of advisers which the press used to call the Kitchen Cabinet favor some form of credit allocation, although the concept appears to still be vague in the minds of the leading participants.

Second, Kudlow, Jordan, and various monetarists are toying with what the *Wall Street Journal* favored in a June 22 editorial entitled “Bring Back Bretton

Woods,” that is, a formula for intervening to restrict or loosen credit should the dollar fall or rise against some “price measure,” e.g. a parity relationship to foreign currencies, or perhaps gold, or the old Bretton Woods neither-fish-nor-fowl combination of the two. Without visible prospects of success, this discussion merely adds to background noise.

Third, the Federal Reserve itself, under prodding from the Treasury monetarists, may retaliate against criticisms by invoking a less drastic form of the credit controls Volcker put through in March 1980; the comparison is more to the sort of “productive loans letter” that Arthur Burns sent to the banks in his capacity as Fed Chairman in October 1974, thus triggering the bitter 1974-75 recession.

“The big question is when the banks will stop lending,” said a New York bank economist, who noted that the 23 percent per annum rate of credit expansion during the year to date reflected “distress loans” to corporations gradually sinking into bankruptcy. “Banks will work with a company in trouble until it isn't worth it, and there is no way to stop the company from going under. They still have large credit lines outstanding to companies, which are a big obligation. The lending will stop when the Fed gives the banks the sort of excuse they want to stop lending.”

However, as I showed in this space last issue, the collapse in profitability during the first (and presumably second) quarter left corporations with no alternative but to dramatically increase their rate of borrowing or go under; this staggering rate of borrowing, the largest credit demand on record, supported a still-declining production volume. A “productive loans letter,” which does *not* mean allocation of credit to productive purposes but is simply Fed jargon for a shutdown of lending, would “kill the economy stone dead,” according to one New York bank economist.

Meanwhile, an argument is under way in the White House over the status of the Credit Controls Act of 1969, which give the President authority to regulate every credit transaction any way he wants upon the declaration of a national emergency. The legislation will expire June 30, barring an extraordinary effort from both White House and Congress; however, attempts will be made to renew it in the current congressional session ending in October. CEA economist Jerry Jordan has already warned privately that the President would veto the legislation were Congress to pass it, while other presidential advisers are urging the President to do everything he can to keep it. The Republican Senate leadership opposes renewal on partisan grounds—the act gives Democrats the chance to point out that the President could take over the Fed if he wanted to—as well as for ideological reasons. How the White House will deal with the act is far from clear.

The Humpty-Dumpty commercial market

by Leif Johnson

EIR reported in our June 29 issue that a sharp and rapid crunch was taking place on the New York City commercial real-estate market, a crunch which will last, according to those who had a hand in the orchestration of the event, for three to five years.

Prime office space will plummet another 20 to 30 percent beyond the 20 percent slide that had already occurred since February, said our sources, and some of the city's largest real-estate developers were on the danger list. That list included Olympia & York, Helmsley, Cadillac Fairview, Bramalea, and Dayline.

Interviews with leading New York brokers and senior officials in commercial-bank real-estate departments produced piquant confirmation of our last issue's story. It came in the pained undertones that accompanied the assurances that our intelligence could not be further from the truth of the matter.

"Harry Helmsley? Not Harry. He's not in any trouble. Harry is one of our best friends. He is one of our best customers," said a senior real-estate officer at Chase. "Of course Harry has been selling buildings, but every time someone sells buildings, they think he is in trouble. We're also the bankers for Olympia & York and they certainly are in no trouble. Helmsley and Olympia are two of the most knowledgeable developers in the country."

Asked about the lawsuit taken by a group of investors headed by LeClerq de Neuflyze, charging Helmsley with heavy padding of expenses and failing to account for funds, the senior Chase official refused to comment, but added, "I assure you, Harry is in no trouble. Why, the Uris buildings he bought have turned into cash machines."

A senior broker at Cushman and Wakefield, one of the nation's largest brokers, was equally confident.

"Harry Helmsley and Olympia & York are our customers. They are in top shape. I watched this market for 15 years, and there is no fundamental downturn coming up. Nothing like '69-'71 when there was a 30 to 40 percent fallout. Then '71-'74 was a disaster. The problem now is that the market just couldn't continue upsweeping like in '80-'81. The service industries like banks, advertising, and professional firms just can't pay the \$60 and \$65 a foot that was being asked on Park Avenue.

"Of course the banks have slowed down their leasing in the last six months, and we are all affected by the national recession. It may last for another 12 to 18 months, but then the market will firm up again.

"This is the best time for tenants to come into the market. They can get favorable workletters [alterations], free months, low escalators [escalator clauses], and other concessions. These are really more important than the price.

"Helmsley just can't go under." He paused. "Why if Harry went under, so would we."

Concessions or not, there is hardly a rush to rent New York office space. One real-estate consultant estimated that the dry-up in New York office leasing began as long ago as the first of the year, while a bank real-estate department put the date at five months ago. The noticeable crack began three months ago.

While most brokers denied the current 20 percent discounting, none of them wanted to talk about lease pricing. But add up the concessions and the marked shortening of leases, and the 20 percent decline is visible.

What will drive it down to the 30-40 percent collapse stage is that peculiarity inherent to all speculation: it can't go on forever.

The end-game

This speculation is not some sort of natural cycle, but is managed by those who control money flows. The crucial flow into the New York commercial real-estate market has been from foreigners—and three months ago one major group of foreign investors decided to pull out. They are reportedly going to stay out for three to five years—until the market has bottomed out, leading developers (whom they have selected in advance) are fleeced, and the banks, if still solvent, are so chary of real-estate investment that the foreign group represents the only money left in the market.

The de Neuflyze lawsuit against Helmsley would tip off any intelligent investor that "the big boys" are out to tumble the market. De Neuflyze is one of the oldest Geneva-based Swiss banking families.

Reached for comment on the potential for a real-estate shakeover by September, one London-based banker in New York dryly asked, "Why do you think the market will last till then?"

Paul Volcker's shutdown of the American steel sector

by Richard Freeman

The American steel industry is being shut down and liquidated by Federal Reserve Chairman Paul Volcker.

As of June 14, U.S. steel capacity utilization for the previous two weeks averaged 43.1 percent—the lowest since the Great Depression. This time, Volcker's anti-industrial London sponsors are determined that the collapse will not be temporary. According to Michael Hodges, a member of the British Royal Institute of International Affairs, the sister think tank of the New York Council on Foreign Relations, "America does not need a steel industry. It can import steel from the newly industrialized countries and produce steel from electric furnaces by recycling scrap."

Thanks to Volcker, U.S. auto production is operating at less than half the level it was the year before Volcker came into office; housing production is down by more than a half; machine-tool output, a crucial indication of capital formation is down by 60 percent; rail production is down 25 percent; and production of other heavy capital goods has begun to collapse at a 50 percent annual rate.

This is the market for steel production, which has consequently collapsed by more than 33 percent in the last three years. Employment has collapsed along with production. In 1953, the American steel industry employed 544,000 hourly production workers. By 1978, this number had already tumbled to 339,000. In March 1982, this number was down to 234,000. For those who are still employed, their week is shorter than 32 hours.

"U.S. steel-making capacity will be reduced by 32 to 40 percent over the next several years, and 25 percent of the 1978 workforce will never be rehired," says one Wall Street banker. "The union doesn't know what is going on, or it knows, but doesn't want to tell its members."

A steel expert at American Express-Shearson Loeb Rhoades, one of Wall Streets's leading investment banks, explained how this is going to work. Joe Wyman stated

June 17, "Volcker has created the market conditions that are forcing the American steel industry to make changes that will reduce capacity. You get the 'market' to do the work for you. This is not a recession; it is a restructuring. . . . We're going to have to have the steelworkers' wages cut by 20 percent and a further 15 percent reduction in workforce size. . . . The recession will make this easier."

U.S. Steel wants to blame the problem on imports by the Japanese, the Koreans, the Brazilians, and the Europeans. "It's foreigners using cheap labor who are flooding the U.S. market with underpriced steel," the steel executives shout. The United Steelworkers of America supports the essence of this argument.

The Morgan-controlled major steel companies plan to use this lie to slash American steel wages, and, through anti-subsidization and anti-dumping suits launched by

FIGURE 1
Age Distribution of Domestic Steel Production Facilities, 1979

Facility	Average age (years)	Percent older than—		
		30 years	25 years	20 years
Coke ovens	17.3	14.2	25.6	45.9
Open hearth furnaces	33.2	43.0	78.5	100.0
Basic oxygen furnaces	11.0	0.0	0.0	2.3
Electric furnaces	14.3	6.1	13.8	25.3
Plate mills	25.6	40.8	45.1	53.6
Wire rod mills	13.7	12.6	17.3	17.9
Hot strip mills	19.0	11.6	16.1	31.5
Cold strip mills	21.2	14.7	29.2	54.1
Galvanizing lines	18.8	4.4	8.9	40.1
Aggregate	17.5	12.5	20.4	33.3

FIGURE 2

Percent Raw Steel Continuously Cast

Country	1969	1975	1977	1978
United States	2.9	9.1	11.8	15.2
Japan	4.0	31.1	40.8	50.9
Canada	11.8	13.4	14.7	20.2
West Germany	7.3	24.3	34.0	38.0
France	0.6	12.8	23.6	27.1
Italy	3.1	26.9	37.0	41.3
United Kingdom	1.8	8.4	12.6	15.5
U.S.S.R.	—	6.9	8.3	—

the steel companies and brought through the U.S. Commerce Department, to consolidate a cartel that will rationalize steel production in all the advanced-sector countries.

Calculated destruction

Volcker moved in on the steel industry at a point when it had already been softened up by a refusal to commit funds to new steel-making technology and a simultaneous diversification out of the steel production into other “higher-profit” activities. In both cases, the trend was led by U.S. Steel, four of whose board members also sit on the boards of the Morgan Stanley investment bank or Morgan Guaranty Bank.

This slow contraction of steel production began as early as the 1950s. At that time, the United States was the world’s dominant steelmaker, accounting for 40 percent of production and a large share of exports. But since 1950, only two greenfield integrated steel plants (that is, plants encompassing the entire production process from coke facilities and limestone to iron and steel blast furnaces and rolling or extruding mills) have been built in the United States: U.S. Steel’s Fairless Works in eastern Pennsylvania and Bethlehem Steel’s Burns Harbor plant on Lake Michigan.

The American steel industry used its export capacity in the most destructive way possible: to dump steel on selected countries, wiping out those countries’ nascent capacities.

The results of the post-1950 policy are shown in Figures 1 and 2. Today, the average age of an American steel-producing facility is 20 years. In 1969, only 2.9 percent of U.S. plants used the continuous casting. This was slightly lower than Italy and Japan’s use of continuous casting and higher than France’s. Now, those three economies have between 1.5 and 3 times more continuous-casting capacity than the United States.

The process was instigated by financial representatives on steel-company boards who overrode the impulses of production men. In 1979, then-U.S. Steel president Edgar Speer announced that “we are in the profit-

making business, not the steel-making business.”

Already by 1978, only 12 percent of U.S. Steel’s profits came from steel-making. This year, the company spent \$6 billion to buy the Marathon Oil Company. This is capital that could have built a 5 to 10 million-ton new integrated steel plant, or totally refurbished two to three existing steel plants. Instead, U.S. Steel has announced that it is in the “petroleum business,” and one executive told the *Wall Street Journal* on June 7 that the company would begin shutting down its steel capacity. “The manufacturing group is a collection of things that may not fit in where we want to be tomorrow.” Meanwhile, since 1974, the industry’s debt has doubled to \$10 billion, largely because of Volcker.

Steel companies in the United States consume 5 percent of national energy consumption.

The 1979 recession, and the British-instigated Iranian revolution, cut demand and pushed up costs. U.S. Steel shut down permanently 15 of its smaller plants, laying off 12,500 workers. Youngstown Sheet and Tube closed down its 1.7 million-ton capacity plant in Campbell, Ohio. The Alan Wood Steel Company in Conshohocken, Pennsylvania, with 1.1 million tons of capacity, filed for final bankruptcy. In total 4.3 percent of U.S. steel-making capacity was done away with.

Enter Paul Volcker

In the steel state of Pennsylvania, Paul Volcker is referred to as the biggest bloodsucker since Dracula. Since he began his austerity regimen in October 1979, Volcker has waged a campaign against the industry, with two basic objectives: 1) force the Big Eight steelmakers—U.S. Steel, Bethlehem, LTV, National, Republic, Armco, Inland, and Wheeling-Pittsburgh—to cannibalize their plant, equipment, and workforce, dumping entire sections of their operations; and 2) bankrupt the rest of the smaller companies that taken together hold only 25 percent of U.S. capacity.

Accordingly, under Volcker, the previous policy of unwillingness to invest in new plant and equipment has been transformed into a policy of running existing equipment completely into the ground and turning it into scrap metal. The perspective was enunciated by U.S. Steel president David Roderick, who predicted, according to the May 31 issue of *Business Week*, that “management may decide to close a mill over a period of years by providing money only for the barest upkeep.” Walter Williams, president of Bethlehem Steel, added that Bethlehem had already selected its 3.5 million-ton capacity plant in Lackawanna, New York for this Nazi practice of running assets into the ground. “We expect to keep Lackawanna running for quite a while with no capital improvements.”

National Steel chairman Ben Love has announced that his company plans to make no investment in its 4-

million-ton plant in Weirton, West Virginia, which needs between \$300 and \$500 million in capital improvements if it is to survive. National Steel has told its workers that they can either pay \$250 million in deductions from their wages over 15 to 20 years to buy the plant, or National will close the plant; and National will make no capital improvements before it sells.

This is policy among the Big Eight. A survey of other steel companies shows:

- **Crucible Steel** of Midland, Pennsylvania, a division of Colt Industries, closed down permanently on Feb. 10. The 300,000-ton-capacity Crucible had tried 270 "cost-cutting" steps.

- **McClouth Steel** is the eleventh largest American steel manufacturer, whose 2.2 million tons of capacity in Detroit supplies General Motors. In late 1981, McClouth was forced to file Chapter 11 bankruptcy but was still allowed to operate. On March 19, a group of 10 McClouth creditors—banks and insurance companies—refused any new financing. McClouth is now shutting down its blast furnaces, and a federal bankruptcy court judge has ordered that it must close permanently Sept. 1.

- **Ford Steel** is the tenth largest American steel-maker. Once owned by Ford Motor, this River Rouge, Michigan-based company with 2.8 million tons of capacity, was said by one leading financier to be a likely candidate to "go belly-up" in two years.

- **Kaiser Steel**, the ninth largest American steel-maker, with 3.2 million tons of capacity, most of it concentrated at its main plant in Fontana, California lost \$437 million last year. After losing again in the first quarter of 1982, Kaiser announced in April that it will stay in business until early 1983 and then close down

permanently. Kaiser has held open the possibility of unloading this profitless plant on the workers.

- **Wheeling-Pittsburgh**, the smallest of the Big Eight producers, is on the brink of bankruptcy. Wheeling-Pitts, which has 4.4 million tons of capacity, lost \$8.7 million in the first quarter of 1982. It is currently holding talks with Kobe Steel, Japan's fifth largest steel-maker, in a bid to avoid bankruptcy with a Kobe buyout.

These five companies combined represent 10.9 million tons of capacity, or 7 percent of all U.S. raw steel capacity.

For the companies designated to be survivors, there will be rationalization, i.e., liquidation, on an even larger scale. Three of these—U.S. Steel, Armco, and National Steel—have extensive "diversification" programs.

- **U.S. Steel**, the biggest U.S. producer, will reduce itself by a third to a half within the next five or more years as follows:

The **Fairfield, Alabama** plant, with 3 million tons of steel-making capacity, closed on June 15. U.S. Steel announced that this plant, which has been Birmingham's largest single employer, will not reopen until 1984. How did U.S. Steel choose the 1984 date? "The company never plans to reopen the plant but does not want to say so openly," said one source close to the management.

Geneva, Utah, a 2.2 million-ton-capacity plant, will most likely be closed down soon," according to Joe Wyman.

- The **Southworks** in Chicago and the **Homestead**, Pennsylvania plant, with 2 to 3 million tons capacity each, are also on the chopping block. Southworks used

FIGURE 3

American Steel Production Capacity & Imports

(millions of net tons)

Year	Raw Steel Capacity	Raw Steel Production*	Finished Steel Shipments	Imports	Total U.S. Consumption (exports deducted)	Imports as % of Total U.S. Consumption
1971	154.8	131.5	87.0	18.3	102.8	17.8
1975	157.4	120.4	80.0	12.0	89.0	13.5
1979	155.3	136.3	100.3	17.5	115.0	15.2
1980	153.7	111.8	83.9	15.5	95.3	16.3
1981	154.3	120.8	87.0	19.9	104.0	19.1
1982	151**	90**	68.1	17.9	83.9	21.3

(Jan.-Apr.)

* Not all raw steel produced is used. Some gets filed off when the steel is shaped into a product; some does not meet specification standards, some is spilled, etc. Roughly, for every four tons of raw steel produced, three tons are fashioned into finished steel products.

** Estimate

Source: American Iron & Steel Institute

Graphics courtesy of *New Solidarity*



to employ 15,000 to 20,000 workers. As of June 10, both these plants were made divisions of U.S. Steel's plant in **Gary, Indiana**, which is one of the few plants slated for continued production full blast. American Express's Wyman reported, "Gary will continue to make raw steel. The iron and steel furnaces at both Southworks and Homestead will likely be closed down for good. Some of the mills at these plants may be kept working."

The Pittsburgh area's **Braddock** and **Edgar Thomson** plants, both rated 1-million-tons-plus capacity, will probably be shut down permanently," according to a New York steel analyst.

At the few plants it plans to keep open, U.S. Steel has stopped most capital improvements. Said one executive "We are going crazy. People are in a panic. I've been told to sell steel below the cost of production just to keep up market share. I'm doing that. But then everybody at all the steel companies is doing that."

Wyman explained that once the large steel companies have rationalized, "they will compete against one another. They'll cut costs until one goes belly-up."

All told, 40 to 50 million tons of America's 151 million-ton capacity—or one-third—will be liquidated in the next three to four years.

The imports myth

After looking at this pictures, any American who continues to believe that imports are responsible for the industry's problems should be tested for a room-temperature I.Q.

U.S. Steel and several other producers filed suit with the Commerce Department last year, charging that the European steel-makers are dumping in the United States at below-production cost, and that European governments are subsidizing their countries' steel industries. Although Europe exports a grand total of six million tons of steel per year to the United States, Big Steel claims this is the reason American steel output is falling.

In a future installment of this report, *EIR* will analyze the real import-export situation. Here, we briefly assert that imports could never have caused the steel shutdown. Consider this: in 1979, when Paul Volcker took office, American finished steel production was 100 million tons. For the first four months of 1982, it averaged 68 million tons. In 1979, total imports in the U.S. were 17.52 million; for the first four months of 1982, they averaged 17.86 million tons on an annualized basis. Finished steel production has fallen by 32 million tons, but imports have risen only 34,000 tons. Is it possible that 34,000 tons of imports could have caused United States steel production to drop by 32 million tons?

Why is U.S. Steel screaming about imports? To force punitive competition and worldwide rationaliza-

tion, and obtain a sharp drop in steelworkers' wages. The United Steelworkers of American will be asked to give up wage and benefit concessions in exchange for the steel companies bringing anti-dumping and-subsidization suits to "save their jobs."

Robert Crandall, the steel expert for the liberal Democratic Party think tank the Brookings Institution—on which AFL-CIO president Lane Kirkland sits as a board member—argues that American steelworkers make 70 percent more than the average American factory worker. At most, says Crandall, American steelworkers should only earn 12 to 25 percent more than the manufacturing compensation average. This would mean a 30 to 40 percent steel wage cut.

Both Brookings' Crandall and American Express-Shearson's Wyman happily expect that no new integrated steel plants will ever be built again in the United States, and the shutdown of all but a few of the existing ones. Steel in the United States will be produced at electric furnance mini-mills that have two distinctive features according to Crandall: first, they are non-union and pay half the union steelworker wage rate; second they use scrap steel—old car hulks, or wasted steel—as their main input. In a world division of labor, the United States will increasingly become a non-unionized workforce, recycling other nations' scrap steel. Trade war is the pressure to work out an agreement to reduce capacity worldwide along these lines.

There is no reason to accept the underlying philosophy now gripping the steel industry: that at best the goal is capturing a share in a shrinking market. In fact, U.S. capacity is too small, were the United States to undergo a real recovery.

The elements of that recovery have been outlined by *EIR* founder Lyndon LaRouche, in his four-point program for the National Democratic Policy Committee. LaRouche advocates cheap, abundant credit for steel, mining, construction, and other productive industries, and at the same time, the establishment of world gold-based monetary system led by the United States. This would provide the prerequisites for mammoth industrialization projects, including the construction of hundreds of nuclear power plants for home and for export; the construction of the immense North American Water and Power Alliance (NAWAPA) to bring Alaskan and Canadian water to and irrigate the U.S. West and Midwest, as well as parts of Mexico and Canada; an expansion of capital-goods exports (rich in steel use) by several hundreds of billions of dollars every three to five years.

The steel bill of materials needed for this scale of production suggests that the United States will at least have to double its steel capacity by the year 2000, employ 500,000 to 600,000 production steelworkers, and put the existing steel plants on full time.

Robert Triffin foresees global currency blocs



EIR Economics Editor Laurent Murawiec interviewed Prof. Robert Triffin, architect of the post-war European Payments Union and arch-proponent of regional currency blocs, on June 17 at the European Community's Brussels headquarters, where Professor Triffin is a consultant to the European Monetary Commission. Now at Louvain University in Belgium, Professor Triffin, for many years professor at Yale University, was one of the first economists to warn of the crumbling of the U.S. dollar's dominant role in the post-war period.

Early in the 1960s, Professor Triffin—correctly forecasting the dollar collapse that followed at the end of the decade—propounded a reversion to the old John Maynard Keynes plan for the International Monetary Fund, i.e., to make the IMF a full-fledged central bank issuing its own world currency. Failing that, he has, in recent years, worked for the evolution of a European monetary bloc opposed to the dollar.

Unlike the European Monetary System as conceived by West German Chancellor Helmut Schmidt and former French President Valéry Giscard d'Estaing, Professor Triffin saw the European bloc as an instrument to dictate central bank policy to various national governments, a position still held at the European Monetary Commission. Schmidt and Giscard by contrast saw the EMS as the "seed-crystal of a new world monetary system" for the expansion of international trade.

In this interview, the Belgian economist concludes that the world must break up into competing blocs, under conditions of a dollar debacle, when "there is no solution" for Europe and Japan "except to make themselves independent of the dollar." Excerpts follow.

Murawiec: What is your view of the international monetary situation, especially in view of the recent Versailles

summit's final statement on multilateral surveillance?

Triffin: There is no change in the policy of the Reagan administration concerning the Third World. In Europe, little change. The banks are running out of steam, they fear that an IMF and/or World Bank intervention will be necessary to prevent the whole shebang from blowing up. But the Reagan administration's attitude with respect to the World Bank's affiliates is such that the international institutions will suffer a severe lack of resources. At a conference in Geneva in the last few days, some Americans very close to the administration, Wallich, De Vries, stressed that the intervention of the IMF must be mainly one of conditionality, with a strengthened surveillance, rather than one of financing. What matters in their view is surveillance. [William] Hood, the Research Director of the IMF, had a different standpoint, he thought that the principal weakness of the IMF's surveillance policy is that until now it has never been seriously applied to any of the big countries, to the policy of the big countries, the United States in the first place. But, it is the U.S. interest-rate policy that determines in large part the policy of those weaker countries on which there is more surveillance!

Murawiec: That was debated at the Versailles summit.

Triffin: The administration is not of one mind. The Fed definitely wants IMF or multilateral surveillance of the U.S. At the present moment I am rather skeptical. What was mentioned was the desire of the IMF to review multilateral surveillance with the Big Five countries, in the form of meetings between de Larosiere and the Big Five ministers. Until now the meetings were separate, so the idea is to bring them all under one roof, simultaneously. What intervention there has been on the foreign exchange markets by the U.S. was more Madison Avenue than substance.

Murawiec: What about the central banker's recent, insistent warnings of chain-reaction of debt defaults and bank failures?

Triffin: No major country will allow one of its big banks to go bankrupt. When subsidiaries based in Europe will run into trouble, the head offices will bail them out. If the head offices are in trouble, the central banks will refinance them, to refinance the country that would otherwise go into default or be compelled to delay its payments. In the U.S., the Fed will refinance. So, there will be no debt collapse, but renewed, massive inflationary financing.

Now, to come back the situation of the currencies, there was a majority of opinion at the Geneva conference [at the Center for Monetary Research of the Graduate Institute of International Studies—L.M.] that interventions on the foreign-exchange markets cannot succeed, they are not the key, what is key is the policies that go with them. But this brings immediately problems of national sovereignty, budgets etc. That's the crux. Consultation on the realignment of basic national policies. But there, perspectives are still unclear.

Murawiec: What could ensure that this happen?

Triffin: Things will have to break apart for governments to be convinced. It's a fundamental problem. It's that of the United States in particular. Look at this absurd situation: when U.S. inflation goes up, the dollar goes up, because the markets expect a stricter Fed policy to result. This is absurd. In the short term, it creates some more leeway for a strengthening of the dollar—which makes it even more vulnerable.

Murawiec: In sum, the general attitude among central bankers and so forth, is that a depression with a total financial shakeout is inevitable?

Triffin: Yes, many have taken this attitude. It's their only hope to see things truly change. Any stabilization, they say, must first go through a stabilization crisis. . . .

Murawiec: This is the triumph of Friedrich von Hayek then?

Triffin: Yes, this is the prevailing trend, with a meek rearguard fight waged by the Keynesians.

Murawiec: Do you see any initiatives coming to try to influence this situation, in spite of this?

Triffin: Tindemans stressed it quite ferociously, Versailles did not change one iota to the policy intent of the Americans. For the others, Europe and Japan, there is no solution, to make themselves independent of the dollar, and start with that proposal of an interest equalization tax to make European interest rates less dependent on the U.S. rates, then add capital controls. . . .

INTERVIEW

German export chief sees markets shrink

"By the end of 1982," says H. A. Sieman, manager of the Federal Association of Exporters, "West Germany will have an export surplus, but we will be the victim of an optical illusion, because this surplus will reflect neither our real industrial competitiveness, nor the real condition of world trade."

In discussion with *EIR's* George Gregory in June from his Bonn office, Herr Sieman said he is extremely pessimistic. "Industrial countries must take action to put developing nations back into a position where they become once again potent purchasers of industrial goods, or we will have a simultaneous explosion of the economies of the Third World and industrial countries. The main reason for our pessimism is debt—in too many countries in the world market, export earnings are far lower than payments on principal and debt service."

For the last several years, the West German economy has survived on its exports, helped along for the most part by an artificially cheap Deutschmark, itself caused by high U.S. interest rates. This year, while the German Bundesbank has "fine-tuned" progressively dropping interest rates here to maintain economic activity at least at the stagnation level, West German imports are dropping at an annual rate of 6.5 percent.

Once the dollar falls—and Herr Sieman has no doubt that it will—"then people will see that we have been selling on the back of a cheap D-mark." In reality, German exports are suffocating under debt, and German markets are increasingly turning into war zones.

In Latin America, "The most important countries for us were Brazil, Argentina, and Mexico. But with the Falklands conflict, the atmosphere of economic relations is so poisoned that major projects or investments are now hardly imaginable." And the stupidity of the British-enforced European Community embargo against Argentina is that "there is no case in which such sanctions have ever had the desired political effect. The only significant effect of such sanctions in this phase of world financial crisis is to further contract world trade."

West German exports to OPEC last year grew by 53 percent to nearly 35 billion DM; to Iraq the growth of exports was over 100 percent, primarily in capital-goods categories. This year, Iraqi income is off 72 percent, and,

since Iranian forces took Khorramshar the government export guarantees called Hermes insurance have been lifted. The Association of Wholesale and Foreign Trade, linked to Herr Sieman's association, estimates that 10 billion deutschemarks in contracts to Iraq are blocked as a result. Otherwise, Nigerian income is off 27 percent; West German firms are involved in major industrial projects there. April data show that bookings for capital goods are down by 11.4 percent from April 1981, and total industrial orders for export are down 9.4 percent.

"The Eastern European countries are obviously not the place where we are going to find an alternative to our business with Argentina," Herr Sieman said. The high volume of Eastern debt per se is only part of the problem. Eastern European countries have been maneuvered—or have maneuvered themselves—into "a very unfortunate maturity bunching of debt payments." Seventy percent of Soviet debt comes due in 1983.

As for the United States, Herr Sieman says German exporters do not want to think beyond the end of 1982. Plant-construction orders have collapsed, although "we are still selling a decent volume of machinery . . . for the moment, and our steel people are doing so well, they all have anti-dumping suits on their heads."

West Germany sells 13.1 percent of its total exports to France. Here exports are riding on French inflation and, again, the cheap deutschemark. "But the French are not going to be able to avoid a devaluation of the franc. How hard our exports get hit will depend on how large the devaluation is, but we will get hit."

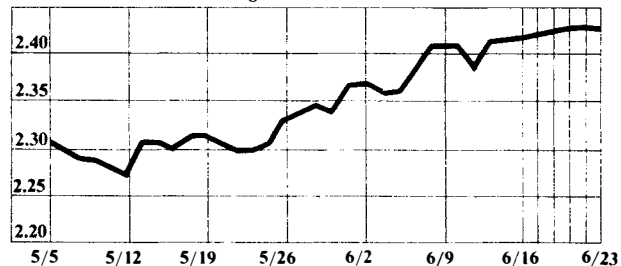
In the past, the government has used the Hermes export-credit insurance system to help exporters open new markets where the economic risk was high, but prospects good. "What we fear now is that Hermes risks will no longer be judged on economic criteria, but rather on criteria on a scale of religious, racial, and political priorities." Four or five years ago, only 30 percent of German exports to the Soviet Union—about 5 percent of total exports—were insured, "because their business was so solid. No one doubts that they are still economically solid, but the political risks have been raised," and so no one will go into Soviet exports without insurance coverage. "The Falkland crisis is an example of the same thing," he claimed, criticizing his own government's having bowed to British demands. "Argentina is a rich country, and there would be no reason to stop Hermes guarantees unless one thought there was an immediate danger of direct war with Argentina."

Herr Sieman says that there is no justification for the complacent belief of German banks that they will just continue to finance exports. "Switching from finance credits to supplier credits does not change much," he points out cautiously, "not in a threatened worldwide . . . recession."

Currency Rates

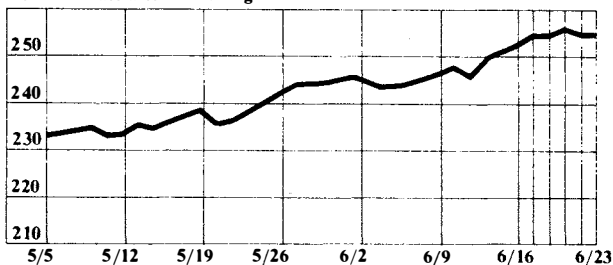
The dollar in deutschmarks

New York late afternoon fixing



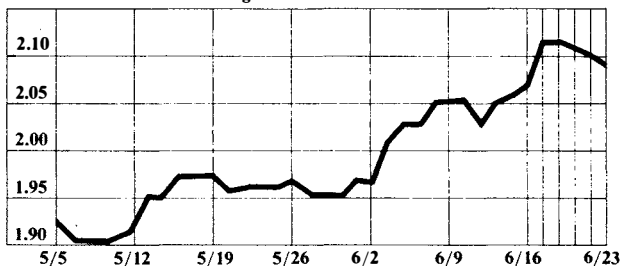
The dollar in yen

New York late afternoon fixing



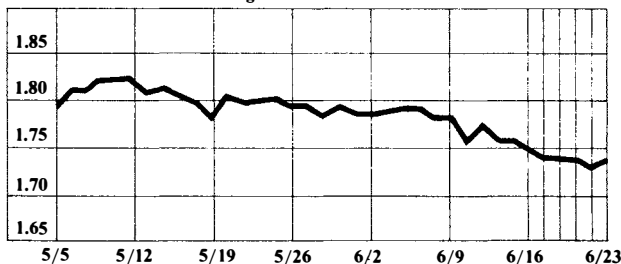
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A breakaway ally scenario

How many bankruptcies can Canada afford before it rejects U.S. interest rates and imposes controls?

Canadian bankers and financial pundits have started screaming that "a default crisis" similar to 1929 "is almost inevitable," unless interest rates go down now. Two states of affairs can in fact develop. Either Canada soon becomes the first advanced-sector country to go belly-up in a 1929-style depression, or Trudeau and his gnomes will sever the Canadian economy from its ties with the United States and "manage" the crisis.

It was on June 9, during a House of Commons inquiry on banks, that the scenario started to unfold. The background is the potential collapse of big companies such as Dome Petroleum, sending some big banks such as the Canadian Imperial Bank of Commerce (CIBC) over the edge. The number of bad loans reported by Canadian banks are expected to double this year to C\$1.5 billion.

At the hearing, the chairman of CIBC, Russell Harrison, warned that his bank was expected to "lose \$327 million this year in bad loans, more than its entire 1981 profit," reported the *Toronto Globe and Mail*. Yet, Harrison pleaded in favor of continued high interest rates, alleging that if they were lowered, about \$130 billion would leave Canada.

Speaking for the Commerce's big competitors, on the other hand, Gordon Bell, president of the Bank of Nova Scotia, Douglas Peters, chief economist of the Toronto Do-

minion Bank, and William Mulholland, chairman of the Bank of Montreal, strongly urged Ottawa to lower interest rates.

Mulholland warned of generalized bankruptcy: "The proportion of pre-tax cash flow of industry in Canada going into interest payments in the fourth quarter of 1981 was 66 percent," he said. "The figure for the last quarter of 1980, one year earlier, was only 25 percent."

The Canadian economy is indeed close to plunging over the precipice. Compared with a drop of 7.4 percent in the U.S. economy, the industrial production of Canada has had a year-to-year drop of 10.4 percent, the worst of all advanced industrialized nations. According to the Finance Department, the country's public debt is now at \$122 billion, close to \$5,100 for every man, woman and child. Figures from the Bank of Montreal show that the current account deficit for 1981 is \$6.6 billion and the national debt payments for this year will reach \$18 billion. An accelerating rate of bankruptcies, a post-depression record of 10.6 percent unemployment, inflation over 11 percent, and the Canadian dollar at .77 U.S. dollars and still going down, plus interest rates now at 18 percent, are forcing a policy shift.

Trudeau may be forced to resign; but this is unlikely, since he recently fired the last pro-growth officials who could raise opposition within his majority government,

and the next general elections are in 1984. The second, and more probable option, would be drastic measures to break the Canadian economy away from the United States. Trudeau watchers say this option is already being seriously considered.

Following a report from the *Los Angeles Times* on May 23 that Trudeau may be "willing to cut Canada's ties to the American economy" by enforcing some kind of "currency exchange controls," the *Montreal Gazette* editorialized on June 21 that, "if exchange controls are the price of lower interest rates, so be it."

Under such an option, Trudeau would also have to impose draconian wage and price controls and reflate the Canadian dollar, that is print more money. As things stand now, the money supply is close to \$2 billion below the target range set by the Bank of Canada for this year. Thus, according to Seymour Friedland of the *Gazette*, in order to prevent big corporations from going under, Canada would have to print up to \$3 billion, bringing prime rates down by about four points to 14 percent. However, should the Bank of Canada decide to print money, it could collapse the Canadian currency. This might be the pretext to impose exchange controls.

If Trudeau enforces exchange controls, it will have an immense affect on the United States, since Canada is its biggest trade partner. *Gazette* editorialist Joan Fraser said privately that the worst that could happen to the United States, although she found it unlikely, would be if Canadian exchange controls were to entail a "genuine total debt moratorium."

Pentagon pushes new oil fraud

A study being pushed by some moles in the DOD echoes the CIA 'Soviet shortages' scandal of April 1977.

A little cabal under the direct supervision of the Assistant Secretary for International Security Policy, Richard Perle, is promoting a fraud which threatens to cause greater long-term damage to the credibility of the U.S. intelligence establishment than did the infamous April 1977 CIA report, "The International Energy Situation."

The current scandal involves a report issued by a certain Dr. Steven Bryen of the DOD Office of Trade and Security under Perle. This report, first leaked in public testimony by Bryen on May 11 to friendly members of the Senate Subcommittee on Investigations, claims that the North Sea contains far more oil and gas than had been thought: what a source in Bryen's office said was "two and a half times the reserves of the United States," claiming that this is sufficient to replace the European supply of Soviet natural gas from the West Siberian Yamal region.

Whether this remarkable revelation was instrumental in persuading President Reagan to abruptly reverse his Versailles pledge to West Germany and the other U.S. allies on June 18 is not certain. The fact that such information is being circulated by government officials, however, is an issue of national security as well as energy policy.

The Bryen report was first floated in testimony before the Senate Investigations Subcommittee, on which Henry "Scoop" Jackson and

Charles Percy sit. Richard Perle was Jackson's top aide before moving to DOD last year. After considerable inquiry among knowledgeable oil-intelligence sources, I was surprised to find that a report as potentially earthshaking as Bryen's had gone practically unnoticed.

The U.S. Geological Survey is in the midst of an in-depth survey of North Sea oil and gas resources. The director of that study, Charles Masters, called the allegation by Bryen, "rather absurd on the surface." Masters, who has pored over extensive geological data, stated that the gas reserves, for example, in the North Sea are on the order of "tens of trillions of cubic feet, not hundreds of trillions." By comparison, he noted, the Soviet Urengoi field alone contains more than 200 trillion cubic feet, a full order of magnitude larger than anything known in the North Sea. The total U.S. consumption of natural gas last year was about 20 trillion cubic feet.

The magnitude involved in the U.S.S.R.-European natural gas deal could reach as much as 3.5 trillion cubic feet (tcf) per year to Europe. A new \$2 billion Norwegian North Sea gas transmission system to continental Europe, by comparison, will deliver about 0.245 tcf per year beginning in 1986. And the Dutch North Sea gas fields are acknowledged even by the Dutch government to be depleting and past their peak output. Dutch gas

currently supplies the largest share of Germany's needs, at 37 percent, and Holland is expected to reduce this amount by the end of the 1980s.

A highly placed source at the Defense Intelligence Agency (DIA) who had actually studied the Bryen/Perle report said diplomatically, "I frankly did not think too much of it." A number of DIA memos have gone to the White House which document the fact that we, the United States, as one source put it, are "shooting ourselves in the foot" when we announce a ban on licenses of export of certain turbines, compressors, and pipe-laying equipment to build the \$45 billion Siberia project.

Engineering sources at GE, one of the U.S. companies involved in turbine licensing for the pipeline, frankly state that if the U.S. doesn't allow GE export licenses, the Soviets can get the machinery easily from converting aircraft turbines, using seven instead of three of the larger GE turbines. Further, reliable intelligence sources report that the Soviets have already "reverse-engineered" the GE turbine design and produced two prototypes.

But I am convinced such discrediting is precisely the intended effect. Bryen was an aide to Sen. Frank Church when the latter was busy launching witchhunts against the traditional U.S. intelligence community in the 1970s. In 1979, Bryen was caught passing U.S. military secrets to a person at the Israeli Embassy. He resigned and the affair was hushed up. His boss, Richard Perle, also places evident London-Israeli intelligence loyalties above those of this nation. Perle is a member of the elite International Institute of Strategic Studies in London.

FmHA dries up the dairy industry

FmHA lending to the dairy industry must be constricted, says Agriculture Secretary Block, to inhibit 'overproduction.'

For over 40 years, the Farmers Home Administration (FmHA) has been the lender of last resort for farmers who are unable to borrow elsewhere. But FmHA has been not just a money lender for hard-pressed farmers. It has provided advice for farmers, operating loans for their yearly purchase of seed and fertilizers, and infrastructure-creating credit to build new barns and silos and houses, for rural development, sewage systems, and farm-related businesses.

Now, in a period of high interest rates which have rendered a growing number of farmers unable to even pay off their back debt, the FmHA is holding back allocated funds that would in the past have been used to help out such farmers. In 1978, Congress provided \$600 million for Economic Emergency loans for farmers suffering hardship after the drought. Yet not one penny of this money has been allocated since fiscal year 1981. In fact, the administration has asked the FmHA to tighten its regulations regarding the use of these funds, with a view toward terminating this loan program by 1983.

In the case of the dairy industry, the administration is using the FmHA in a way that contradicts the agency's own guidelines and operating principles, in fact making it a party to the dismantling of America's high-technology dairy industry. The administration is targeting the dairy industry on the issue of

"overproduction," taking the position that it is a glut of milk and dairy products on the market, and not high interest rates, that are the cause of the industry's problems.

The administration asserts that the overproduction is the result of the system of federal price supports, which for the past three years has set milk prices paid to the farmer at \$13.10 cwt (hundredweight), and is now threatening to drop federal supports to \$12.00 on Jan. 1, 1983. According to the American Agriculture Movement, this will result in the bankruptcy of one in four U.S. dairy farms.

The current price support system guarantees dairy farmers only 75 percent of parity—the farmers' total production costs plus an operating profit. Although 100 percent of parity was never established, the 30-year-old federal price support system has allowed modernization.

One New York State dairy farmer was recently refused an FmHA operating loan by the agency's area supervisor, who had spent 15 minutes inspecting the farm last year. This farmer is carrying a heavy debt load, but is by no means bankrupt, or near delinquency in loan payments. His farm is well-managed, the cows are clean and healthy, and he earns enough to pay \$200,000 yearly in debt payments. Yet his application for an FmHA loan to consolidate his debt and buy a new tractor was rejected on the grounds that he did not have

enough equity.

I questioned an official in the Washington, D.C. office of the FmHA about this case. He said that Secretary of Agriculture John Block was concerned about dairy overproduction, reporting that Block has kept price support levels even for three years in a vain effort to stem production.

The official also reported that in April Block sent a memo to all FmHA area supervisors urging caution on loans because of the oversupply situation on the dairy markets. The gist of Block's memo was that it was preferable to lend to farmers to help them meet their yearly operating costs, rather than to lend for capital investment and improvement.

The FmHA official then assured me that the yearly \$100,000 insured direct operating loan was the most common type of loan now being made by the agency. In all cases, the "best managers"—that is of financial matters and not production—are being given the most consideration, he said.

Has the FmHA, on Secretary Block's orders, abandoned its traditional role as a provider of federal credit to American farmers who wish to increase their capital investment, efficiency, and production? This seems to be the case.

"Many farmers do not understand that a new tractor is not just a pretty piece of machinery, but an integral part of the process of production," the above-mentioned New York State dairy farmer told me. "They don't understand that without increased modernization, you can't have increased efficiency."

Neither does the FmHA anymore.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
CANCELED DEALS			
\$800 mn.	U.S.A. from Canada	General Public Utilities (GPU), the owner of Three Mile Island, has cancelled letter of intent signed with Ontario Hydro last November for 1,200 MW power cable under Lake Erie. The cable was to move coal- and nuclear-generated power from the western peninsula of Ontario to Pennsylvania and New Jersey. GPU said the project feasibility damaged by financing problems and regulatory delays.	Canada has attempted to supplant the U.S. energy sources closed by environmentalists. Now regulatory agencies are enforcing acid-rain complaints against coal stations in Canada. GPU has been forced to shed most of its capital-investment plans as anti-nuclear forces raise its TMI costs.
NEW DEALS			
	Panama from Brazil	Panama's first auto assembly plant will be opened by Gurgel, the Brazilian jeep manufacturer, in association with Panama's state-owned Compania de Financiamiento Nacional and a group of Panamanian companies. Gurgel will hold 52% ownership and Panamanian public and private sectors 24% each. Plant will turn out 1,800 vehicles per year, mostly jeeps.	Brazil exported over \$2 bn. in transport material in 1981, including \$300 mn. in CKD (unassembled auto) kits and equal amount in parts for "world cars." But Gurgel is probably first Brazilian company to assemble abroad. South-South cooperation.
\$220 mn.	Portugal from Brazil/Italy	Port for Sines petrochemical and industrial complex in Portugal to be built and equipped by consortium of Brazilian and Portuguese builders and equipment makers in a state-state deal which provides contracts to private sector companies. Brazil's private Mendes Jr. construction co. will work with Portugal's capital goods manufacturers Mague, Somague, and Equimetal and Italy's Condott d'Acqua to build the cargo and mineral docks. Cranes, tracks, and other loading equipment will be built jointly by Brazil's largest private capital goods concerns, Villares and Bardella, together with Portugal's Socometal and Equimetal.	Deal arranged on state-state basis provides opportunities for national capitalists. Mendes Jr., with several bn. dollars worth of experience in Iraq and Africa, gets first European job. Brazilian technology will be transferred to Portugal. South-North cooperation.
	U.S.A. from Japan	Hitachi, Ltd. has signed contract with National Advanced Systems Corp. for export of Hitachi's very large-scale M-280H computer to the U.S. market. NAS, a subsidiary of National Semiconductor, will market the computer in the U.S.	The Hitachi computer is compatible with IBM systems. . . .
	U.S.S.R./East Germany/ West Germany	Soviets setting up rail-ferry system between Lithuanian port of Klaipeda and East German port of Sassnitz. Purpose is to get around Polish bottlenecks. Shipments of up to 2 mn. tpy will include Soviet trade with Western Europe, especially West Germany.	West Germany refused Soviet offers for rail-ferry terminal there last November during Polish crisis because of U.S. "Polish" sanctions pressure, but Bonn has offered to help upgrade and electrify East German railroads for extra loads.

Business Briefs

Treasury Market

A pre-panic atmosphere clouds dealers and buyers

As the present rise in U.S. interest rates takes its course, the chances for the outbreak of a major bankruptcy approach 100 percent. One factor promoting a volatile upward movement in rates, bankers say, is the effect of the Drysdale bankruptcy in May.

Every firm is now suspect; incredibly, the chairman of Warburg Paribas Becker, one of the biggest American security houses and primary dealers in government securities, was compelled to call a press conference June 23 to announce a \$2 million loss for the past eight months, to scotch persistent rumors that the house was nearly bankrupt—rumors which had cut into its business.

Dealers will no longer take positions on Treasury securities (borrowing short-term to finance long-term security inventories), for fear that a loss on inventory would turn into rumors that could ruin them; in this pre-panic atmosphere the market is entirely retail. And retail buyers will not touch the market until they feel it has troughed, building in a sharp volatility to the present upward interest-rate movement.

Agriculture

'Cheap credit, not just moratoria'

As a result of an order by U.S. District Judge Anthony Alasimo, the FmHA was enjoined in late June from foreclosing on any farm program loans in the state of Georgia.

Ruling in favor of a class action suit brought against U.S. Agricultural Secretary Block and the FmHA by seven Georgia farmers, the judge went beyond the plaintiffs' request by mandating the FmHA to grant debt moratoria without time restrictions to farmers in trouble. The suit had asked the court to uphold

the congressional intent of the 1978 Emergency Farm Act passed to alleviate drought-distressed farmers.

The judge ruled that Congress intended that the Act should give holders of consolidated Farm & Rural Development Act loans the same chance for deferrals as holders of the agency's rural housing loans, which can be deferred, "due to circumstances beyond the borrower's control."

Farmers remain in desperate need of cheap credit to cover operating costs and make investments. Moratoria, welcome as they are, merely provide breathing room. Congress has yet to address the basic problem.

Banking

Volcker's deregulation is taking its toll

The system of financial deregulation which grew weed-like under Federal Reserve Chairman Paul Volcker (although begun by his predecessor Bill Miller) has run out of room.

The effect of deregulation has been to move borrowing out of normal banking channels and into unregulated, reserve-free markets which have burgeoned as a result, including Eurodollar borrowing by U.S. corporations and commercial paper. The latter has ballooned by \$35 billion in the past year to \$176 billion outstanding, supported to a decisive extent by the ballooning money-market funds, about one-third of whose \$200 billion in assets are in commercial paper. Instead of reserve-protected bank deposits and secured bank loans, the corporate sector is living off unguaranteed money-market fund deposits and unsecured commercial paper.

"The commercial paper market is a hair-trigger which anything could pull," says one well-placed New York banker. "What we used to call 'hot money,' short-term money seeking high interest rates and safety, has gone into the money-market funds rather than the banks.

"By law the money-market funds are

allowed to invest only in A or AA rated commercial paper, so if a corporation in trouble fears its rating will drop, it will place as much commercial paper as possible as a precautionary measure and drive rates up—which is precisely what is happening now. Then if there's a financial crisis anywhere, not just a bankruptcy in the U.S., and a rush into quality paper, the commercial paper market will collapse because investors will run out of it. Then corporations will have to call on every bank credit line they have, and the banks will have to issue Certificates of Deposit to fund them. And since CDs are better quality than commercial paper, the money market funds will buy them instead of commercial paper, collapsing the paper market further, and triggering a wave of bankruptcies among corporations who ultimately can't get funds."

The banker added, "All it takes is a report that one money-market fund is holding commercial paper from a company that has gone bankrupt, and there will be a run out of the funds comparable to what happened to the banks in 1934."

International Trade

Europe, Japan blast U.S. pipeline curbs

European and Japanese government and business leaders have issued strong denunciations of the administration's new round of curbs on exports and licensing of equipment to be used in the mammoth Soviet-Europe gas pipeline.

Speaking on behalf of West German Chancellor Helmut Schmidt, government spokesman Klaus Bölling branded the U.S. sanctions "violations of the agreements reached at the Versailles and Bonn NATO summits" which "hit not so much at the U.S.S.R., but most of all at our own jobs in industries involved in this deal."

A spokesman for the the giant West German utility firm AEG announced that his firm might lose thousands of jobs, while the German Federation of Machinebuilders termed the U.S. move

was a "blatant humiliation of Chancellor Schmidt personally."

Japanese Prime Minister Zenko Suzuki told the Japanese Diet on June 22 that Tokyo was dismayed and surprised by the U.S. move, but the [Japanese] "government will take the necessary steps to have the project continued."

In a related move, Harald Kuehnen, president of the German Bankers Association, denounced the effort by the U.S. Congress (the Kasten-Moynihan Bill) to declare Poland bankrupt. "East as well as West must be primarily interested to help Poland's recovery," he declared.

East-West Debt

New effort behind Moynihan Amendment

President Reagan vetoed on June 24 the fiscal year 1982 Supplemental Appropriations bill, to which was attached the Moynihan-Kasten amendment which would have the U.S. declare Poland in default on its debts to the U.S. The President used his veto because he disagrees with one part of the Appropriations bill, the "Lugar housing subsidy," which promised \$3 billion for aid to housing over the next five years; Reagan termed it "budget-busting."

A spokesman for Rep. Jerry Lewis (R-Calif.), the co-sponsor of the Moynihan-Kasten amendment in the House, stated June 24 that his group plans to strip the "Lugar housing subsidy from out of the overall appropriations bill, and resubmit it. We are confident that the President would sign such a reworked bill, which would include the Moynihan-Kasten amendment." Were the U.S. to declare Poland in default, a chain reaction to defaults could ensue.

When asked what would happen if the President vetoed a stripped-down version of the Supplemental Appropriations bill, the Lewis aide stated, "We will submit it again on the very next appropriations amendment. We are over the hump; we can get majority support for it in the House and the Senate. We are

getting all kinds of support, including the Black Caucus, many liberals, and the AFL-CIO." Lewis's aide stated that the House Foreign Appropriations Subcommittee will hold hearings July 15 on putting Poland into default, at which the AFL-CIO will testify in favor.

Econometrics

LaRouche-Riemann model—best track record

EIR's LaRouche-Riemann model predicted the performance of the physical-goods output of the U.S. economy for 1982 far more accurately than any econometric model in the United States, the model staff has announced.

Whereas Treasury Secretary Donald Regan had twice predicted a recovery for the first half of 1982, and other econometric models are projecting industrial output increases for the year, the LaRouche-Riemann model accurately projected that the continuation of Federal Reserve Chairman Paul Volcker's austerity will result in another downturn in an economy already functioning at depression levels.

Against a 6.4 percent reported decline in the 1982 rate of physical goods output compared with 1981, the LaRouche-Riemann model had forecast a 7 percent decline.

Merrill Lynch Econometrics predicted a 2.7 percent increase in industrial production—a level that will not be achieved. Chase Econometrics predicted a 3.8 percent increase; Wharton Economic Forecasting, a 3.9 percent rate of increase; and Evans Econometrics, a 6.3 cent rate of increase.

In contrast, in approximately half the 29 sectors analyzed by the LaRouche-Riemann model for 1982, the model results corresponded to economic performance. *EIR* will lay out the full respective track records in a forthcoming issue.

The LaRouche-Riemann model was jointly developed by *EIR* economists and physicists from the New York-based Fusion Energy Foundation.

Briefly

● **H.R.6636**, which has 41 sponsors, mandates that the U.S. government should make no more loans to the Soviet Union, unless the Soviets agree to disarmament first. The bill was introduced by Rep. Jerry Lewis, who says it will have sponsors in the Senate. "We will also tell commercial banks that under the bill if they lend to the Soviet Union and get into trouble with the loans the U.S. government will give the banks no financial back-up," his office reports.

● **JAPAN'S** Fujitsu Fanuc Ltd. and General Motors Corp. of the United States announced June 24 the establishment of a joint venture for the manufacture and sale of industrial robots, according to the English-language *Japan Economic Daily*, published in New York by Kyodo News Service. The new firm, called GM Fanuc Robotics Corporation (GMF), was set up June 23 at Troy near Detroit with a paid-up capital of \$10 million equally shared by the two companies. It will initially produce robots at Fujitsu Fanuc's plants in Japan, except for a numerically-controlled printer system assembled near Detroit.

● **JJI PRESS** of Japan ran a June 23 wire on *EIR's* report that U.S. trade representative William Brock wants Japan to raise its interest rates to the level of the United States. JJI notes "He has launched a campaign to press Japan to boost the rates, Brock says in an interview in the latest issue of the economic magazine *Executive Intelligence Review*. Brock criticized Japan for placing restrictions on credits by limiting the flow of hot money, or short-term funds, for international investments through the so-called administrative guidance. He stressed that the free flow of funds, if realized, should result in a rise in Japan's interest rates. Low interest rates are the evidence of Tokyo's unfair control on credits, he added." The article by Richard Katz appeared in the June 29 issue.

How Helmut Schmidt could stay in power

by Michael Liebig from Wiesbaden

West German politics is presently undergoing a profound change. The survivability of the Schmidt government has become ever more doubtful since the Liberals in the Free Democratic Party under Foreign Minister Hans-Dietrich Genscher are driving toward an open break of the government coalition with the Social Democrats (SPD) of Chancellor Helmut Schmidt.

This situation has absolutely nothing to do with a "normal" parliamentary play of forces, wherein the SPD/FDP governing coalition has ostensibly been worn out after thirteen years, so that a new government, led by the opposition parties of the Christian Democracy, ought to take over power in Bonn. The Schmidt government and the SPD/FDP coalition on which it is based won a clear majority in the Bundestag elections in November 1980, and was thus given the mandate to form a government up to 1984.

What we are presently witnessing in Bonn is a totally "abnormal" and "unnatural" process of the attempted overthrow of a legally elected government. An international conspiracy is moving against Chancellor Schmidt, directed by such institutions as the Geneva-based Bank for International Settlements (BIS), its affiliated International Monetary Fund (IMF), and the City of London banks. This grouping, headquartered *outside* of the Federal Republic of Germany, is dictating the anti-Schmidt activities of saboteurs located in the U.S. Department of Defense, State Department, congressional offices, major media outlets, and think tanks, as well as the activities of the German political factions that are moving against the Chancellor's government. The "foreign" pressure is usually left out of account. What the new Secretary of State will do is crucial.

Why they want Schmidt out

Schmidt's policy has always been ambivalent, even contradictory, and dangerously pragmatic, but it was always characterized by a certain strategic rationality and calculability. Despite all foreign and domestic rotten political compromises, Schmidt insisted upon holding firm to a



German Information Center

Schmidt with Leonid Brezhnev in Bonn, December 1981. If Schmidt moved to rally his country behind a reinvigorated war-avoidance policy based on East-West economic development, West Germans would respond.

policy of détente and East-West economic cooperation, a policy of rejecting monetarist deflationary recipes in economic policy, and a policy opposed to military adventures in and against the Third World.

That put the Schmidt government on a collision course with the dominant faction of the Anglo-American leadership, as that is represented by Britain's Margaret Thatcher, Alexander Haig, or U.S. Federal Reserve Chief Paul Volcker. Schmidt was hunted into corners persistently by Anglo-American financial circles, personalities around the British government, within and on the periphery of the Reagan administration. The crises they cooked up, the NATO medium missile crisis, the Polish crisis, the war in the Malvinas, and the confrontation in the Middle East, were each utilized to undermine Schmidt's position.

The present crisis of the Schmidt government is only comprehensible in light of that background. Without the massive support from the Anglo-American milieu, a Genscher and his liberals would not even dare to behave as they have in recent months. We document below how scandals, revelations, and affronts were fabricated, all of which lead back to London, New York, and Washington. Once again: the cause of the present destabilization of the Schmidt government is only secondarily a domestic political matter. The causes are primarily a function of an internationally coordinated destabilization.

It thus becomes very clear when we consider the phenomenon of the "Hamburg mafia." In German

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post-war history, the "Hamburg mafia" was always something of a political "kingmaker" of the Federal Republic. Compared with the Ruhr area, with the Rhein Main area or Baden-Württemberg, Hamburg is neither an economic nor an industrial power center. But, Hamburg has the crucial lines of communication within Anglo-American centers of power, especially to London and the American East Coast. At the same time, the "Hamburg mafia" has at its disposal an immense media control through such publications as *Der Spiegel*, *Stern*, *Die Zeit* and the press empire of Axel Springer, Germany's largest newspaper publisher.

Thus, it is not at all surprising if the "Hamburg mafia" is now blowing the trumpets for a frontal attack on the Schmidt government, only a few days after the London *Economist* gave the official start signal for the hunt, with the order that Genscher's liberals should now move to topple Schmidt. The official spokesman of the "Hamburg mafia," Theo Sommer did the very same thing in the pages of *Die Zeit*. Sommer did not restrict himself to generalities. He detailed everything concretely, all the way down to the exact point in time: July 7, the day on which Schmidt must accept or reject the 1983 federal budget proposals of his FDP coalition partners. Genscher would have up to then to topple the Schmidt government. Lo and behold, only days after Sommer's call to arms, the FDP in the State of Hesse ended their coalition with Schmidt's closest ally in the SPD, state governor Holser Boerner.

Genscher and the FDP now intend to use the deliberations on the federal budget as the excuse to jump out of the coalition. They are demanding a series of drastic budget-cutting operations and other austerity measures directed against the trade-union base of the SPD. We expect the FDP will take on this job with the utmost of brutality and provocation.

The intended departure of the FDP from the coalition depends upon two factors. First, Schmidt's foreign and domestic adversaries would have to give the FDP water-tight survival guarantees, since there is a very real possibility that Genscher's plunge can be a plunge into the political suicide of the FDP. So, Genscher requires political guarantees as well as the financial support of his Anglo-American friends. And he needs guarantees from the Christian Democrats that they will split votes off from their own CDU constituencies in the direction of the FDP to keep the FDP alive as a party. These conditions have not yet been definitively met.

Second, Genscher's game depends on how Schmidt reacts. Schmidt still has reserves as a reliable, respected international statesman. This is particularly the case in the present situation of accumulated crisis spots and East-West confrontation. Schmidt has lost the confidence of many because of his despicable behavior with respect to British blackmail in the Malvinas war, and

the results of the June 6 Hamburg regional elections demonstrate this. But, with the necessary resoluteness, a broad-based support for a strategy of crisis-containment and war-prevention can be mobilized in the German population.

The dangers of Schmidt's pragmatism

Furthermore, Schmidt must summon up his resources and put an end to his pragmatic, tactical maneuvering with the adversaries within his own party. That goes especially for the chairman of the party, Brandt, and the protégés of Brandt, the "greenies" inside and outside the party. These green-fascist stormtroops against a democratic republic, that have been and still are tolerated in the SPD, have contributed fundamentally to demoralizing Schmidt's political base in labor and the trade unions. They have also therefore contributed to giving Genscher the room he needs to maneuver.

If Schmidt is not capable of this shift in order to offer his demoralized electorate a new perspective, his fate is, of course, practically sealed. We do not want to awaken illusions, but Schmidt can survive in the present international crisis situation, the most dangerous since the end of the war, if he rises above himself in a certain way. He has no chance on the basis of defensive pragmatism and concessions to cultural pessimism. Even if the media claim the contrary, the German population is quite ready to respond positively.

What is the alternative to a Schmidt government? It is actually the same as it was in 1980: the Christian Democrat Kohl as figurehead and Bavarian Christian Socialist Franz Josef Strauss as the actual power. The combination Kohl-Strauss-Genscher is no more attractive today than it was a year and a half ago. The political and programmatic "alternatives" of the Christian Democrats are limited to an imitation of the worst aspects of Thatcher politics and the Reagan administration: monetarism, austerity, and international confrontation in a special mixture of ignorance and maliciousness. Any sober evaluation of the politics of Kohl and Strauss would end in a dramatic deterioration of the domestic and foreign policy position of the Federal Republic, not to mention another crack in the potential for war-avoidance.

As the German politician Helga Zepp-LaRouche recently pointed out, people in Germany recognize possibly better than they do in other countries what the connection is between depression, political collapse, fascism and war. And as she elaborates in an interview in this Special Report, if the moral and political resoluteness is not summoned to learn from history, there will be a horrible price to pay. It is in this sense that the Federal Republic is presently undergoing the most severe test of its history.

The anatomy of a conspiracy

by Lonnie Wolfe

The road to Helmut Schmidt's ouster from office is being paved by a group of conspirators directed from outside of the Federal Republic of Germany. This group is led by a clique of Swiss and London bankers, which has drawn all of its international assets into a centralized deployment against the West German Chancellor. The profiles of West German political parties, leaders, and social institutions developed at such think tanks as the London-based Tavistock Institute in the years following World War II are among the powerful weapons being used against Schmidt.

At the top-most levels of the conspiracy are the policy makers of the European oligarchy and their banking interests in London and the Bank for International Settlements (BIS) in Basel. Their goal is not simply the replacement of the Schmidt government, but as one American-based source familiar with the thinking in London and Basel stated recently, the "shattering of all German political institutions" and imposition of fascist austerity on Germany. "This is the 1930s all over again," the source said. The fascist transformation of Germany is intended to pave the way for a similar transformation of all Western Europe and a re-organization of NATO. Schmidt is viewed as the major obstacle to London and Basel's plans to use NATO for "out-of-area" colonial looting expeditions and population warfare in the developing sector, and to plans for strategic bluff against the Soviet Union.

The strategy of the conspirators has been to place Chancellor Schmidt into what British psychological warriors call a controlled aversive environment, under continuous attack both at home and from abroad. In late January, these sources were predicting that Germany would be plunged into political chaos, provoked by the growth of Germany's environmentalist movement and worsening economic conditions brought about primarily by the continuation of U.S. Federal Reserve Chairman Paul Volcker's high interest-rate policies. They outlined a number of potential branching points that would weaken Schmidt's coalition government with the Free Democratic Party and eventually pave the way for its break-up, the most important of which have been defeats for the Chancellor's Social Democratic Party (SPD) in the March 20 state elections in Lower Saxony, and the June

elections in Schmidt's home state, Hamburg. A similar loss of face for the SPD is hoped for in the upcoming September elections in the state of Hesse. The NATO headquarters in Brussels controlled the deployment of the Green Party, through such agents of influence as Petra Kelly, the protégée of NATO Secretary-General Joseph Luns, in these deployments.

In the United States, Alexander Haig's State Department worked behind Schmidt's back with opposition party leaders, up to the point of giving the green light for Schmidt's ouster. In the Defense Department, Undersecretary Fred Iklé, a member of a prominent Swiss banking family, has coordinated with other DOD officials and members of congressional staffs, to put "maximum pressure" on the Schmidt government and force its collapse. U.S. Ambassador to the Federal Republic Arthur Burns, himself an operative of the BIS, has worked behind Schmidt's back coordinating and pressuring the opposition to break with Schmidt's economic program.

Inside Germany, these forces have coordinated with the leadership of the Christian Democratic Union and the Bavarian-based Christian Social Union led by Franz Josef Strauss. The leadership of Schmidt's coalition partner, the Free Democratic Party, has functioned as deployed assets of the conspiracy.

The major U.S. media and most of the German press have served as the propaganda and psychological warfare arm of the conspirators. For example, *New York Times* Bonn correspondent John Vinocur takes his cues from Burns and NATO headquarters. German publisher Rudolf Augstein, whose *Der Spiegel* magazine promotes the Green movement, got his orders to publish a March 1982 muckraking attack on Schmidt's trade-union base directly from former Secretary of State Henry Kissinger, whom he met in New York.

The conspiracy reaches into the highest echelons of Schmidt's own Social Democratic Party. Party Chairman Willy Brandt, parliamentary caucus leader Herbert Wehner, and Deputy Chairman Egon Bahr, are all working behind Schmidt's back to force his ouster.

According to *EIR*'s sources, the conspiracy has taken place behind the back of President Reagan. Angelo Codevilla, an aide to Sen. Malcolm Wallop, told an interviewer in late January that the whole process could move much faster if only Reagan were out of the way.

Should Schmidt not be forced to resign, the conspirators are prepared to remove him by other means. Earlier this year, when it appeared that Schmidt might stabilize himself, frustrated spokesmen for the conspiracy were talking about the possibility of Schmidt being assassinated. Since the forces behind the conspiracy are the same people who control and deploy international terrorism, such talk is not wishful thinking.

Here we present the conspirators, in their own words, describing their sabotage of the Schmidt government.

Who's out to stab Schmidt in the back, and what they say

January

A former top aide to the Senate Armed Services Committee, January 1982: "The CDU doesn't need a program because they are the opposition. It is Schmidt's job to rule and when he fouls up, he pays the price and the CDU gets the benefits. I'm almost tempted to make a comparison to Jimmy Carter and Ronald Reagan. There is no doubt in my mind that [CDU leader] Helmut Kohl would do fine. He would certainly take a tougher stance on issues than Schmidt's waffling.

"Our problem in getting Schmidt out is that since the State Department has the podium on foreign policy and since [White House aide] Dick Allen got kicked out, we don't have a spokesman for our viewpoint. Everybody talks quietly and no one except Fred Iklé says anything in public. The Department of Defense is strong on wanting Schmidt out, but they are quiet now in public."

Angelo Codevilla, intelligence committee staff aide to Sen. Malcolm Wallop (R-Wyo.), Jan. 28, 1982: We have to take Schmidt out, but I'm afraid there is not official and public help from the administration. Reagan is locked on a policy course of saving Schmidt and he won't listen to reason. The State Department is constrained and Haig doesn't have the guts to take care of this problem anyway. As long as Reagan is around, we will have to take care of this problem through private channels.

"There are a few factors on our side. The Lower Saxony and Hesse elections are coming up. Schmidt doesn't have to lose these elections, just do worse than people expected so that it appears that he is losing strength. The way to do that is to make the SPD look like a McGovernite coalition, to seem that Schmidt is making

deals with the left. The German people hate the left, so let's tar Schmidt with the left.

"Of course we are coordinating with other people in the United States who think the way we do, and we all have the same contacts in Europe. There isn't one person in the policy establishment that I talk to that doesn't want Schmidt out. There are other people in London who have reached the same conclusion. We must make Schmidt choose between NATO and the United States, and the Soviets. If we force that choice on our own terms, then Schmidt falls and the SPD splits. That will happen sometime this year, and we want to help the process along."

February

An official of the Washington, D.C. office of the German Marshall Fund, Feb. 1, 1982: "Schmidt has worked very hard at surviving, but he probably won't succeed. I think that he will get through the party congress in April, but that he will run into deep trouble in the late spring. The real tests will occur in the state elections—Hesse and Hamburg are key, with Lower Saxony less important because no one is expecting the SPD to do well there. If Schmidt loses Hamburg or Hesse, however, he is finished.

"It is the opinion of several people I know that two things will happen in the spring and summer in Germany: an upsurge of Italian-style terrorism, and great mass demonstrations of the Greens. The effect will be total chaos and Schmidt will be horribly compromised. What if the spinoff of terrorism in Germany was that people began to worry about doing business there? That would scare the Germans and they would blame Schmidt."

A Heritage Foundation analyst, Feb. 6, 1982: "There

is no way I can see that Schmidt can last through 1983. I don't like making bets, but I think it's pretty safe to say that he will be out by next year. There are two reasons. One is the Euromissile deployment, which will create all kinds of hell on the SPD left, starting in the spring, but picking up later in the year. Then there is the economy which is falling apart.

"I'm looking to the last round of state elections, the ones in Hamburg. They happen late, and I think the SPD will lose, unless the economy gets better. If that happens, the upper house will be deadlocked and Schmidt won't be able to govern. Then Genscher walks out of the coalition."

Irving Kristol, leader of the Committee for the Free World, Feb. 9, 1982: "Germany is a real mess and things will get worse before they get better. My friends who talk all the time to CDU and CSU officials say that Schmidt is much weaker than he appears. He is a great actor, that bastard, but he could still be toppled and we could still get a CDU-CSU government.

"The peace movement in Germany will be worse than anything we have seen, including the worst period during the Vietnam war in the United States. The Greens will be a permanent feature of politics in Germany, and there will be terrorism. . . . I don't think Schmidt can live out his term. You can always hope for such things. One way or the other, he won't make it through."

A foreign policy aide to a top-ranking Republican member of the Senate Foreign Relations Committee, Feb. 17, 1982: "One must remember that it is very difficult to dump a mid-term government in Germany. What is required is that the coalition break apart. For that to happen, the FDP would have to find an issue that the German public would accept as a legitimate basis for splitting. So it is not that easy to get rid of Schmidt. The best way is around the security issue, in the context of a major weakening of Schmidt. That would be the effect of a major defeat in Hesse or Hamburg—it would show that Schmidt is continuing on a downward trend and that you have a tired and old government which has lost the confidence of the people. If the Euromissile decision is bearing down on Schmidt, he might just decide that it is not worth it and pack it in. But what holds him back from doing that is his sure knowledge that without him the SPD is finished."

Angelo Codevilla, February 25, 1982: "There is no way to improve U.S. military posture and the NATO alliance without kicking around people like Helmut Schmidt who can't make up their minds what side they are on. You have to kick the hell out of people like Schmidt and get them out of the way, or you don't have an alliance. These people accept the rotten condition of NATO and then try to throw a nice new look at it—this

conventional nonsense—and convince themselves that everything is alright.

"I've been talking to people here, some of whom have talked to people in West Germany. Schmidt is out one way or the other within six months. Either we get him out or he becomes a lame duck. Everything is in place for this. Schmidt will do poorly at the SPD congress. He will pass his resolution on the Euromissiles that reneges on his initial agreement to deploy them. He has already compromised with the left and many people don't like that."

March

An official of the Washington, D.C.-based German Marshall Fund, March 15, 1982: "Schmidt doesn't like it, but the fact is that he could never rule without Willy Brandt, and everyone tells him this. Right now, Brandt is keeping the party from flying apart and making sure that Schmidt doesn't walk too far away from the left. There are really two SPDs—the old trade union-based group that Schmidt comes from and the university-based social-change action-faction people. When Schmidt goes the party will be transformed. It will move left and take a more aggressive position. I don't know how that would work exactly, but Brandt would take a role."

A U.S. official of the Konrad Adenauer Foundation, March 30, 1982: "Press stories about a split between the State Department and the Department of Defense on policy toward West Germany are lies. Both departments would welcome a change in government."

The official then recounted a discussion with Franz Joseph Strauss about Strauss's recent meeting in the United States with Secretary of State Alexander Haig. Strauss asked Haig point blank if the State Department supported the Schmidt government. Haig replied the he did not, although political reality demanded that the State Department not take overt actions against the Schmidt government. If and when Schmidt fell, Haig promised Strauss, the State Department would give a new government full support.

A leading U.S. defense analyst, late March 1982: "The significance of the scandal now breaking out in *Der Spiegel* magazine around the union-run construction company Neue Heimat is not easy to calculate. I can say that this scandal goes straight to the heart of the whole Social Democratic state and its institutions. I know what [Der Spiegel editor] Rudolf Augstein is up to. He is not after one figure, not even Schmidt. He is after the whole Social Democratic state: the trade unions and social institutions that were created in the 1950s and 1960s and which form the basis of the political power of Schmidt's faction of the SPD. Augstein is going for broke, to create chaos in the social institutions of Germany at the same time chaos breaks out in the economy. Then if Schmidt

goes, Social Democratic rule goes with him and the structure of politics in Germany changes forever.

“Augstein has powerful backing in this operation. He was just in the United States, you know, and I am sure he discussed it while he was here.”

April

A former official of the Carter administration, April 5, 1982: “Schmidt is much weaker now than ever before. He is being roped in by these election votes. He has become a lame duck who is trying to pretend he is not.

“The German public is demanding that he deal with issues at home and stop pretending to be some kind of global spokesman. The economy can bring him down, and it is. Schmidt has tried to be all things to all people, but his time is running out. He can’t please both the left SPD and his center base, but he refuses to push the left too far. His image is becoming one of a tragic figure who can’t control those around him.

“When Schmidt falls, he will go slowly with a great deal of agony. And if he falls, the SPD will undergo a transformation. It will move to the left and lose its center.”

A leading U.S. defense analyst, April 15, 1982: “Genscher and the FDP are playing games. He could move faster if he wanted, but he is politiking, and he has gotten some people so angry that they would love to find a way to take power without Genscher. But we are putting pressure on Genscher and he will move, in his own time. Old Willy Brandt can help speed that up, God bless him.

“I am very encouraged by what Al Haig told [Franz Josef] Strauss. It was important and it took a great deal of pressure to get Haig to say it. For all practical purposes Haig let it be known that he would welcome a CDU government in Germany. Strauss has been going around telling people this and it helps our efforts.

“I have been speaking to some people around [Hamburg CDU leader] Leisler Kiep and they are saying that the Hamburg election could surprise Schmidt. We have not broken Schmidt yet psychologically; he is boxed in on policy questions, but not broken. But for Schmidt to lose in Hamburg would be like Reagan losing California. It would break him.”

May

A leading U.S. defense analyst, May 26, 1982: “[*New York Times* Bonn correspondent] John Vinocur is telling people that the FDP can’t wait to walk out on Schmidt until after the Hesse elections because it would look too opportunistic. Vinocur says they should move on July 7, by voting down the budget and forcing a government crisis. John talks to people in the U.S. embassy and they are telling him this. I know from other people that [U.S. Ambassador to Germany Arthur] Burns is fed up with

Schmidt. Schmidt won’t cut his budget and you know what Arthur thinks of people who won’t cut the budget. So he is talking to the FDP, putting the pressure on. Burns wants a new government, so does Haig, but you can’t make it look like U.S. interference, so it is low profile. Reagan would not like it.”

June

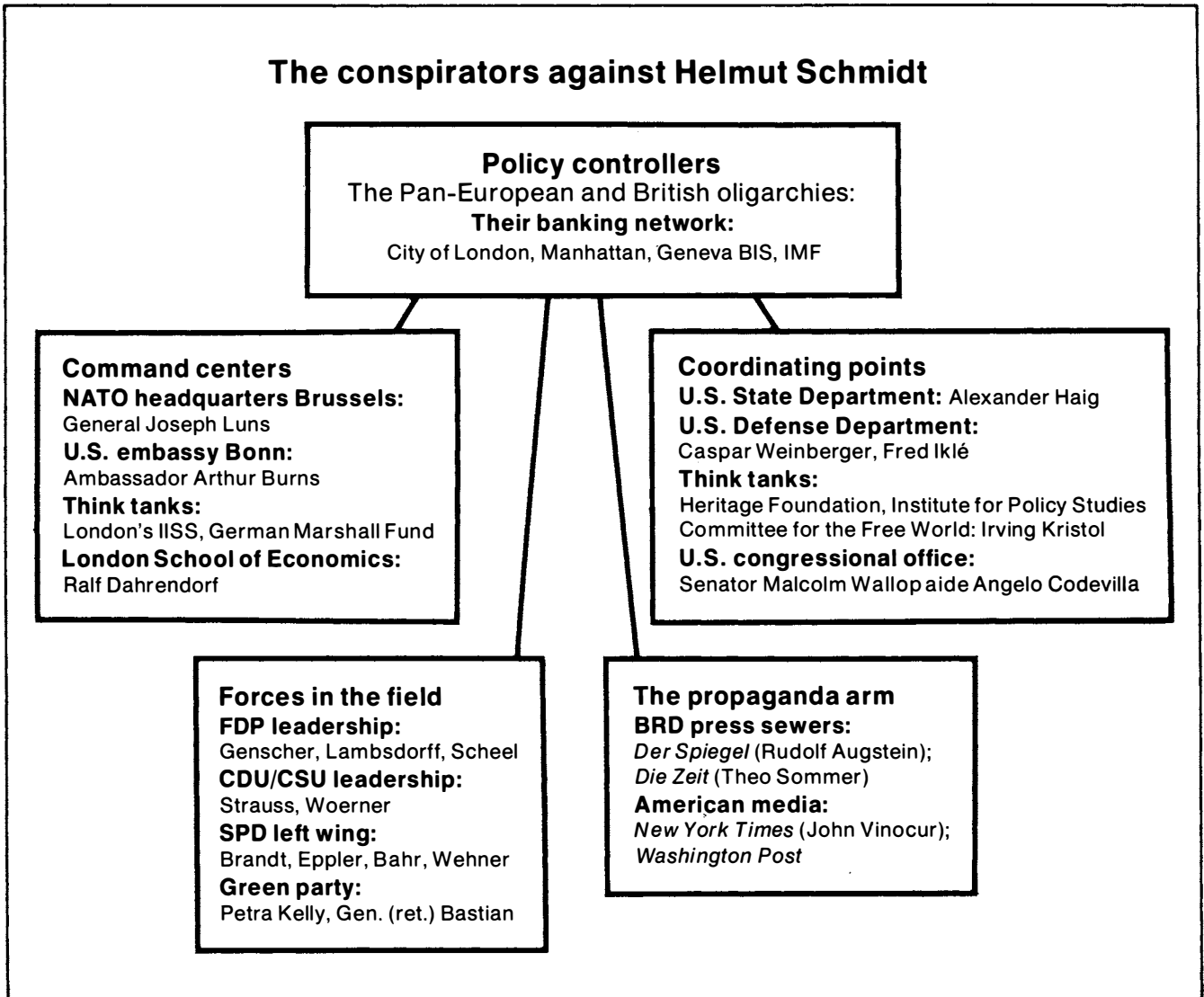
***The London Economist*, June 12, 1982; editorial entitled “Go on, Genscher: West Germany’s liberals have the power to end the Schmidt government’s misery. They should use it”:** “After last Sunday’s Hamburg election, Mr. Schmidt’s Social Democratic-Free Democrat coalition seems to be moving to its end. It is best that it should. . . . Since Mr. Schmidt is reluctant to step aside, the decision to end the coalition will probably have to be taken by the leader of the liberal Free Democrats, Mr. Hans-Dietrich Genscher. At Hamburg, the Free Democrats had their third-party clothes stolen by a motley group of protest-vote-catchers on the left. Mr. Genscher’s best chance of coming in from the naked cold is to put Mr. Schmidt’s coalition out of its misery and form a new government with the opposition Christian Democrats. . . . Mr. Genscher’s party risks a particularly unpleasant form of political death if it handcuffs itself to a Social Democratic corpse. . .

“Why the certain doom? Most governments go through a bad spell in mid-term. But the Social Democrats are unlikely to bounce back. They are war-weary, not from defending their policies against the opposition . . . but from fighting among themselves over what those policies should be. . . . By clinging to the Social Democrats, clinging to power, at best Mr. Genscher can offer West Germany two more years of lame duck government. At worst, he and Mr. Schmidt can hold on until the coalition collapses, exhausted, beneath them. . . .”

A Heritage Foundation analyst, June 14, 1982: “Schmidt can’t hang on forever. He is already a lame duck. But it is much bigger than this. Schmidt holds the rotten and decaying social fabric of the Federal Republic together. That fabric must be discarded and the only way to do that is to discard Schmidt. So when Schmidt goes, Germany plunges into the unknown. We shake up all the institutions when he falls and I think this is desirable. What we are headed for is the castration of the SPD. It will become something like the current British Labor Party, which resembles a left sect.”

“In the process, the SPD will lose its traditional base, and take on more of the left. Those left wingers who don’t go with the SPD will go to the Greens. This whole process is possible because of the Greens. They are the catalysts, not the FDP, because they were what was needed to shake things up. The old left will become an isolated minority. The FDP may fade away into irrelevancy, then part of it may go left, and part to the new

The conspirators against Helmut Schmidt



right, the new CDU-CSU.”

A leading U.S. defense analyst, June 20, 1982: “Genscher and Scheel gave the orders for the Hesse FDP to split its coalition with the SPD. Now, the decision has been made for a national split. The FDP will submit an austerity budget and make demands on the SPD. If Schmidt accepts their budget, he loses control of the SPD. If he doesn’t, the FDP votes his budget down and the coalition falls apart.

“The FDP is the bankers’ party. It always has been. And the bankers have decided that Schmidt must go. If you want a particular place, look to London. The handwriting was on the wall when the *Economist* went public with that editorial calling for the FDP to split from the SPD. Everyone knows that Genscher takes his orders from London. But the key person, really, in the FDP is [former party chairman] Walter Scheel. He is the bankers’ agent, they put him in. The bankers are dictating the

terms of the new FDP program. I am told that [German central bank chief] Karl Otto Poehl is telling them what to say. So is Arthur Burns. He is more than an ambassador, he is the bankers’ agent on the scene.

“*Die Zeit* commentator Theo Sommer has never been a friend of Schmidt. He plays a role and he takes the same kind of orders as the people in the FDP. When I was last in Germany, Sommer was reportedly already talking to people in London on the phone about the post-Schmidt government. He talks all the time to Ralf Dahrendorf at the London School of Economics.

“It hasn’t sunk into peoples’ heads yet what is going to happen to Germany. The FDP is going to pull the plug on the whole post-war era. Not only chancellors and parties will be shattered. The major institution in the country—the SPD—will be destroyed. The Schmidt faction will be destroyed and the base of the party will be wrecked. A new government will first and foremost be an austerity government and this will destroy the trade

union movement. The SPD will become a party of the extreme left, like the Labour Party in Britain. This is the plan of Brandt, Eppler, Bahr, and Wehner. They will purify the SPD. The CDU will become more domestically reactionary.

"People here like Fred Iklé and Secretary of Defense Weinberger welcome this change. Haig has given it his blessing.

"In the long run there is no way that Schmidt can survive. He is growing desperate, and has only two options other than taking the slow death of compromising with the FDP budget plan. First he could call new elections, but if he doesn't change his profile, all private polls show a huge SPD loss. The other option he has is to call for a grand coalition. That would be clever because it would split the CDU leadership. But I don't think it would go through. The most likely thing is a CDU-CSU-FDP government within the next three months or sooner."

A Washington, D.C.-based official of the International Monetary Fund, June 21, 1982: "[A rise in U.S. interest rates] will cause problems for the West German federal budget, which must be voted on at a cabinet meeting set for July 7. That is the real issue. Herr Genscher, the Free Democratic leader, is calling for more sharp cuts in expenditures, on social entitlement programs, welfare, and on industrial subsidies, regional development projects, and so on. If the world economic situation clearly deteriorates, Germany will deteriorate economically, and this will support the demand by the FDP—which is supported by SPD Finance Minister Manfred Lahnstein—for more expenditure cuts in 1983.

"We cannot divulge our confidential advice to governments, but obviously if the world economy deteriorates further Germany will have disturbing budget deficits. It will further the demands of the SPD for austerity, as well as those by the Christian Democrats. In fact, I think the CDU may be in the government by the end of the year, if not sooner.

"Confidentially, it would require a miracle to stop Schmidt from falling now. I'm quite soon the government will be out soon unless a miracle happens, and I don't see one. Schmidt's problem is that he's tied down to the SPD, which will not take the necessary austerity steps, given the reality of the world economy. If there are further cuts in entitlements in the 1983 budget, the trade unions will never go along. So the momentum is clearly against the SPD, which is locked in with the trade unions.

"This is just like the 1930s, in the sense that the world crisis will cause a major domestic economic crisis in Germany, foreign bankers will have no confidence in the deutschemark, and German leaders will be impotent in the face of world events. The situation in Germany is very, very serious, more serious than most people realize. Germany is headed for a very rough time indeed."

The 'Union' Parties

Ready to enforce Brüning austerity

by Susan Welsh

If the conspiracy to oust Chancellor Helmut Schmidt succeeds and the Christian Democratic Union/Christian Social Union (CDU/CSU) is installed in a new West German government, disaster is in store for the Federal Republic. Not only would such a government be incapable of solving the country's problems; its role would be to implement the "Brüning-style" austerity which Schmidt has wisely refused to. The trade unions would be destroyed as an effective force for maintaining living standards. The "peace movement" would polarize the country even more than it is already polarized, and terrorism will escalate. The country would truly become ungovernable.

The Christian Democratic Union is no longer the party which Konrad Adenauer created after the war as a party of Christian humanism and industrial progress. Adenauer, the first post-war Chancellor, forged the CDU in the course of a long struggle for German national identity, against the factions in the Anglo-American occupation forces which wanted to dismember and deindustrialize the country. Step by step, Adenauer pulled his devastated country out of the ruins of war and set it on the road to its post-war "economic miracle."

Today it has lost this orientation to industrial progress, under the increasing influence of the Club of Rome and similar Malthusian operations. Instead of a party shaped by a coherent and generally progressive world view, it has become a hodge-podge of factions, a *Volkspartei* (people's party). The European Labor Party (EAP) in West Germany has proposed that the CDU be renamed the *Ex-Christliche Völkische Union* (EVU—"Ex-Christian People's Party") for this reason.

Strauss: power behind the throne

If the CDU's wishy-washy technocratic chairman, Helmut Kohl, becomes Chancellor, most analysts agree that the power behind the throne would be Franz Josef Strauss, the Bavarian "strongman" who heads the Christian Social Union (CSU). Strauss was the Union parties' Chancellor candidate in the 1980 national election, and took the opposition parties down to their worst defeat in postwar history. Strauss's factional ally Alfred Dregger is currently at the center of national attention as the CDU candidate for governor in the

state of Hesse. The Free Democratic Party's recent decision to campaign for an alliance with Dregger instead of with the Social Democratic incumbent means the virtually certain defeat of Chancellor Schmidt's party in this crucial race in September.

CDU/CSU campaign literature and television speeches present the Union parties as favoring economic growth and as pro-American, in contrast to the left-wing "Finlandizers" of the Social Democratic Party. These claims are a fraud, as even a cursory examination of the reality behind the rhetoric reveals. The best way to understand why is to look at Strauss's Bavaria.

Bavaria is viewed with embarrassment by most Germans, due to its well-known feudalist and monarchical aspirations. It was not until 1949 that the Free State of Bavaria agreed to join the Federal Republic, and many Bavarians would like to see a monarchy restored. While Bavarian Minister President Strauss's government claims to be in favor of nuclear-energy development, Bavaria in fact produces less nuclear energy than any other West German state: 2.7 percent of total energy, as against 3.7 percent nationally. Asked about the potential for the growth of an environmentalist Green Party in the state, one Bavarian official commented: "There is no need for a Green Party. In Bavaria everyone is Green." The state Interior Ministry finances one of the principal environmentalist organizations, whose membership overlaps that of the Green Party, to the tune of several hundred thousand deuteschemarks per year.

The CDU/CSU in Hesse is claiming that if elected it will launch an economic recovery, including nuclear energy programs and infrastructural expansion. Dregger has secretly promised 50,000 jobs and a \$8 billion investment program to Hesse trade unions. Yet the party's "Thatcherite" austerity policy reveals this to be simply a lie, since there is no way such a program will be financed. Dregger's own campaign manager stresses that the CDU will give greater attention to "citizens' feelings about nature."

The Pan-European Union

Strauss is "pro-American" only in the sense that he is a factional ally of people like U.S. Federal Reserve Chairman Paul Volcker. His closest political ties are to the feudalists of the Pan-European Union, headed by Otto von Hapsburg, pretender to the throne of the Austro-Hungarian Empire. The Pan-European Union believes in a "Europe of the regions" which would abolish the "outdated" nation-state and return Europe to the bucolic backwardness which characterizes Bavaria. This new European "third way" would serve as a battering ram against the nation-state elsewhere, including most emphatically against both the United States and the Soviet Union.

The Free Democrats

'Swing party' paves the way for fascists

by Susan Welsh

The Free Democratic Party (FDP) in West Germany is now calling the shots on whether the government of Chancellor Helmut Schmidt, a Social Democrat, will survive the next days or months. The FDP, which has been the partner of the SPD in the national governing coalition since 1969, has thus placed itself at the center of international attention even while it is disappearing from the landscape in numerous state and local elections, failing to gain the 5 percent of the vote required by law for representation in government.

The FDP has been such a "swing party" in German political life ever since its predecessor, the German Democratic Party (DDP), pulled out of the "grand coalition" of Social Democratic Chancellor Herman Müller in 1930, toppling the last democratic government in Weimar Germany. After Müller came Brüning with his "emergency decrees" and cruel austerity measures which broke any remaining resistance to the Nazis and paved the way for Hitler's seizure of power in 1933.

Of the five DDP deputies in the Reichstag who voted up the 1933 "Enabling Act" that dissolved all parties except the National Socialists, two deputies founded the Free Democratic Party after the war, with the help of the British occupation forces. The two were Theodore Heuss and Reinhold Maier. Maier states in his memoirs that the only problem with Nazi Germany was that Hitler dumped his "liberal" Finance Minister Hjalmar Schacht, a former member of the DDP whose famous financial "wizardry" made it possible for Germany to shift to a total war economy.

Schacht, the darling of the British oligarchy, was let off at the Nuremberg Tribunal due to the intervention of London.

The party of British liberalism

What is the Free Democratic Party? Like its Weimar predecessor, the FDP is the party of British liberalism. Here is what that means concretely:

The FDP is rooted in the European federalist movement against the nation-state. Just like Franz Josef Strauss of the Bavarian Christian Social Union, FDP

leaders like Hans-Dietrich Genscher have no use for the German nation with all of its impulses to industrial and technological progress. Genscher's call for a new European Union is an echo of the schemes of the feudalist "Mitteleuropa" movement of the early 20th century, in which DDP founder Friedrich Naumann was active. This movement later became the Pan-European Union of Otto von Hapsburg, Strauss's close associate and the pretender to the throne of the Austro-Hungarian Empire. Eric Mende, the chairman of the FDP until 1966, was an executive committee member of the Pan-European Union. He later joined the Christian Democratic Union (CDU).

The FDP is the party of organized crime in West Germany. Mende is the European director of the Investors Overseas Services (IOS), part of the "Murder, Inc." Permindex organization which directed assassination attempts against French President de Gaulle and succeeded in murdering U.S. President Kennedy. Today the FDP leadership in the city of Frankfurt, including such individuals as Frankfurt FDP executive committee member Ignaz Bubis, is known as the center of an Israeli-linked illegal narcotics, diamond, and pornography ring.

The FDP is the party of the Club of Rome, *Global 2000*, and the "Aquarian" ideology. The FDP's think tank, the Friedrich Naumann Foundation, sponsored a conference in June 1981 to promote the Carter administration's Malthusian *Global 2000 Report*. The conference was organized by FDP leftist Helga Schuchardt, the most prominent *Global 2000* propagandizer in West Germany.

Speakers at the conference included FDP Interior Minister Gerhard Baum, who declared that "we must adapt ourselves to zero growth or virtually zero growth, to extremely tight budgets; we must give up our accustomed wastefulness." Former federal president and former FDP chairman Walter Scheel stressed that the conclusions of *Global 2000* must be incorporated into the "North-South dialogue," and then-U.N. Ambassador Rüdiger von Wechmar demanded the extension of *Global 2000* to agreements on energy, raw materials, and monetary and trade policy.

At the FDP's national congress in Munich in 1980, Genscher called for an end to economic "gigantomania" and said the party should orient itself toward "the simpler and the smaller."

Interior Minister Baum has done more to sabotage nuclear energy development in the Federal Republic, through red tape and environmentalist regulations, than thousands of unwashed Greenie demonstrators.

The FDP is "liberally" disposed toward drugs and terrorism. Under Baum's regime, law enforcement has been emasculated, allowing a revitalized terrorist movement. The FDP "left" wing is at the forefront of the

push for legalization of narcotic drugs and of euthanasia. FDP member Rudolf Augstein, editor of *Der Spiegel* magazine and a key conspirator against the Schmidt government, was arrested by Italian customs officials two years ago for transporting marijuana across the border.

Postwar 'swing' party

During the post-war period, the Free Democratic Party has been a junior government partner continuously except for two brief periods from 1956-57 and 1966-69.

In 1966, it toppled the government of Christian Democrat Ludwig Erhard. A "grand coalition" was then formed between the SPD and CDU, with Christian Democrat Kurt Kiesinger as Chancellor.

In 1969, the FDP put Social Democrat Willy Brandt into power. Brandt won 42.7 percent of the national vote, against 46.1 percent for the Christian Democrats; but secret overtures to the FDP landed Brandt in the Chancellery.

In 1974, when Brandt was collapsing under the weight of too many martinis, mistresses, and ultimately an East German spy scandal, FDP spokesmen like Ralf Dahrendorf of the London School of Economics hinted broadly that they would not tie their party's fate to the Social Democrats. After Brandt's resignation, a new SPD-FDP coalition was formed with Schmidt as Chancellor—the combination that has lasted up to the present.

The FDP's political leverage has given it influence and cabinet seats far out of proportion to its 5-10 percent voter base. In Schmidt's cabinet, the FDP holds the key posts of foreign minister, economics minister, interior minister, and agriculture minister. The party's unusually high 10.6 percent total in the 1980 federal election did not at all indicate growing popular support for the Free Democrats. The vote reflected instead the disgust of traditional SPD voters and some CDUers with the leftist shenanigans prevailing in the Social Democratic Party.

Anyone who wanted to keep Chancellor Schmidt in power—and he was by far the most popular national leader—but could not stomach the idea of voting for his party, voted for the coalition by voting FDP. Without this factor bolstering its electoral strength, it is doubtful that the FDP would be able to gain even 5 percent of the vote nationally.

If the FDP today votes itself out of existence, as its predecessor did in 1933, it will be because the oligarchs who pull the party's strings have decided that a "liberal" Schachtian party is no longer adequate. Perhaps then the Green Party, or some new political formation, would be geared up for the modern version of the role the Nazis played in the past.

The traitors within Schmidt's party

by Renée Sigerson

If Helmut Schmidt is to remain in power, he will have to allow certain bitter factional issues now ripping apart his Social Democratic Party to come to a head. The forces exist within the SPD for these factional issues to be resolved in Schmidt's favor.

Central among these fights is how the SPD will counteract the electoral growth of the London-sponsored Green Party. The Green Party has been geared up by Schmidt's London-based enemies as a battering ram against the SPD and constitutional government. Schmidt's electoral base has the legal means to halt the Green Party, and many SPD leaders are simply waiting for a go-ahead signal to exercise it. They are being restrained by the implicit threat from the faction around Chairman Willy Brandt that if they move to halt the Greens, the SPD itself will split.

The Brandt faction, similarly controlled out of London, has protected the Green movement from its inception. Brandt's goal is to eventually merge the Greens into the SPD, thereby permanently disenfranchising the SPD's pro-technology, working class electoral support.

The fight over SPD policy toward the Greens is intensifying. In mid-June, the SPD weekly *Vorwaerts* covered the results of a study commissioned by the SPD federal parliamentary fraction on the Greens. The study concluded that the Green parties are anti-state, right-wing extremist, and organized around the pre-Hitlerian cult ideology of *Blut und Boden* (blood and soil).

According to West German law, such anti-constitutional, neo-fascist formations must be outlawed. But the Brandt faction argues that the Greens represent a "legitimate" expression of public anxiety over nuclear power. Brandt personally has chiefly supported the Greens through his spokespersonship in the peace movement, which overlaps with the Greens through the peace movement's violent wing. Brandt has encouraged a policy of "reconciliation" with all such "protest" groups.

The same day the *Vorwaerts* article appeared, Peter Gloetz, a Brandt adherent and federal business manager of the SPD, issued an interview urging that a "dialogue"

process with the Greens get underway. Gloetz did the interview with the pro-terrorist, Frankfurt-based *Tageszeitung*, which intersects groupings that have represented a terrorist assassination threat against Schmidt.

Brandt's policy of accommodation has been defended by Eugen Loderer, head of the Metalworkers Union, and SPD Executive Committee member Egon Bahr. Following the June 6 state election in Hamburg, Loderer and Bahr called for the SPD to "negotiate" with the Green parliament fraction there, after the SPD lost 8 percent of the vote and couldn't form a government.

Brandt and social fascism

Willy Brandt's current accommodation with the Greens is a fitting endpoint of a career which has been strictly devoted for 50 years to the British Fabian experiment of "fascism with a democratic face."

U.S. State Department official Eleanor Dulles pushed Brandt into the leadership of the West Berlin SPD in the 1950s. Dulles had been part of her brother Allen Dulles' Switzerland-based wartime intelligence operations, through which British intelligence salvaged extensive fascist political assets for future deployment. The coordinating center for that Dulles operation became the Geneva-based Fascist (or Malmö) International, whose networks set up the Green parties in Germany in 1976-78. Willy Brandt was educated in the 1940s period, leading up to the formation of the new Fascist International by the joint British-Austrian "left-wing" or Fabian component of the same operation.

To a large extent, the Brandt wing of the SPD today is actually run out of Austria, through Prime Minister Bruno Kreisky. In 1942, Kreisky and Brandt held long indoctrination sessions in exile in Sweden with "left-wing" fascist ideologue Gunnar Myrdal, a mastermind behind policies for population elimination in the Third World. In chairing the so-called Brandt Commission on North-South relations today, Brandt has become a leading implementor of Myrdal's programs.

London ensured that between 1933 and 1945, the majority of the pre-Hitler SPD leadership was eliminated by Nazi terror. Brandt only joined the SPD after 1945. During exile, he was a member of an obscure socialist fringe group which was funded out of the United States and London, and was controlled by the Austrian-trained ideologue Richard Loewenthal, still an influential *eminence grise* in the SPD today.

It is well known that Brandt and Schmidt have been bitter opponents ever since Schmidt stepped forward in 1974 to head a successful conspiracy to oust Brandt from the Chancellorship. Since then, Brandt has often threatened to split the SPD to outflank Schmidt. Were Brandt to carry out that threat after a real political fight, Schmidt's base would be strengthened—not hurt—by a Brandt faction exodus from the party.

The new 'blood and soil' stormtroopers

by Renée Sigerson

In two West German elections this year, environmentalist parties whose leaders and members had been actively involved in violent civil disturbances against nuclear power, gained seats in state parliaments. These environmentalist parties, which nationally fuse loosely into the Green Party chaired by German-American feminist Petra Kelly, achieved these state electoral victories largely at the expense of the Social Democratic Party (SPD) of Chancellor Helmut Schmidt.

It was the SPD's electoral losses—particularly among youth, disillusioned voters won over to anti-technology propaganda—which gave the signal that the preconditions had been set for a move, coordinated out of London, to dump Schmidt. In Lower Saxony, the Greens received 6 percent of the vote, giving them 11 seats in parliament, while the SPD fell below 40 percent for the first time since 1948. In Hamburg June 6, the Green Party gained nine seats in parliament. Three members of the Green parliamentary fraction were previously members of the pro-terrorist Communist Alliance. The SPD there, which had governed in Hamburg since the war, lost its absolute majority. The SPD is now debating whether it might have to form a coalition with the Greens to prevent losing the state to the opposition Christian Democrats.

Schmidt's enemies and the controllers of the Green movement have no intention of now building the Green Party by normal electoral means to keep winning more votes. Their plan is to maintain one part of the Green movement as Germany's new "fourth" party, and to split off sections of it to now be redeployed back into the two broader-based parties, the SPD and Christian Democracy (CDU). Their goal is to repeat, in detail, the process Germany was put through during the last depression. By saturating all of Germany's political parties with anti-

technology fascist ideology, Schmidt's enemies aim to establish all the preconditions, as the economic crisis worsens, for a full-scale revival of German fascism.

The source of fascism—then and now

The Anthroposophist movement is the common thread which ties the founders of German Nazism to the environmentalist shocktroops in West Germany today. At present, the center of Anthroposophism is situated in Germany in the province of Baden-Württemberg, and its capital city, Stuttgart.

It is by tracing the Anthroposophist movement that complete clarity is established as to why so many of the founders of the present-day Green movement began their political careers in either the Nazi Party directly, or in post-war right-wing Nazi offshoots like the National Demokratische Partei Deutschlands (NPD).

A characteristic example of this pattern of unregenerate Nazis becoming leading spokesmen of the "leftish" environmentalist movement is former Army Gen. Gerd Bastian. During the Hitler period, Bastian voluntarily joined the Nazi Party, and was deployed to the Eastern Front. After the war, he joined the right-wing Christian Social Union, until 1958. At that point, he began a process of searching for new associations more agreeable to his "social and cultural values," finding his way, through Anthroposophy, to environmentalism.

In public, Bastian is never seen without Green Party leader Petra Kelly, who—according to several eyewitness accounts, coddles and feeds Bastian, who radiates the impression of being fear-ridden and infantile.

The pair travels extensively together, giving speeches on the danger of thermonuclear war, and the evils of technology. Bastian stands out among the current leaders of the environmentalist/peacenik circuit, because prior to his linking up with Petra Kelly, he had held a high-level post in the German military, and at that time, appeared to take a standard NATO military line on questions of strategy.

While Kelly and Bastian like to peddle the story that Bastian was "converted" to the peace movement following a religious-like experience during a visit to the Japanese city of Hiroshima, the truth is that Bastian is a product of the Anthroposophist movement, which selected him to become a spokesman of the new fascism.

A doctrine of evil

Bastian proudly reports that one of his favorite ideological tracts is the turn-of-the-century document by Rudolf Steiner titled "The Anthroposophic Path."

Rudolf Steiner was a member of the elite Anglo-Nordic devil-worshipping circle around 19th-century mystic Madame Blavatsky. Her closest associate, Edward Bulwer-Lytton, authored the major cult docu-

ments picked up by Richard Wagner and Friedrich Nietzsche, who designed the racial supremacy doctrines taught to Adolf Hitler during his tutorship by the Thule Society. The Thule Society cult was modeled on and linked through the Anthroposophists to the British-based cult of Aleister Crowley and Julian Huxley, the Isis-Urania Order of the Golden Dawn.

Then as now, fascism in Germany was conceived by elite Anglican-Nordic circles which include important layers in the Anglican Church hierarchy, and the Jesuit sect in the Catholic Church.

Bastian is a personal friend of Monsignor Bruce Kent, the British Jesuit who leads the peacenik movement internationally. Bastian's military adviser, former right-winger Alfred Mechterscheimer, is now in touch with the whole spectrum of "left-radical" and environmentalist groups as an adviser on military affairs. Through his work at the Foundation for Peace and Conflict Research in Hesse, Mechterscheimer remains in constant contact with the London Tavistock Institute, the command center for British psychological warfare operations.

SPD targeted for infiltration

It is Bastian's conviction that once Schmidt is out, the Green Party will be poised to target the SPD for infiltration. By saturating the SPD with anti-technology ideology, and wrecking its ability to function politically as the depression worsens, the SPD will be permanently discredited as a party of trade-union-organized working people.

The gameplan revealed by Bastian is identical to the way Steiner behaved in the period leading up to Hitler's emergence. Steiner circulated among all the radical layers of his time, including among the left-wing of the SPD, setting the preconditions for a strongman dictatorship to assume power.

In setting this process into motion, the target of the Anthroposophist-Jesuit-Evangelical circle is not merely destruction of the SPD as such. Their ultimate target is to destroy the foundations of moral coherence and economic progress which unite the SPD's mass base. As Steiner and his cohort Friedrich Nietzsche made clear in their works, what had to be destroyed in the modern world for their aims to be achieved was the common Judeo-Christian ethic which formed the foundations and expectations of Western populations in the then-emerging nation-states. Anthroposophy is a devil-worshipping cult which aims to halt economic progress to enforce oligarchical rule through irrationality.

In 1979, when Petra Kelly formed the Green Party nationally to run in elections for the European Parliament, she received strong backing from the Anthroposophist Achberg Institute in Baden-Württemberg. In December 1979, Wilfried Heidt, a representative of the

Achberg Institute, circulated a letter on the objectives of its political activity, which said in part:

We are on the threshold of a decade of achievement of preparatory work for an historic project, whose goal it is to dissolve the existing social system of contempt of men and of destruction of nature. . . . and to replace this system with an alternative . . . of the other Third Way, ecological humanism. . . . appended to this letter is an invitation which is connected to the founding of the political alliance of The Greens.

When Petra Kelly founded the Green Party in 1979, she was joined on the executive committee by August Haussleiter, one of the best known examples in Germany of a confessed Nazi turned green. Haussleiter had been identified by the German courts in the early 1960s as a dangerous figure whose sect, the *Deutsche Gemeinschaft*, was banned under anti-Nazi laws. In 1976, Haussleiter made a comeback on the basis of an environmentalist program, with a new organization, the *Aktionsgemeinschaft Unabhängiger Deutscher*. The launching of the AUD was enthusiastically supported by a well-known avant-garde artist, Josef Beuys, who became one of its candidates. Beuys, additionally, is a member of the Achberg Institute of Stuttgart.

In 1980, Haussleiter's Nazi past became a subject of discussion again in the press, and he was made to resign from the Green Party leadership.

A similar pilot project for launching the Greens was run in 1978 in state elections in Rheinland-Pfalz. There, a group under the name Green List was exposed as a renamed front organization for the NPD, the most overt pro-Nazi organization in the post-war period. The environmentalist electoral program adopted by the NPD had been modeled on a book by Herbert Gruhl, titled *A Planet is Being Plundered*. Gruhl, originally from the Christian Democracy, is one of the current gurus of the Green Party.

In the months leading up to the Lower Saxony and Hamburg electoral victories for the Greens, the environmentalists—with open protection from the Evangelical Church (Lutherans)—ran a series of violent demonstrations in German cities against nuclear power and technological progress. Numerous astute citizens came forward to denounce these actions as identical to the methods of terror of the *Sturmabteilung*, Hitler's SA, in the 1920s. As the unbroken chain of command from London through the Anthroposophy cult of evil attests, the similarity is lawful. The Nazi movement and the environmentalists were launched, funded, and protected by the same exact chain of command, who possess an unbroken enmity to the Judeo-Christian outlook which unifies the great majority of the German population in its commitment to nationhood.

Helga Zepp-LaRouche on what will happen if Helmut Schmidt falls

Helga Zepp-LaRouche, Chairman of the European Labor Party in West Germany (EAP), is perhaps best known to West Germans as the Chancellor candidate in the 1980 federal elections who appeared repeatedly on television standing in front of the Biblis nuclear power complex, explaining that high-technology economic development is the foundation for a world peace policy. The national goal of the Federal Republic of Germany, she said, must be to become the supplier of industrial goods and scientific "know how" to the developing sector, in the context of a New World Economic Order.

As Mrs. Zepp-LaRouche explains in this June 16 interview with EIR, her party's fight for a New World Economic Order dates to its founding in 1974. At that time, Helga Zepp led a delegation to the Bucharest Conference on World Population Growth, sponsored by the United Nations and the Club of Rome. Her intervention there against the zero-growth Malthusians is remembered with horror to this day by the organizers of the conference.

In spring 1975, the American economist Lyndon H. Larouche, Jr. gave a press conference in Bonn, calling for the creation of an "International Development Bank," which would institutionalize East-West cooperation to provide low-interest credits for the industrial development of the "Third World." This concept, known as the IDB, became the core of the EAP's program in elections in the Ruhr in 1975 and the federal elections in 1976, in which Zepp ran as "Chancellor Candidate for the New World Economic Order." The wide circulation of the IDB proposal by the EAP in Germany and by LaRouche associates throughout the world was indispensable in the 1978 creation of the European Monetary System (EMS) by Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing. The EMS, as originally conceived but never fully put into practice, was to be the cornerstone of a new world monetary system, based on gold and functioning essentially along the lines of the IDB proposal.

The poor prospects for leadership of the Federal Republic of Germany if Schmidt leaves the scene motivated Mrs. Zepp-LaRouche's announcement, during the course of the

1980 federal election campaign, that her party would seek to replace the Free Democratic Party (FDP) as the junior partner in a coalition with Schmidt's Social Democrats. This would ensure the defeat of the SPD's left-environmentalist wing and make possible new political formations which would unify pro-growth, pro-détente forces across party lines.

So far EAP deputies have not been elected, largely because of an intensive slander campaign conducted by such publications as Der Spiegel magazine and Franz Josef Strauss's Bayernkurier in Munich. Another obstacle has been the law requiring a party to have 5 percent of the vote before it can be represented in government.

The EAP hopes to field about 80 candidates in the Hesse state elections in September 1982, establishing itself as a party with a mass following. But, as Mrs. Zepp-LaRouche explains below, the EAP cannot wait until September to effect a shift in the current dangerous political situation, and the Hesse campaign is intended to have an impact now, regardless of how many votes the party gets in the fall.

EIR: Some of these people who would like to get rid of Schmidt describe him as the "glue" that holds the fabric of German political life together. They intend therefore to use his ouster to effect a transformation of the political scene. Can you tell us more about these plans, and how you think Schmidt's supporters should combat this?

Zepp-LaRouche: Ralf Dahrendorf from the London School of Economics, a world federalist and pro-British psychological warfare specialist, has predicted that the German political system will disintegrate into five political parties. The reason behind these destabilizations is that the international oligarchy is now supporting separatist movements of all kinds. The Pan-European Union, its president Otto von Hapsburg, Aurelio Peccei of the Club of Rome—these people envision the destruction of the nation state in Europe too. Sicilians, Corsicans, Tyroleans, Bavarians, Flemings, Walloons—all of these ethnic or regional groups would be split off.

I don't think these people will ever be successful, because we would have World War III before they ever achieved their world order. But the idea of splitting the present institutions is motivated by the desire to establish such a world order.

The problem is that the existing institutions and the parties represented in the parliament have in any case undergone a transformation over the last 10 to 15 years, indeed some of them have changed their character to a great degree. Take for example the Christian Democratic Union. The CDU has no qualified leaders, with some exceptions like Gerhard Stoltenberg who is probably a more reasonable figure. But the majority of the CDU/CSU leadership is totally unqualified, ranging from Franz Josef Strauss, who is a clearcut ally of the Austro-Hungarian pretenders to the throne, to Ernst Albrecht, whom we call the German Jimmy Carter (and that is not meant as a compliment). There is a whole faction around the Club of Rome, which includes Heiner Geissler, Kurt Biedenkopf, Albrecht, Matthias Wissmann [the head of the CDU youth organization]. They are in the process of transforming the CDU into "a party of the Club of Rome," in the words of Eduard Pestel, ex-minister in Lower Saxony, and they have succeeded to a great extent. The CDU is no longer a pro-industrial party; it is actually the right-wing version of the ideas the Club of Rome stands for. It would impose Thatcherite economics, the economics of Friedrich von Hayek.

In the SPD a similar transformation has gone on, in which former Chancellor Willy Brandt is one of the most guilty. There are others like Erhard Eppler or Oskar LaFontaine (a more recent development). Whole sections of the SPD have been turned into greenie-oriented leftists, the left version of the Club of Rome. People like Eppler and Schmidt are totally incompatible in terms of their world outlook.

In the Free Democratic Party (FDP), the same thing has happened. You have people like Helga Schuchardt, Gerhard Baum, Andreas von Schüller, Peter Menke-Glückert, who are totally "green" and are linked directly to international oligarchical networks.

If Schmidt were kicked out right now, total chaos would break out. The SPD would probably split. If Genscher should be so foolish as to declare that the FDP wants a coalition with the CDU on the federal level, the FDP would split; the Judos [youth movement] and the left wing would leave and probably some kind of new left party would be formed. That's quite possible. But more dangerous is that the whole party structure and institutions would disintegrate.

If you remove Schmidt now, there is nobody in his own party or in the CDU who could hold the institutions together. Germany would be thrown into economic chaos, terrorism, and quite unforeseeable developments would become possible. It would probably mean the end

of Europe, given the special role Germany plays in Europe.

As to the trade-union wing of the SPD, the "kanalarbeiter," more and more of them are saying that the EAP was right all along and that they should have taken our advice years ago. They should not have made any compromises with the Greens. The opening of the SPD to Brandt's idea of "unity for unity's sake," opening it to all kinds of sinister elements, has led to the total destruction of the SPD. This is a very critical moment, because the people who are really German patriots and believe in technological progress are on the verge of being demoralized. The situation looks quite dangerous right now.

EIR: How do you see the role of the Green Party? With the FDP disappearing in some state elections and possibly on the national level, the question now arises whether anybody will go for coalitions with the Green Party.

Zepp-LaRouche: First of all, I would not regret the FDP's disappearance from the political landscape of the Federal Republic of Germany. This party, by its own admission, has no principles. Genscher used to say that they were open to all comers. Historically the FDP has played a very evil role. Its predecessor was the Liberal Party which brought down the Müller government in the 1930s and opened the way for Hitler to take power. It is quite possible that Mr. Genscher has the ambition to play a similar role in history, although if he succeeds I don't think there will be much history left to discuss. The FDP has never been a party; it is a stepping-stone for people's careers. If someone wanted to get a position quickly, he would go through the FDP, since in the SPD and CDU it takes longer. The FDP is something you *use*, but it has never had a coherent policy. One should not forget that it was the extreme right-wing liberals who consciously decided to bring Hitler to power, and that ideology never totally changed among certain figures in the FDP.

There should be no illusion about what the Green Party is. It is not a natural or a sociological phenomenon. The Club of Rome and the World Wildlife Fund, Peccei and Prince Philip and Prince Bernhardt and similar oligarchs quite proudly claim that they created the Green movement. We have documented in other locations that it was that section of NATO representing oligarchical views that decided to create these machine-stormer shock troops as a battering ram against technological progress. They flooded the media and the bookstores for 10 to 12 years with all kinds of zero-growth propaganda, and consciously created this Green movement.

If you look at some of the leading figures within the Green movement, you find an overlap between people who are conscious adherents of the "conservative revolution" and "universal fascism," what you would call neo-Nazis, and the so-called total left. This is no secret,



European Labor Party Chairman Helga Zepp-LaRouche.

and numerous articles have been published recently in Germany about it. The spiritual fathers of this movement admit in writing that there is no difference between left and right. The NPD [National Democratic Party of Germany, the neo-Nazis—ed.], which in 1968 got 10 percent in Baden-Württemberg, has now disappeared. The Communist Party (DKP) has disappeared, the maoists have disappeared, all the other so-called K-groups, different varieties of communist groups, have all disappeared into this big grab-bag.

Look at the circles who control Petra Kelly for example, this woman who is being boosted now as the leader of the peace movement and the Green movement by British-controlled media in Germany like *Der Spiegel* and *Der Stern*, and other such revolutionary outfits. She comes out of the Young European Federalists, an organization founded by Josef Stingl, the current head of the Federal Labor Office. He is a member of the Pan-European Union; he was at Wilton Park [postwar British “denazification” center—ed.]. This was one of the institutions which had the idea of building up a new oligarchical elite. Petra Kelly and her fellow Green Party leader Roland Vogt worked with this organization in the early 1970s. She was then deployed into Brussels where she worked with European federalist Sicco Mansholt. There is no question that what she and the rest of the peace movement are doing is just finding the credulous fools to

implement what is NATO policy in any case, namely: under the pretext of being for nuclear disarmament, building up conventional forces for out-of-area deployments in the Third World.

So the peace movement and the Green movement are nothing but the creation of the rotten part of NATO. And they are fascists. Without any question, they replicate precisely the methods of the SA shock troops. If you look at the street-fighting and violence in Berlin during Reagan’s visit, that is just an imitation of what the Nazis and the SA did in their early stages. No one should have the slightest illusion about the character of this Green and peace movement.

EIR: The EAP is running in elections in the state of Hesse this fall. You recently issued a call for a mobilization in Germany for a New World Economic Order as one of the focal points of this campaign. How do you see this shaping up and what are your plans for the election?

Zepp-LaRouche: The EAP was founded as an organization against the ideas of the Club of Rome, and since 1974 we have been fighting for the idea of a New World Economic Order. I personally ran as a “Chancellor Candidate for a New World Economic Order” in 1976. Not that I thought at that point that I had a chance of winning the election, but I regarded it as necessary to make a programmatic intervention against Kohl and Schmidt.

If you take the situation now and project it into the future, we will repeat the horror of the 1930s in an even more horrible way. We will go through a full-scale depression and end up sooner or later in World War III. Up until very recently Schmidt expressed the view that the only effective war-avoidance measure would be to overcome the depression. He did this especially when French President Giscard was still around and the possibility for enlarging the European Monetary System into a gold-backed monetary system was objectively a little bit better. Thirty-seven years after the end of the last world war, we are again facing the probability of what could this time be the last world war. All the existing conflicts and crises in the world have been aggravated over the last couple of years, particularly to the degree that the world economic crisis has worsened. It is generally understood in Europe, much more than in the United States, that there is a very direct connection between political and economic policies associated with fascism in general, and sliding into a war.

I don’t know how much Schmidt ever thought this through to the final conclusion, but Schmidt has said that the only really effective war-avoidance policy would be to overcome the depression. He has said many times that he regarded the economic situation as the most severe *strategic* crisis facing the West, not the military or other problems. But right now, with the Versailles sum-

mit's capitulation to the IMF dictatorship, Schmidt has *de facto* thrown that out of the window. If you just project the present developments, you see mass unemployment throughout Europe and in the United States, accelerating genocide in the developing sector due to lack of development, and continually exploding crisis spots. It is quite clear that we are heading towards disaster, with the perspective in the fall of a much more severe economic crisis in Germany.

None of this is necessary. I suggested in 1976 that the EMS conception was originally supposed to be what my husband [Lyndon LaRouche, Chairman of the Advisory Committee of the National Democratic Policy Committee—ed.] has proposed in a more elaborated form for many years: given the fact that the old monetary system is bankrupt, you can create a new monetary system based on gold, reorganize the Third World debt and start the biggest boom in history by gearing up high-technology exports to the Third World which urgently needs this. If we decide to do what is in any case the only chance to create a decent order in the world, to create a New World Economic Order, we could overcome the depression practically overnight.

Therefore since Germany at this point is barely keeping up its East-West trade, has lost Latin America, its largest Third World trading partner, due to its disgraceful support for the British in the Malvinas crisis, given the fact that the Gulf situation is highly unstable and the IMF in any case would prohibit any large-scale development, it is very clear that Germany now stands at a crossroads.

The EAP on the other hand, because of our unhesitating mobilization for Argentina and against the continuation of colonial wars, has not only gained a great deal of respect in Latin America but also in many other developing countries. In the last couple of weeks I had the opportunity to meet personally with both Indian Prime Minister Gandhi and Mexican President López Portillo on trips with my husband to these countries. In the consciousness of forces abroad, but also, due to our years-long mobilization for this policy, in certain political layers in Germany, the EAP has become the only visible rallying-point for a policy alternative. So I have just issued a call saying that if Germany wants to get off the road to disaster, a faction must be built for the New World Economic Order, across all party lines, representing industry, trade unions and other individuals. Either President Reagan should be drawn into such an arrangement, or Germany, rather than being drawn under with everyone else, should make a unilateral move to a gold standard, should issue cheap, long-term credits for development projects, technology transfer, full utilization of industrial capacities and investment in new plant and equipment, and should conclude bilateral and multilateral trade agreements between sovereign nations which

would agree to work in such a configuration. I think that Japan, for example, would be a natural partner for this. Japan in any case is the big winner around the Malvinas crisis, not so much the Soviet Union. And key developing sector countries which urgently want German technology should be included. If Germany decides to do this, it would find many partners in the world ready to go for this kind of arrangement.

Of the 2 million unemployed in Germany, you can say roughly that 1 million was caused by the high interest rates and the other million by the greens' sabotage of various industrial projects. The Greens have blocked investments worth around 100 billion deutschemarks. What we are therefore proposing in Hesse is to unblock these investments and go for a full nuclear energy program and infrastructure development projects like the Frankfurt Airport runway. This will gear up the whole economy. It is even more urgent now, with the uncertainty of continued oil supplies from the Middle East.

That is one aspect of our program. Secondly, because of the break-up of existing institutions and parties, the EAP wants to build up a new institution based on republican principles, reviving the republican tradition of Germany as it was expressed both in the period of the Weimar Classic and the political reforms of vom Stein, Humboldt, and Scharnhorst in the 19th century. Namely the idea that a republic, a nation can only function if a majority of citizens is becoming true state citizens, true republicans participating in the formulation and realization of all important political questions.

We put a lot of emphasis on the need to reorganize the education system. We have written a detailed program for a binding curriculum based on the educational concepts of Wilhelm von Humboldt, but enriched by many aspects of modern science. There are certain similarities with the United States, where also the level of knowledge of pupils and students leaving school is dropping dramatically due to the educational "reforms" which have been introduced.

EIR: Do you think your program will be effective?

Zepp-LaRouche: This is no ordinary election campaign, because we are in the midst of a strategic crisis which has already approached Suez Crisis dimensions, and therefore we are not only running the campaign in order to get votes. We want to create an immediate impact on the politics of Germany right now, to change the course right now.

I cannot tell you whether we will be successful. But we have reached such a fundamental crisis that it comes close to a test of the moral ability of a population to survive. Maybe people in Germany especially can learn something from history and correct a disastrous course in time, or maybe not. But I hope that we can answer this question positively.

A new terrorist wave organized to explode

by Lyndon H. LaRouche, Jr.

The following document was issued on June 18, 1982. Mr. LaRouche, EIR's founder, chairs the Advisory Board of the National Democratic Policy Committee. EIR's law-enforcement bulletin, Investigative Leads, provides specific dossiers, background, and hypotheses concerning international terrorism.

Brilliant performance by a team of undercover investigators, aided by several of the most sophisticated anti-terror intelligence teams of several nations, has uncovered the control behind a new wave of international terrorism ready to explode in Western Europe and the United States.

The coordination of the new complex of international-terrorist deployments is run through an international network of anthropologists and sociologists, together with complicit networks of lawyers. These networks, identified by their coordination of such separatist groups as Basques, Bretons, Sicilians, Sardinians, Corsicans and native-American groups, have been conclusively proven to operate as front-organizations and cut-outs for the neo-Nazi International organizations officially coordinated through Lausanne and Geneva, Switzerland. Behind those neo-Nazi networks is the same complex of powerful aristocratic and financier interests which brought Benito Mussolini to power and created the Bavarian Nazi Party around Adolf Hitler.

Although this neo-Nazi network also controlled the old international-terrorist networks, including Nazi

Arab fronts linked to the Hitlerite Grand Mufti of Jerusalem, a significant change in the scope, character and political profile of international terrorist operations is now in progress. Large chunks of the old terrorist apparatus are being "hung out to dry" and wasted, regarded as a drugged, insane group of zombies, who have outlived their usefulness. A new, vaster apparatus of terrorist elements of assorted separatist movements is now in the first phase of general deployment, including a massive wave of terrorism slated for portions of the Western Hemisphere including Mexico and the United States.

The most distinctive features of the new terrorist profile are the qualitatively increased emphasis on separatist movements, such as native-American movements, plus the more prominent role of international networks of anthropologists as political controllers of this movement. The Misquito and Kuna Indians of Nicaragua and Panama are merely typical examples of native-American groups controlled by the anthropologist networks of Jacques Soustelle, et al., featured in this new profile of international terrorism.

The political "trigger" being employed to set this new wave of terrorism into motion is the Israeli invasion of Lebanon. Already, in West Germany for example, there is a worsening of the threat-potential to U.S. and other personalities and installations. This is centered around a terrorist bloodbath between forces of pro-Israel groups such as the Jewish Defense League-Kach of Rabbi Meir Kahane and PLO sympathizers, a wave



Separatists ascend: the Basque ETA.

of terrorism aggravated in scale and intensity by the role of Qaddafi-linked and Khomeini-linked forces and funding.

However, this "trigger" is intended to be the detonator for broader-based terrorist actions by an assortment of well-known and new terrorist groups, emphasizing terrorists identified with separatist causes: Turkish "Grey Wolves," Armenian terrorists, Sicilian separatist groups, Basques, Sardinians, Corsicans, Bretons, various Arab and "Islamic fundamentalist" causes, Qaddafi-funded "black liberation" groups in the U.S.A.—pulled together in the U.S.A. and Mexico around native-American groups linked to the neo-Nazi international through anthropologist groups specializing in "threatened peoples" and "endangered ethnic cultures."

Although there is no indication that terrorist-protecting legal fronts, such as those associated with former U.S. Attorney-General Ramsey Clark and Yippie William Kunstler are out of the business, by any means, the control of the new waves of terrorism will require not only attention to anthropology circles associated with famous and other universities, but direct attention to the neo-Nazi international and the Hospitaler-interfaced oligarchy circles which created the fascist movements of both the 1920s and the present period.

The Soviet policy toward this new manifestation can not be precisely predicted at this time. In the past, Soviet elements have smirked at the terrorist and allied

movements, enjoying the spectacle of "the West destroying itself from within," and have sometimes been not exactly unhelpful to aspects of terrorist movements. Just as East Bloc forces spent a reported one billion rubles' worth of assistance to the "nuclear freeze" and "peace movement" organized by Averell Harriman's and Joseph Luns' circles, in rage against the Euro-missiles deployment, it is not entirely out of the question that Moscow, out of rage, may not exactly interfere to halt what they view as a "new effort of the West to destroy itself from within."

The Israeli involvement in international terrorism continues to be complex. Elements of Israeli intelligence and other organizations popularly believed, sometimes erroneously, to be Israeli-controlled, have been deeply involved inside international terrorism since approximately 1969, as Italian official reports have documented recently. This involved both Israeli monitoring of terrorist networks for counter-intelligence purposes, and some use of such terrorist capabilities as assets for covert operations, including the manufacturing of terrorist incidents calculated to justify Israeli military actions in the Middle East. It must be understood that Israeli political life and intelligence circles are highly factionalized on these matters of policy, but that only among insiders will Israeli opponents of use of terrorists discuss this problem frankly.

A complicated matter

Often, as at the present moment, Israeli-linked factions and anti-Israeli Arab factions buy services of terrorist groups through the same brokers, including brokers situated in New York City and Atlanta, Georgia. Israeli intelligence is fully aware, meanwhile, that it is the neo-Nazi network formally based out of Geneva and Lausanne, Switzerland, which coordinates international terrorism overall. However, Israel views itself as a small, imperiled nation, obliged therefore to employ all varieties of Byzantine tricks, in complicity even with certain hated Nazi-linked circles, as a part of the complex business of Israeli "survival."

When the Israeli government says Moscow controls all international terrorism, for example, the Israeli government is simply lying outright, pure and simple. However, Israel believes that its survival depends upon massive military backing from the United States and NATO, and believes that that backing depends upon Washington's continuing perception that Israel is the indispensable U.S. military bastion against Soviet influence in the Middle East, as well as indispensable because of Israel's extraordinary penetration of Soviet political and intelligence circles. Therefore, Prime Minister Menachem Begin and others tell the United States what it believes that government wishes to hear, on the issue of international terrorism and other questions.

Kissinger's power play after Mideast fiasco

by Nancy Coker

Henry Kissinger, Britain's self-professed agent-of-influence in the United States, has emerged as the chief American spokesman for the fallacious notion that the crisis in Lebanon is somehow good for Washington. In an op-ed printed by the *Washington Post* on June 16, Kissinger stated that the fighting in Lebanon "opens up extraordinary opportunities for a dynamic American diplomacy throughout the Middle East."

Kissinger is turning on its head the reality of the matter, that U.S. influence in the Middle East is about to evaporate as a result of the Reagan administration's support of Israel's invasion of Lebanon, and that the Soviets are going to pick up the pieces (see *EIR*, June 29).

There is a method to Kissinger's strategic madness. The egotistical former Secretary of State eagerly views the Lebanon crisis as a war-crazed mercenary would: an opportunity to insert his fat self back into the Middle East as a shuttle diplomat.

"Henry is looking for a job," joked one Washington analyst. "His op-ed was his notice of availability."

There is more to it, however. It is the British who are activating Henry and angling to have him sent to the Middle East as Washington's special negotiator to build up their interests in the region. Britain calculates that the destruction of the PLO in Lebanon and the demise of U.S. credibility in the region have cleared the way for a British-sponsored "peace" centered around, as Kissinger writes, "a comprehensive approach [to] the three great issues of the Middle East: the Lebanon crisis, the autonomy talks regarding the West Bank and Gaza, and the threat to Western interests in the Gulf."

Specifically, Britain wants to station U.S. and French troops (i.e., NATO) in Lebanon to "solve" the crisis there and get Israel out (although "residual Israeli forces" would remain along the border of Galilee, Kissinger notes). Linked to such an arrangement would be a proposal to force Arab acceptance of the discredited Camp David formula on the West Bank autonomy issue, entailing not a return to the 1967 borders, but the transformation of part of the West Bank into—as Kissinger says—an "Israeli security zone subject to later negotiation." The participation of Jordan and Egypt in such a

"comprehensive" peace scheme would evolve into realization of the ultimate objective: a "strategic consensus" of Israel and the moderate Arabs against the Soviets.

Kissinger's "linkage" formula, whereby a West Bank deal is struck in conjunction with a Lebanon deal, all within the Camp David framework, is espoused by a crew of liberal Senators long associated with the American Zionist lobby, such as Charles Percy, voicing criticism of Israel. Following a meeting on Capitol Hill June 22 with Begin, Sen. Paul Tsongas (D-Mass.) said, "I think it is fair to say that in my eight years in Washington I've never seen such an angry session with a foreign head of state." The next day, Tsongas presented in a press conference a nine-point peace plan effectively identical with Henry Kissinger's British-sponsored proposals.

New York Times columnist James Reston has also endorsed Kissinger's linkage plan, while liberal, pro-Palestinian *Times* writer Anthony Lewis has gone so far as to call for Kissinger's return as diplomatic shuttle to the region.

The Haig-Kissinger miscalculations

The trick to Kissinger's plan is, of course, Soviet acquiescence. Britain, and Kissinger, working through the Philby-Andropov networks, think they can make a deal with Moscow. Their elaborate strategy to take advantage of the debacle for the United States in the Middle East does not take account of the fact that the Soviets, ascendant in the region, are in no need of a deal. Furthermore, deal or no, the U.S.S.R. will not tolerate a "NATO-ized Middle East."

Kissinger's protégé Alexander Haig, however, convinced Reagan to meet with Israeli Prime Minister Begin on June 21, countering White House objections that such a meeting would only enhance the deadly image of U.S.-Israeli collusion in Lebanon and further erode America's position in the Arab world. It was also Haig who had Reagan dismiss a peace plan worked out by Egypt and the PLO, under which the PLO would have laid down its arms and begun negotiations with Israel and the United States.

In his talks with the President, Begin secured Reagan's continued support by playing up to his anti-communist profile. Begin raved about the "crushing blow" Israel had dealt to Soviet influence in the region by means of attacks on the PLO and Syria, and how Lebanon had been cleaned up as a terrorist base. In point of fact, international terrorism is expected to increase as a result of Israel's annihilation campaign, as is Soviet influence in the region. High-ranking Egyptian sources confirm that Cairo, until now the strongest advocate of an Arab-American alliance, is disgusted with the United States and is considering reopening relations with Moscow. "America has lost Egypt," was how one diplomatic contact bluntly put it.

Israel's potential for anti-Sharon backlash

by Mark Burdman from Wiesbaden

While an atmosphere of strong on-the-surface "national unity" prevails in Israel, there exists an undercurrent of dismay and malaise, both at the atrocities committed during the misnamed "Operation Peace in Galilee" and at the heavy casualties Israeli forces are suffering as the conflict escalates. This undercurrent could at some point in the near future be transformed into a backlash against the war's architect, Defense Minister Ariel Sharon.

The backlash in turn could express itself in widespread demoralization and inchoate protest, as occurred in the United States during the Vietnam War, or it could result in an important reassessment of the entirety of Israeli policy. The direction anti-Sharon sentiment will take will depend in large part on the moral and political influence exercised on Israel from the United States and from Jewish communities abroad, particularly that of the United States.

Given the obvious growing importance of the armed forces in day-to-day Israeli life, the most significant barometer of the anti-Sharon potential is the report from authoritative intelligence sources of "extensive opposition to Sharon from within the army command itself," even among generals. These sources reveal that Sharon has been carrying out ferocious purges within the army chain of authority to attempt to nullify this development.

A European source told *EIR* June 21, "There is no question that there is growing dissatisfaction within the Israeli army," not only because of a belief that Sharon's strategy is going too far, but because the specific actions that Israeli units are being called upon to perform "violate the moral and ethical codes of Jewish culture."

In the same vein, another source underscored that because of the "growing militarization of Israeli society" under war conditions, the army's attitudes would ultimately be determining, and that it could be from within the army itself that a force might arise to block Sharon's extreme ambitions and call the whole war strategy into question.

In particular, experts familiar with the situation have drawn attention to political leaders of the rank of general within the opposition Labour Party, who could bolt from the "national unity" display and demand a shift in Israeli strategic thinking. Top Labourite Generals Bar-Lev and

Mordechai Gur had opposed the idea of an invasion in months past.

While Labour itself has given official support to the war (although at times disagreeing on its extent), certain Labour members of parliament have made outspoken comments about the ethical and strategic implications. Rabbi Menachem Cohen, a Knesset member, has, for example, warned of the "unnecessary shedding of blood," and has called for a commission of inquiry to be formed to investigate the war.

Israeli sources anticipate that a counterpole of opposition to Sharon could emerge in the short or medium term around President Yitzhak Navon, a Labour member who, in the words of one source, has "maintained some element of stature in the midst of a general political and moral collapse."

Navon is being touted as a possible candidate for the premiership in future years, a possibility that has Menachem Begin so worried he is trying to ram a bill through the parliament denying the right of any President to run for the premiership at a future time.

The "Navon option" might resonate among certain elements of the Israeli cabinet, particularly among the liberals in the ruling Likud coalition. Several cabinet members have been extremely uneasy over Sharon's mad escalation, but as of this writing, have been outflanked and quieted by Sharon's megalomaniac exertions.

'The worm may yet turn out to be a viper'

A broader potential is suggested by commentaries in the opposition press. A June 15 feature in the English-language *Jerusalem Post* expressed the view that rather than crush Palestinian opposition, Sharon would only ensure a dramatic new rash of Palestinian extremism in the future, while undercutting potential moderate Palestinian interlocutors for Israel. "It may seem churlish in the light of the Israeli defense force's dazzling military operation to look now for the worm in the apple," commentator David Bernstein wrote. "But it would also be well to consider that that worm may yet turn out to be a viper."

The centrist *Ha'aretz* Hebrew-language daily has likened Sharon's strategy to the genocidal British bombings of Dresden in 1945, attacking Begin in strong language for being drawn in by "Sharon's machinations," and warning that Israel is heading toward a confrontation with the U.S.S.R. The journal of the left-of-center Mapam party, *Al Hamishmar*, has gone still further, accusing Sharon of "bloody craziness," while the maverick *Bamerkhav*, the Hebrew-language counterpart of the provocative Paris-based *Israel and Palestine* magazine, has stated emphatically, "the aggression in Lebanon endangers the very existence of the State of Israel."

The most precise statements of reality have come

from the left end of the political spectrum and from independents who *in toto* represent a small component of Israeli society. The content of these statements has nonetheless been important. Tel Aviv University Professor of History Benjamin Cohen, for example, has accused Begin and Sharon of "Goebbels-like lies" and of bringing about the "dejudaization of the Jews" through their "veritable blitzkrieg" in Lebanon, in a letter appearing as a full-page advertisement in France's *Le Monde* on June 19. Cohen has formed a "Committee Against the War in Lebanon," and has appealed to American Jews to take a stand against Sharon's genocide, in an interview with *EIR*.

Alluding to Begin's frequent references to Hitler and the holocaust, Cohen told *EIR*: "Who is *now* committing the crime? Begin makes the comparison with a certain person. If you compare, Begin is more and more resembling someone whom I don't care to mention." Cohen made the same point even more forcefully about Ariel Sharon: "In an interview Sharon told it openly, that he had prepared the whole thing before he was brought into the government! . . . in terms of the PLO he used the Hebrew word *hashmada*, which means extermination; this is identical to the words used by the Nazis. . . ."

Six hundred and fifty representatives of Israeli universities, the military, and other institutions have signed a public petition against the war. In a press conference announcing this initiative, Hebrew University Professor Yoshayahu Leibowitz accused the government of "fabricating a pack of lies" and using "Orwellian" language in labeling the blitzkrieg action "Peace in Galilee." He called for immediate Israeli negotiations with the PLO.

During a trip to Paris, peace advocate Gen. Matti Peled charged that Israel's most recent actions were making of the country "the Mongols of the Middle East, spreading destruction and misery" throughout the region. His colleague, Uri Avneri, stated that the absence of a constitution in Israel gave Sharon a green light, since there were no constraints on his actions. Avneri's statement echoed this writer's prior call for the creation of an Israeli constitution as a necessary instrument to reverse the moral and political degeneration Israel has been undergoing.

However, Sharon's critics have not pinpointed the role of Great Britain in having set up this crisis, through allowing the "triggering" assassination attempt on Israeli Ambassador Argov in London. The critics have thus left untouched Britain's filthy role in manipulating Middle East factions toward war, and have not identified Sharon's real pedigree as a brutish agent of the Crown's neocolonialist wars of population-reduction in the developing sector. A constructive opposition to "Israel's Vietnam" will require pinpointing British responsibility for arranging the entire despicable affair.

European Jews are torn by Lebanon war

by Thierry Lalevée, from Wiesbaden

Relations between the state of Israel and the Jewish communities of Europe are being transformed as a result of Israel's invasion of Lebanon. What Israeli Prime Minister Begin and Defense Minister Sharon have done to Lebanon under the Hebrew code name of "Operation Purification" divided and traumatized European Jews, particularly those in France.

The fact that French Jews are leading the criticism of Israel has its own irony. Only a few years ago, the Begin government, finding French Jewry too passive, sought to mobilize them on Israel's behalf, directly financing new organizations such as "Jewish Renewal." A "radicalization" occurred, but not that sought by the Likud government.

Soon after the invasion began, Radio Jerusalem lambasted French Jewry not only for insufficient support of the invasion, but for showing active disapproval. Radio Jerusalem stated, "numerous cases have been noted where traditional supporters of Israel have been seen refusing to donate to Israel after prayers at the synagogue."

Eyewitnesses reported that fights broke out between the unconditional supporters of Israel and the "refuseniks." The occurrences were hushed up to avoid publicity, but the crisis was out in the open. Fights among Jews, an unprecedented phenomenon, grew to dramatic proportions. On June 15, several Jewish organizations, some of them known for their association with the Israeli peace movement, organized a demonstration of 500 in front of the Israeli embassy in Paris where Israeli Foreign Minister Shamir was speaking to the press.

The demonstration was assaulted by the "Jewish Renewal" group and the hardcore youth group of the Likud, the Betar, known for its thuggery. Demonstrators and attackers exchanged epithets of "anti-Semite" and "shameful Jew." Similar demonstrations were organized in front of the Israeli embassies in Bonn, West Germany and Vienna. On June 22 the Israeli ambassador to Bonn was prevented from speaking at a public event by a group of demonstrators composed primarily of German Jews. That this could happen at all was a sign, said German representatives, of a sweeping change in attitude toward Israel.

Most of the mainstream Jewish communities have

stayed out of these demonstrations, due to an inability to resolve the "moral dilemma," as a French Jewish leader expressed it, "between our support for Israel and the revulsion against its actions in Lebanon." The same strata did not hesitate to contribute financially to the campaign of those who did decide to go public. Hundreds of paid advertisements were published by various professional, political, and religious groups willing to express their opposition to Israel. These included a letter published by Pierre Vidal Naquet in France, from his Israeli friend, Professor Benjamin Cohen, denouncing the "Goebbels-type lies" of the Likud government to its own population. Others were calls to members of "the three religions of Abraham" to join to end the fighting.

Then there were the activities of the peace movement as such. On June 17, a press conference in Paris organized by the Orientalist Maxime Rodinson featured Israeli peaceniks General Peled and Uri Avneri, who had recently participated at the founding conference of the "International Jewish Peace Union" sponsored by the Paris-based magazine *Israel and Palestine*. The conference's final communiqué had called for an "immediate Israeli withdrawal to the international border" and upheld "the right to national self-determination of the Palestinian and Israeli peoples within the framework of the two states."

The case of Nahum Goldmann

Summing up the statements of the peace movement and the sentiments of those who had decided to remain silent was a series in the French dailies *Le Monde* and *Liberation* by Nahum Goldmann, founder of the World Jewish Congress. The views of this once-isolated figure are finding wide echoes.

In one article in *Liberation*, Goldmann raised the courage and determination of the Israeli people, but warned against "transform[ing] Israel in certain ways into a protectorate of the United States that would contradict the meaning of Zionism itself: Jews could not have suffered through two millenia only to see their ancestral fatherland being dependent on the good will of a superpower.

"The only hope for a peaceful solution lies in a change of policy of the superpowers, which up to now have contented themselves with making platonic declarations. Concerning the United States, they tried to eliminate the Soviet Union from any agreement in the Middle East, something which is impossible. . . . The joint pressures of the superpowers could bring Israel and the Arab states to recognize each other and to establish relations—initially of cooperation, later of friendship, [announcing] a new era of political, economic, and cultural development for Israel as well as for the other countries of this region. . . ."

Latin America

Which policies for post-war Argentina?

by Mark Sonnenblick

Argentina's top military leadership still has not come to grips with the fact that Britain's war against it was not for mere possession of some God-forsaken islands, but was for the larger "principles" which have always motivated England's imperial system. London's *Daily Telegraph* contemptuously enunciated those principles in a June 21 editorial message to a rudderless Argentina: "Whoever leads Argentina next will have to gain acceptance for a degree of austerity which its hedonistic society has never known."

Important sectors of the army appear to be taking economic marching orders directly from Argentina's enemy, as per the *Daily Telegraph* dictum. The army high command has unilaterally appointed retired General Reynaldo Bignone as President, effective July 1. Bignone is a committed advocate of the British-inspired monetarist policies which, since 1976, have ravaged not only Argentine industry and society, but also its war-winning capabilities.

The navy and air force—cognizant that the continuation of such policies would sink Argentina into civil war—withdrew from the government. The army is thus presented with the problem of ruling a three-legged junta with one leg, a sure recipe for instability. It hopes that British and American backing for such an arrangement will enable it to consolidate its power.

The other two services have pulled their officers out of all government positions and reportedly opened contact with dissident generals, colonels, and other army officers, and with civilian forces from the "Multipartidaria" umbrella group of opposition political parties, who also want an end to monetarism. The Buenos Aires daily *Clarín* revealed June 20 that a 35-point ultimatum presented by Navy Commander Anaya in April to then-president Galtieri included a demand that Friedmanite Economics Minister Roberto Alemann be fired and his monetarist policies reversed. The air force has also drafted an economic program for Argentina's post-war recuperation, which includes salvaging Argentine industry and restoring workers' incomes stolen by Alemann's wage freeze.

What's at stake is Argentina's foreign debt of nearly \$40 billion. Everybody recognizes that even with the

coming bountiful harvest, Argentina will not be able to pay the \$14-\$15 billion in debt service due this year without some form of refinancing or re-negotiation. This "debt bomb" can be London's weapon against Argentina, as mandated by the *Daily Telegraph*, or it can be Argentina's weapon against London, as proposed by *EIR* founder Lyndon LaRouche, Jr., whose recommendations have been widely publicized in Argentina.

Inside Argentina, the targeted use of debt against London is receiving growing backing from a nationalist spectrum ranging from the left-wing Montoneros to the anti-communist officers who once went to war against them. "We have confronted the enemy on the battlefield of its choosing. Why not also on the economic battlefield?" writes noted economist Raul Cuello in *El Economista*, a business weekly printed on paper the color of London's *Financial Times*. Cuello adds, "What I find incomprehensible is the attitude of those who oppose 'on principle' . . . that Argentina declare a cessation of international debt payments. . . . I think we will come out strengthened in any future negotiations. . . . To such effect, Argentina must take advantage of its situation to coordinate financial and commercial action with the rest of the Latin American countries who have understood that the Malvinas is not just an Argentine cause."

Popular Left Front head Jorge Abelardo Ramos demanded June 15 that "a moratorium be declared on debts to all the international usurers who invaded our territory. All mining, industrial and financial assets of the countries which blockaded Argentina and attacked its soldiers should be confiscated. . . . In this situation, diplomacy should do nothing other than invite Latin America not to pay back its debts to the usurers and to establish a Latin American system of mutual defense. . . ."

The defense of Argentina's economic future is also under intense discussion throughout Latin America. Following their June 18-20 meeting, the foreign ministers of Panama and Venezuela issued a joint statement which bolsters the efforts of those in Argentina who are resisting British blackmail efforts. It stated, "The blood of our Argentine brothers has not been spilled fruitlessly; starting April 2, the days of the British colonial presence on our continent are numbered.

"The governments of Venezuela and Panama announce their commitment to provide ever more solidarity and support on all levels to the righteous Argentine cause, and they invite the great family of Latin American nations to preserve continental unity and stay alert to the designs of imperialism and colonialism. . . . They exhort the Argentine people, in these critical moments resulting from a crucial battle, to preserve the needed

national unity based on participation of all sectors. . . ."

In Buenos Aires, Argentine Foreign Minister Nicanor Costa Mendez released the communique to the press, with his thanks.

A Latin American common market?

Hundreds of businessmen from the five Andean Pact countries (Venezuela, Peru, Colombia, Ecuador, and Bolivia) met in Buenos Aires June 24-25 to ink deals buying from Argentina the foodstuffs which Europe had boycotted. The Andean countries will buy—and sell—Argentina, instead of buying foods from the United States and the British Commonwealth. That meeting and the re-activation of the Latin American Economic System (SELA), which has languished since the mid-1970s, could be the germ of a Latin American common market.

LaRouche argues that such a common market would be good for Latin America as a mean for promoting industrial development and shielding the continent from the plans of the British and their allies to promote genocidal wars and famine throughout the region. LaRouche also argues that such initiatives are in the real interests of the United States—a view welcomed by those Latin Americans who still hope to reconstruct U.S.—Latin American relations from the rubble left behind by former Secretary of State Alexander Haig.

LaRouche's proposals have been widely reported in the Argentine, Mexican, Colombian, Venezuelan and Panamanian press. The major Caracas, Venezuela, daily *El Universal*, ran an extensive report on how Latin America could deal with its unpayable \$234 billion foreign debt. *El Universal* cites LaRouche:

"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.' Such a selective action, I have explained, would avoid generating a threat against the integrity of an already tottering international financial system, a system already pushed to the edge of chain-reaction collapse by the lunacy of passage of the Moy-nihan-Kasten bill in the U.S. Senate."

With this quality of ferment in Latin America, London's fears that a new Argentine regime may trigger a chain of debt actions across Latin America are beginning to surface. A column in the June 23 edition of *Clarín* cites several British financial sources disturbed by Latin America's unpayable debt crisis, and then quotes the *Financial Times* of London noting fearfully: "A chain-reaction of destabilization throughout Latin America would be catastrophic for the West."



Interview: Maximiliano Londoño

A turning point for Colombian politics

On May 30, the Colombian electorate went to the polls in unprecedented numbers to choose a new president. The man they chose was Belisario Betancur, the first Conservative Party candidate elected in free and open elections in more than three decades. Betancur will assume office on Aug. 7.

The significance of a Conservative victory over the majority Liberal Party for Colombia's future was the subject of an interview EIR's Valerie Rush held June 4 with Maximiliano Londoño, the Secretary-General of the Colombian-based Andean Labor Party (PLAN), who was in New York at the time of the election. Mr. Londoño, a political economist, was a candidate for the Colombian Senate in this year's congressional elections and his party has played a prominent role in promoting region-wide industrialization as a solution for Colombia. On June 17, EIR held its first seminar in Bogotá, which was extensively and favorably covered in a leading Colombian daily, El Espectador.

EIR: The recent presidential elections have opened up a new political dimension in your country. . . .

Londoño: The recent election of Belisario Betancur as president demonstrates, first, that the Colombian population violently rejected López Michelsen, who was the president in the period of 1974-78 [and Betancur's principal challenger—V.R.]; second, the Colombian popu-

lation has increasingly favored support of Argentina in its fight against the British Empire; and third, fundamentally, the Colombian population wants a change in economic policy.

The rejection of López Michelsen is very important, because traditionally the Liberal Party he represented has been a majority party in Colombia. Nonetheless, Belisario Betancur won by nearly a half million votes. There is no clearer proof that the Colombian people want a policy change. López represented an aggregate of Friedmanite measures—credit restriction, fiscal reform, and a free hand to the financial sector. This created the conditions for turning Colombia into a drug economy; it is today the leading producer of marijuana and refined cocaine in the world.

The options posed are now clear. Colombia must again take a leadership role in the hemisphere—it is presently outside the hemisphere for all intents and purposes because of its support for Britain in the Malvinas crisis. Internally, Colombia must forge a program of economic development based on long-term low interest rates for investment in heavy industry.

EIR: How did Betancur, a representative of the minority Conservative Party, win? How does your party expect to influence his administration?

Londoño: Not accidentally, both the Betancur campaign and that of [Liberal Party dissident candidate] Luis Carlos Galán reflected in good measure the marginal but nonetheless crucial influence of the Andean Labor Party. Their campaign themes were ours. One of them focused on the country's industrial bankruptcy. Both Betancur and Galán were obliged to attack Milton Friedman as the cause of the productive sector's utter bankruptcy; they had to say that long-term low-interest credits were vital for the economy's recovery; they had to denounce the monetarist policies which allowed the financial sector to grow at the expense of the productive sector. They implied that it was these policies which led to the growth of the drug economy. Those were all themes introduced by the PLAN campaign, and they had to be taken up by Betancur and Galán if they wanted votes, plain and simple.

Now we have already had several victories. The first was in the congressional elections in March, when we defeated the drug-trafficking financier Ernesto Samper Pizano, who was the campaign manager for López. He was on the López slate for Senate in Bogotá, and lost dramatically. And of course this was compounded by López's defeat in the presidential elections. We believe that appropriate conditions now exist for both Betancur and the opposition led by Galán to carry forward some of the initiatives we have proposed for Colombia's recovery. The program we will be presenting is the best weapon

we can have for educating these forces.

EIR: Under the outgoing Turbay government, Colombia allied itself with the United States, Trinidad-Tobago, and Chile in voting against Argentina at the recent OAS meetings. Is Colombia's position now likely to change under Betancur?

Londoño: Colombia was a leader in the creation of the Organization of American States, and it is now playing the role of grave-digger in burying it; it has set itself up against the interests of the hemisphere. The worst thing Colombia could have done was to ally itself with the United States in this situation. What happened is that, particularly regarding the Caribbean, under the influence of the Haig State Department Colombia has played the role of increasing tensions in the area toward an eventual confrontation with the Soviet Union. This is an absurd role for Colombia, because if we were to confront the Cubans the battle would not last two hours; we would be devastated. The State Department is sending Colombia to its suicide, something the people of my country obviously do not want.

But this is in fact a still larger game, because what we are talking about is the concept of NATO out-of-area deployments—the United States wants to set up a NATO base on Colombia's islands of San Andrés and Providencia. The islands would be a beachhead and, in a division of labor with the British, would give the United States control of the entire South Atlantic—playing with fire.

I think Betancur may make some changes in this, if his statements in the recent period and those of his campaign manager can be taken seriously. His campaign chief Augusto Ramírez Ocampo said about a month ago, before the elections, that the United States had shattered the continental alliance, had destroyed the Monroe Doctrine, that Latin America had to reorganize itself, and that the Colombian government position was absurd. These statements clearly had an effect on the vote, because the population knew that a vote for López would mean a continuation of the government's pro-British line on the Malvinas issue. What we await now is for Betancur to fulfill his promises, and we are applying the necessary pressure to see that he does.

EIR: The PLAN has in the past characterized the Conservative Party as the domain of people like Alvaro Gómez Hurtado, who is a self-proclaimed fascist. What does it mean that a candidate supported by Gómez, as well as by the other factions of the Conservative Party, has reached the presidency?

Londoño: The Conservative Party continues to be divided into two basic factions. One faction is headed by Gómez Hurtado—who is linked to the European Center for Documentation and Information in Madrid, a Hapsburg and European oligarchy-run intelligence center.

The other faction is led by ex-President Misael Pastrana Barrero. Pastrana's faction is made up of many tendencies, but among them are some industrial interests. Gómez hoped to become the candidate of the Conservative Party but was massively defeated at the nominating convention, and was forced to accept Betancur as the compromise candidate. With Betancur in the presidency, Gómez will nonetheless have a certain influence in the government, controlling perhaps 20 percent of the Conservative machine. It is worth remembering, however, that Gómez was the principal partner in government of López Michelsen during his four years in office, and controlled an estimated 40 percent of the government machine. Whether Gómez will be able to increase his control remains to be seen.

Remember that there are other forces which helped put Betancur in power, including the Catholic Church. The Church opted for Betancur over López because the former is nominally a Catholic, rejects abortion (which López favored), and his policy would be to sign a treaty with the Vatican to renew the Concordat, which López would not have renewed. Furthermore, López had written a letter to Willy Brandt pledging that the moment he was elected the Liberal Party would join the Socialist International. The Colombian elections proved that the Liberals did not want to be social democrats, and in fact preferred to go Conservative in that case.

The military was very worried that López government would turn Colombia into another El Salvador under a policy of permitting terrorists to legally enter politics; that is, that they would have full rights to political participation under a broad amnesty. This was López's program—what he cynically called his "plan for peace"—and would have meant destabilization for Colombia and the region as a whole.

EIR: The Liberal Party is the majority party in Colombia and has many factions within it. Has López Michelsen's defeat sealed the fate of the Liberal Party?

Londoño: The only thing the Liberal Party can do now is to carefully review the causes that led to its defeat and rescue some of the more positive elements that it has had in its history, exemplified by the government of López Pumarejo in 1934-38 and again in 1942 through 1945. They must realize that the policy of López Pumarejo, which was to forge an alliance between the working class and the industrial sector to develop a basic industrial infrastructure, was once the foundation of the Liberal Party's success. But slowly, thanks to the influence of certain anglophile agents like [ex-President] Alberto Lleras Camargo, these policies were eliminated from the party program. If the Liberal Party wants to have a future—and it can have one still under the kind of new forces Galán has tended to represent—it must recapture its tradition. It must again become a party representing

labor and industry in favor of economic progress. In other words, only with a capital-intensive and high-technology development program can the Liberal Party recover the leadership it has lost.

EIR: Can you describe in more detail the programmatic solutions your party offers to Colombia?

Londoño: First let me note that the Andean Labor Party will hold its Second Annual Congress on June 18 and 19, and the centerpiece of that congress will be a presentation of our program on how Colombia can be turned into an advanced-sector nation between now and the year 2000. This program that we will be presenting, a global program counterposed to the [Carter administration's] Malthusian *Global 2000 Report*, was produced by a team of experts from the Fusion Energy Foundation and the *Executive Intelligence Review*. It was headed by FEF research director Uwe Parpart, and included Peter Rush, Dr. Steven Bardwell, and Sylvia Brewda, among others.

What we did was take a look at the historical balance of how the Colombia economy has behaved over, say, the past decade. We found some interesting things. First, that the oil crisis did not strike the Colombian economy with the same intensity that it did many other Western countries. This has given Colombia a certain advantage with respect to its potential to expand its economy. Nonetheless, when in 1974 López Michelsen became president, the impact was immediately visible in the statistics. By 1976, there was a drastic fall in the coefficients which express the reproductive capacity of the economy as well as its level of productivity. One can see a redirection of the bulk of investment capital toward light industry and labor-intensive agriculture to the detriment of the capital-goods industrial sector.

This represented a phase-change in the economy. It is now devoted to producing consumer goods for the emerging class, the middle class—particularly those sectors linked to hotels, to services, to the drug trade, those sectors stimulated by the financial activities López promoted.

What we found is a classic demonstration of the effects of a Friedmanite package: drugs, fiscal reform, Stockman-style budget cuts; simply put, the thermodynamic destruction of an economy. We also prepared an alternative history, that is, what would have occurred if in 1974-78 we had continued with the modest rates of growth—say 2-3 percent—that existed in the heavy industry sector until 1974. Our model showed that Colombia would have been in significantly better shape. Now the final model run we prepared goes much further, because what we proposed is achieving levels of living and culture by the year 2000 comparable to those in Western Europe today. This is the purpose of the program, to show what investments are required to reach these goals.

EIR: Colombia has been promoted as a developing-sector model for the reduction of population growth on the continent. How does the PLAN program view the issue of population growth?

Londoño: The LaRouche-Riemann econometric model that we used for our method of analysis considers the question of population as fundamental. It views the wealth of a nation as made up precisely of the development of the intellectual powers of that nation's labor force. This is the core of the program. This is in fact at the center of a fierce battle against the current "supply-side" economic theories and all the other monetarist theories, because the key question to be asked is, how do you expand the real economy? How do you distinguish between productive activities that represent an expansion of useful processes and unproductive activities?

We want to bring out this issue of population in the Colombian case, because here we have a classic case. A significant reduction in the growth rate has actually been achieved, from 3.5 percent annual growth some 12 to 15 years ago to the present 1.9 percent. This has been achieved essentially through reducing living standards, dis-investment, credit reduction. In our program we propose that there be a significant expansion of the population. The program has been designed to prove that with a larger Colombian population better conditions can be created; we're not just talking about feeding a larger population but of developing future generations.

EIR: Belisario Betancur has been somewhat of a populist in his campaign. One of the proposals that earned him his popularity was "long-distance education" [courses by mail and television/radio—V.R.] This sounds similar to the PLAN's programmatic emphasis on raising skill levels. Is there a difference?

Londoño: There is a substantial difference. The people's mandate in voting for Betancur was for change, substantial change. However, we know that certain interests associated with Betancur's campaign hope to turn his administration in certain undesirable directions. For example, in the area of education, certain entities of the United Nations linked to Ervin Lazslo and other such individuals have been working to create programs for rural and peasant communities which are referred to as "saturated areas." That is, they have "too many engineers," or "too many skilled professionals." Therefore they seek to provide very specific forms of training for labor-intensive activities, for manual labor, for "appropriate" technologies. This has us deeply concerned, which is why we seek to educate the country's leaders on the need for *more* scientists, *more* engineers and technicians. We want to eliminate the absurd theories of the World Bank and the Brandt Commission, which speak of a so-called contradiction between employment and technology.

Why Count Rumyantsev is turning over in his grave

by Rachel Douglas, Soviet Union Editor



“Will President Monroe Turn Over In His Grave?” asked Alexander Baryshev of Moscow’s weekly *New Times*. Having just read a *Pravda* spoof in which the irate ghost of George Washington chastized a *New York Post* reporter for holding forth on the Anglo-American “special relationship” although he, George Washington, had led a liberation war against England, I wondered if Baryshev was going to go a step further and treat the readers of *New Times*, in the 10 languages in which it appears, to a taste of the real history of conflict between the British and the American political systems in the Western Hemisphere.

Baryshev certainly milked for all it was worth “the crisis of the inter-American system,” the havoc wrought on the United States’ relations with the nations of Latin America, when we took Britain’s part in the South Atlantic.

“In the Monroe Doctrine,” Baryshev summarized the words of American politicians from the 1940s, “the U.S. had declared that any attack on any American state to the south of us would be regarded as a manifestation of an unfriendly attitude toward the United States. In the [1947] Rio de Janeiro pact this became the doctrine for the entire Western Hemisphere.” He continued, “Today a situation has emerged where it would seem that the pact essentially based on the Monroe Doctrine ought to be activated. . . . For one of its signatories is threatened with a massive armed attack by a non-American power, Britain. . . .”

“Why has Washington forgotten about the assurances given by Monroe and all succeeding presidents of America’s readiness to defend its southern brothers against any aggressor? Evidently because at the given moment this does not accord with the interests of the United States’ imperialist policy both on a global scale and in the South Atlantic.”

Baryshev teetered on the brink of his own question

and then plunged into historical error: “Yet it is precisely these interests that are expressed by the Monroe Doctrine, and its author is not likely to turn over in his grave because of such a violation of his doctrine. He knew for what purpose he had conceived it.”

And at that, I have no doubt that not only James Monroe, but also Count Nikolai P. Rumyantsev, Commerce Minister, Foreign Minister and Chancellor to His Imperial Majesty Alexander I of Russia, each completed one sepulchral rotation, and groaned across the centuries.

Rumyantsev and John Quincy Adams

The error was tiresomely predictable. If Karl Marx did not distinguish between the American system of political economy—with its republican institutions and doctrines of foreign policy—and the British imperial system of economic looting, who would Alexander Baryshev be to claim that the Monroe Doctrine was anything other than a new, Western Hemisphere brand of imperialism?

Yet sometimes, as in this case, the historical evidence is so crystalline that it should offer a Soviet writer the opportunity to shed those burdensome categories of analysis. Shall he read John Quincy Adams’ denunciation of “colonial establishments” and still insist on his “U.S. imperialist policy” of 1823? But perhaps it will be more fruitful for Mr. Baryshev to reflect on the thoughts of Count Rumyantsev, a Russian, about the young republics in North and South America.

Count Rumyantsev could understand what was at stake, although he was an old man, out of office for nearly a decade, when President Monroe proclaimed the doctrine in December 1823. Its main author, Secretary of State John Quincy Adams, had been his frequent guest in earlier years, when Adams was U.S. Ambassador to St. Petersburg in 1809-12, and the prospects of

independent nations in South America often figured in their long, congenial conversations.

They came to discuss South America by way of issues of commerce, which were where Russia and America found common ground from the American Revolution on.

Despite having a monarch sympathetic to England, Catherine the Great, Russia in 1780 had been organized by the French and the Americans to head the League of Armed Neutrality that defended merchant vessels of neutral nations against British attack. The Armed Neutrality allowed vital supplies to reach the colonial forces; its survival as a principle of policy for several nations represented a serious challenge to the British, who meant by "free trade," trade free of any nation's protectionist impediments to total British domination.

In Russia, the security of neutral navigation had a champion in Count Rumyantsev, who became Minister of Commerce in 1802, soon after the accession of Alexander I. Son of one of Russia's greatest 18th-century military officers, Gen. P. A. Rumyantsev-Zadunaiskii, N. P. Rumyantsev was a scholar as well as a diplomat. His collection of books and manuscripts was turned during his lifetime into the Rumyantsev Museum, which later became the kernel of the huge V. I. Lenin State Library in Moscow.

Economic questions

Rumyantsev has often been glossed in history books as merely "pro-French" (and therefore anti-British), because he supported conclusion of the 1807 Treaty of Tilsit between Russia and Napoleonic France, after Alexander's humiliating early defeats by Napoleon. But his exchanges with Adams show that there was more to the Tsarist foreign minister than francophilia.

"I have American guts," he told Adams near the end of his career, when British and Venetian factions in Alexander's court had beaten him, "and were it not for my age and infirmities, I would go now to that country."

In 1811, Rumyantsev faulted Napoleon on the matter of trade. Adams recorded in his diary that Rumyantsev objected to Napoleon's failure to consider "that commerce was an interest in which all mankind was concerned; he saw in it nothing but the trade of a certain class of individuals. . . . But in truth, commerce is the concern of us all. The merchants are, indeed, only a class of individuals, bearing a small proportion to the mass of people, but commerce is the exchange of mutual superfluities for mutual wants—is the very chain of human association; it is the foundation of all the useful and pacific intercourse between nations; it is a primary necessity to all classes of people."

After Tilsit, Russia was party to Napoleon's continental blockade against English shipping. But Rum-

yantsev contested, in his diplomacy and then with a formal Statement on Neutral Trade issued by the Russian government in December 1810, the French classification of United States vessels as "English" and therefore subject to the ban. Rumyantsev wanted to protect Russian commerce with the United States and also trafficking with the Spanish colonies in South America, some of which were just becoming independent. The French ambassador reported of Rumyantsev in a January 1811 dispatch, "He reminded me that he had told me many times that while still a Minister of Commerce he did everything possible to establish trade connections with the Americans, whom he views as natural rivals of the English. It would be a political shortsightedness, he said, to allow relations with the Americans to deteriorate at the moment when they are so openly opposed to the English."

Both John Quincy Adams and Rumyantsev, as Adams's record of their conversations shows, hoped that the South American lands, free of Spain, would assert independent policies in trade, making them free of England as well. Rumyantsev drafted a proclamation on allowing Latin American ships to enter Russian ports; it said that since American ports had been opened to all seagoing nations for commerce, "we hold that, whatever mode of government be established there, it would not create an obstacle to commercial connections between their inhabitants and our subjects, so long as our enemies have no influence there." Adams surmised that Rumyantsev wanted a policy "to favor the independence of the provinces of South America which belonged to Spain" and attributed the Russian State Council's rejection of the plan to "a lurking English influence."

Nation-building faction

Adams wrote in his diary that Rumyantsev's opinions on South American independence were close to American views, and he elaborated that this meant anti-Jacobin. Rumyantsev feared the outbreak of "examples of that sort of violence and those scenes of cruelty which experience had proved to be too common in such revolutions," but he would welcome new governments on the American model.

With these remarks, Adams suggested that Rumyantsev's interest in the American system went beyond the opportunities presented for Russian trade, that he had an idea of the virtue of those republics the later Monroe Doctrine would seek to foster and protect.

In this, Count Rumyantsev was not alone in Russia. The American Revolution, which Russia assisted by leading the Armed Neutrality, had heartened the Russian faction that was heir to the great nation-building effort of Tsar Peter the Great (who ruled from 1682 to 1725), acting on Gottfried Wilhelm Leibniz's proposal

to found a Russian Academy of Sciences. Russians in the Academy, in the government, and among publicists, were studying how science and industry developed in the young United States of America.

In 1807, Rumyantsev's colleague Finance Minister D. A. Guryev sponsored the publication in Russian of a seminal document on the American science of promoting industry, Alexander Hamilton's 1791 *Report on Manufactures*. It was translated by V. F. Malinovskii, who as first headmaster (1811-14) of the Tsarskoye Selo school for boys would be the teacher of Russia's greatest poet, Alexander Pushkin, and of M. A. Gorchakov, the Russian Foreign Minister who negotiated Tsar Alexander II's alliance with Abraham Lincoln. In his introduction to Hamilton's document, Malinovskii held that "all the rules, remarks and means proposed here" were "suitable" for Russia as well as they were for the United States.

Russian republicanism

Malinovskii's impulse to seize the best of America's republican, industry-building principles was no mere footnote to Russian history. Russia's own nation-building faction grew continuously, especially from the time of Peter the Great, always in contact with the republicans of Europe and America who were also responsible for the great republican project, the United States of America.

The history of Russia as a contest between *oligarchical* and *republican* policies is the subject of a Russian history project commissioned by American economist and Democratic Party figure Lyndon H. LaRouche, Jr. Since Soviet and United States policies toward each other "are more governed by impassioned mythologies than realities," LaRouche has written, it is vital for world security to provide a higher point from which to see each nation's interests.

Both for American patriots and for Soviet Russians, the LaRouche survey of Russian history, from the rise of the city-state of Kiev a thousand years ago to the shift of power into the hands of Lenin, is designed to give such a perspective. By looking at Russian history through the eyes of the American patriotic Whig tradition, a team of LaRouche's collaborators will vault over the prevailing mythologies of socialism and capitalism to reach the true principles of national interest. For Alexander Baryshev, and many others, it will be an eye-opener.

*Rumyantsev's views and his discussions with Adams are covered in Adams' diaries; they are also carefully documented in Soviet Russian historian N. N. Bolkhovitinov's *The Beginnings of Russian-American Relations, 1775-1815*, published in English by Harvard University Press, 1975; several of the quotations in this article are from Bolkhovitinov's compilation.

Investigative Leads

Did central banks silence P-2's Calvi?

by Umberto Pascali in Rome

On the morning of June 18, a London worker found, hanging on a scaffolding under the Blackfriars Bridge, two steps away from the City of London, the dead body of Roberto Calvi, the president of Italy's biggest private bank and a key figure in the P-2 scandal that has rocked Italy for the past year. In Calvi's pockets, Scotland Yard reported, were 10 kilos of stones—put there as a Mafioso "message": This is what happens to those who betray their "friends."

So ended the career of the powerful head of Banco Ambrosiano, whose name was associated with convicted Mafia financier Michele Sindona. As a member of the Propaganda-2 (P-2) masonic lodge which ran Italy's drug-and-dirty-money networks, and which mounted coup plots against the Italian government, Calvi took with him to the grave some of the best-kept secrets of Rome, Geneva, and London.

London authorities are now trying to sell the idea that Calvi killed himself. But on the front pages here is the story that Calvi "had to die" because he was about to reveal what he knew about the Grand Mother Lodge of London, of which he was a member, and its relationship to P-2.

Members of the Grand Mother include the most important bankers in the City and top aristocrats; the Grand Mother is probably the most important single lodge of the Scottish Rite Freemasons (headed by the British Royal Family) and is believed to be the center of a central bankers' network, encompassing the Bank of England, U.S. Federal Reserve, Bank of Italy and others.

The Italian police have asked British authorities to start an investigation of whether the City harbors a center for the recycling of money coming from Italy, and perhaps other countries—money collected through kidnappings and drug traffic.

This information was revealed in the Communist

Party-linked Italian daily *Paese Sera*, which adds that in 1979 the Milan magistracy had uncovered one such operation in London that was recycling dirty money. *Paese Sera* mentions in connection with Calvi one Italian Mafioso named Pierluigi Rotti, who in the early 1970s had built in London an empire of instant banks specializing in recycling dirty money, under the apparent protection of the British authorities. *Paese* concludes that after all "the Mafia is nothing but the violent instrument of other powers."

EIR's own investigation into the Calvi murder points to the all-important Hambros bank, which had extensive financial relations with Banco Ambrosiano and on whose board sits none other than former Foreign Minister Lord Carrington, who still runs Thatcher's foreign policy. Another suspect is the Duke of Kent, head of the London Freemasonic organization.

Just before his flight, Calvi was reported as saying: "I'm not a P-2 man, I belong to the real freemasonry, that of the Duke of Kent," indicating Calvi sought protection in London after he had received threats on his life.

Calvi disappeared from Italy exactly one week before his body was found. According to investigators, Calvi had left Rome for Venice accompanied by a person linked to international drug trafficking; from Venice he reached Vienna and then presumably Switzerland, where he apparently received a bagful of explosive documents on the Grand Mother before his arrival in London. After his death the bag disappeared.

At the time of his death, Calvi was scheduled to be interrogated in just a few days by Italian magistrates (prosecutor-judges) in connection with Calvi's appeal of his conviction on charges of illegal currency export. Sources here say Calvi, on the edge of a nervous breakdown, had recently met with Bettino Craxi, boss of the Italian Socialist Party (PSI). Immediately thereafter Craxi told his close collaborators of his alarm about the banker's "psychological fragility," and his fear that Calvi could no longer keep a secret.

Already when the P-2 scandal broke out last year, Calvi had confessed, among other things, that he had illegally funded Craxi's PSI to the tune of 21 billion lire at the direction of the P-2 lodge.

At that point Craxi started a loud campaign against the Italian magistrates, whom he accused of "police brutality" in their interrogations. He also suddenly demanded changes in the Italian constitution to limit the "excessive" power of the magistrates.

During the same period, banker Calvi admitted, "I am a member of the Grand Mother Lodge of London because [P-2 Grandmaster] Licio Gelli and Umberto Ortolani persuaded me to join. If I had disobeyed those orders, I could not have done business in the City of London."



Roberto Calvi's topmost controllers seem to have been in Great Britain.

Later, under questioning by a parliamentary committee, Calvi said he was forbidden to speak further on the London lodge. "I received death threats," he said. "I don't want to end up dead."

One theory here, put forward by the London correspondent of *Il Giorno*, is that Calvi became "the most important victim of the Falklands War." The journalist claimed Calvi was involved in financing the Argentine junta to the tune of 2 billion lire through Banco Andino.

Another version, put out by the Communist Party paper *Unità*, is that Calvi, after realizing that his Banco Ambrosiano was going unavoidably bankrupt, "decided to go secretly to the Grand Mother Lodge to ask for help. It is possible that, having gotten a refusal, he might have threatened to reveal the many secrets he knew. At that point the killers entered the action."

Calvi's testimony might well have shed a dramatic light on Italian magistrates' current investigation of the Bank of Italy. On May 28, Judge Raffaele Bertoni, a member of the highest body of the Italian magistracy, accused the central bank of covering up "illegal financial activities in the Italian banking system"—the recycling of drug money. For many years, Bertoni said, the Bank of Italy has "favored the parasitical and unproductive emergence of a certain powerful faction, with consequences that are before everyone's eyes."

The "powerful faction" to which Bertoni was referring is, of course, the P-2 Banco Ambrosiano group centered around Calvi.

Will the PRI listen to labor?

Old timer CTM leader Fidel Velásquez is making IMF-style austerity the issue, under pressure from his base.

In late June, top labor leaders of the Confederation of Mexican Workers (CTM), led by Fidel Velásquez, paid a visit to Mexican President José López Portillo to present the following demands: reduce interest rates, put an end to the "dollarization" of the economy, and halt capital flight. The Mexican President told them that it was no longer up to him to fulfill their demands but up to the incoming administration.

In the period before the July 4 elections, a period characterized by political instability, Mexico's organized labor has been the sole force among Mexican institutions to systematically reject the attempts by the International Monetary Fund and Bank for International Settlements to impose a monetarist anti-industrial economic model upon Mexico.

On June 16, Porfirio Camarena Castro, a Mexican congressman and economic adviser to the CTM, made the anti-IMF point with particular vehemence. "Labor would absolutely reject Mexico's getting credits from the IMF. We would rather go and seek credits from the socialist bloc," he said. Camarena recalled that in 1976, when Mexico signed a letter of intent with the IMF, the Mexican government was forced to freeze wages and pledge to reduce population growth. Mexico currently has no agreement with the IMF, but is being told by some international bankers that it will

have no choice but to go the IMF by late summer as the current credit squeeze tightens.

The CTM attacks against austerity and monetarist policies have been backed with specific programmatic demands. One of the key issues that the Confederation of Mexican Workers labor Federation has pushed for is exchange controls as an immediate measure to stop capital flight.

What has most affected Mexico are the U.S. Federal Reserve policy of high interest rates and the collapse of the international price of oil. The government has already been forced to cut or "postpone" development projects. In mid-June, plans to build a second nuclear complex were canceled, and a week later the postponement of the construction of two petrochemical plants on the Gulf of Mexico—Laguna de Ostión and Altamira—was also announced. These two plants were part of an ambitious long-term project which includes the creation of new "port cities" to be populated by skilled workers.

The IMF policies that the CTM characterized as being "against our nation's most fundamental interests" are in fact in their first phase. This is widely referred to as "IMF without the IMF," and is compared to Brazil's similar approach beginning in 1980.

The lack of immediate response by López Portillo and the official PRI party—best shown in López

Portillo's response to the CTM—is not only endangering the old government-labor alliance but is also threatening the basis of 50 years of political stability.

The backers of the IMF-style "through the wringer" austerity push are correspondingly picking up attacks on the CTM structure. A particular target: Joaquín Gamboa Pascoe, head of the Senate and Fidel Velásquez protégé. Gamboa got double-barreled treatment in late May when a plane he was riding in on the way back from U.S.-Mexico interparliamentary meetings in California was reported to have contained undeclared import items, and when labor unrest in a Mexico City union under his ultimate supervision led to two deaths.

However, high-profile CTM mobilization put an end to the scandal-mongering. Furthermore, Velásquez stated June 12: "... It is a pity that we live under a rule of law. Otherwise I would tell you that the CTM will finish off all the enemies of the Revolution once and for all."

After referring to the present period as key for the future of Mexico, Fidel Velásquez added: "We are willing to show our faces, and if necessary give our lives to defend our constitution and the integrity of our institutions."

The CTM announced a mass rally of 2 to 3 million workers in Mexico City for June 28 to conclude the electoral campaign of PRI presidential candidate Miguel de la Madrid Hurtado with a show of force. Political observers here believe that the CTM leaders will not be able to hold together their labor base behind the PRI in the future if the PRI and de la Madrid ignore their demands.

The 'mosaic' of Father Riquet

A Jesuit spells out his version of a plan for carving up Lebanon, Jordan, Iran, and Iraq—using Swiss cantons as a model.

What does Israeli Minister of the Interior Joseph Burg have in common with Henry Kissinger, Prof. Bernard Lewis of Princeton University, and the Prophet Isaiah?

According to the French-based Reverend Father Michel Riquet, S.J., all three find agreeable his plan to carve up the Middle East into theocratic "nations" organized along the model of the Swiss cantons.

Under circumstances less extreme than the Israeli onslaught into Lebanon or the orchestrated spread of Islamic fundamentalism throughout the Middle East, one might be tempted to shrug off such proposals as the fantasies of an oligarchical elite that has lost touch with strategic reality. Unfortunately, such discussions have become so commonplace as to warrant closer scrutiny.

No matter how much a Father Riquet might now claim to be appalled by the regime of Ayatollah Khomeini, it remains a fact that the barbaric regime in Iran is the outcome of the experiment in theocratic rule concocted by British national Bernard Lewis and Lord Caradon, the foremost authority on Jerusalem for British intelligence, among others.

At his Jesuit seminary on the Rue de Grenelle in Paris June 11, Father Riquet described to *EIR* how his idea for a "global solution" in the Middle East had come to him during one of his many

visits to Switzerland.

"The West Bank could have a status like the Swiss canton, in association with Jordan, Egypt, and Israel. In Lebanon, the Christians, Druses, and Shiites would each also have their own canton." What about Kurds? "Yes, we should also have a Kurdish canton, which would be partly in Iran, partly in Iraq."

"My friends in Lebanon," he said, referring to the Israeli proxy Maj. Saad Haddad, Christian militia leader in the South, and to Bashir Gemayel of the fascist Falange, "call this 'the United States of the Levant.'"

Israeli Defense Minister Ariel Sharon is known to be operating on precisely this sort of blueprint for destroying the nation-states of the Middle East, and installing a Maronite Christian entity in southern Lebanon, a Shiite entity in Tyre, and a Falange entity in and around Beirut (see *EIR*, June 22).

Father Riquet first came to *EIR*'s attention in April 1981, when he co-signed an appeal on behalf of Lebanese Christians with Marie-Madeleine Fourcade, a World War II leader of the British-run "Alliance" segment of the French resistance.

What made the appeal interesting was its suggestion that the evil Knights of Malta "organize an international brigade to liberate Lebanon." A member of the Order of the British Empire, Riquet also col-

laborates with the Grande Loge Nationale de France, the only Masonic lodge in France officially recognized by the mother lodge of England.

Like most representatives of the European oligarchy, Father Riquet expresses a thorough disdain for the United States.

"A lot of Lebanese Christians view American policy in Lebanon with suspicion. The United States is accused of having tried to use Lebanon to resolve the Palestinian problem by favoring Christian emigration."

Riquet's proposal has been in the public domain since the publication of his article in the June 1980 issue of the *Revue des Deux Mondes*. There, he wrote that "the Middle East has always been a mosaic of different ethnic and religious communities," but a "global solution" is possible "inspired by the model of the Helvetic Republic." In Switzerland, each canton is a sovereign state, organizing its own law-enforcement, education, and participation in the defense and diplomatic representation of the confederation.

In a bloody caricature of this model, the canton formula "would enable the Christians of Lebanon, just like the Druses and the Sunni, Shiite, or Alawite Muslims to each have their own canton. . . . The same formula would enable us to give the Palestinians of the Gaza strip as well as the West Bank, i.e., of Jordan, the possibility of governing themselves in the same conditions as a Swiss canton, within a confederation with Egypt, Jordan, and Israel. "With Jerusalem as the federal capital, this would finally realize the wishes of the Prophet Isaiah."

International Intelligence

Schmidt warns of regional wars and economic danger

West German Chancellor Helmut Schmidt told the federal parliament June 24 that world peace is threatened by regional conflicts including those in the Falkland Islands, Lebanon, Iraq-Iran, the Mideast in general, Poland, and Afghanistan. Each of these situations has the potential for a superpower confrontation, he said. The second threat comes from the "economic recession" which, he said, is weakening the West and particularly the developing sector.

U.S. interest rates, he said "are higher than ever since the American civil war" and are "a decisive factor responsible for the world economic recession." Schmidt lashed out at the latest U.S. effort to quash the European-Soviet natural gas pipeline deal, saying that West Germany had agreed at the Versailles summit to restrict loans to the East, "but what should not happen, and what will never find our approval, is a trade war against the Soviet Union. We will never participate in a trade war, because this would mean a revival of the cold war." The Soviet economy is not on the verge of collapse, he said; and if sanctions are imposed against it, it will only step up its own efforts, especially its military efforts.

French again rebuff anti-LaRouche slanderer

The effort by pro-dope Dr. Claude Olievenstein to reverse a libel judgment against him by the European Labor Party (POE) was denied by the Court of Appeals in France on June 23.

Olievenstein had been found guilty by the 17th Correctional Court in Paris on Jan. 11, 1982 for referring on a radio show to the POE, headed by associates of *EIR* founder Lyndon LaRouche, as a "Nazi grouplet." The POE had attacked the pro-drug stand of Olievenstein, an

adviser to French President Mitterrand, during the Socialist's campaign in the 1981 presidential election.

In coming to its decision, the court noted that the use of the term "Nazi" "... undermines the honor and the consideration of the European Labor Party by making it the heir of the Hitlerian Party." Since a libel charge in France can be countered by an appeal to the truth, the court had considered the writings of the POE, and found that they "contain severe criticisms of Zionism or the policy followed by governments of the state of Israel. But this is different from anti-Semitism and can even less be proof of ideological affiliation with Nazism."

The POE won a similar libel case last year against the *International Herald Tribune*. This is thus the third time that a French court has rejected the slander, known to have originated with the Anti-Defamation League in the U.S., that LaRouche and his associates are "Nazi anti-Semites."

Tokyo: Hitachi sting 'politically motivated'

The FBI's "sting" operation against Japanese industrial giants Hitachi and Mitsubishi—in which employees of those firms are charged with offering to buy technological secrets "stolen" from IBM—is certain to aggravate already tense relations between Japan and the United States.

FBI official Tom Anderson told *EIR* he was "virtually positive" there had never before been an industrial espionage case against a non-Soviet-bloc country.

The Japanese government has already announced it will not extradite the suspects to the U.S. because the FBI's entrapment tactics—similar to those used in Abscam—are illegal in Japan except for narcotics cases.

Moreover, many of the Japanese newspapers are raising the issue of whether the entrapment was a "politically motivated" attempt to embarrass Ja-

pan at a time when trade relations are already tense, particularly in the high-technology field. An official at the U.S. Trade Representative's Office told *EIR*, "The incident can't help but adversely affect Congress's thinking about Japan when they consider trade legislation." Japanese sources have speculated that this was the intent of the operation, as well as giving Washington more leverage in direct negotiations. U.S. Attorney Joseph Rusionello insisted to the press that "there was no coordination between the investigation and ongoing trade negotiations," but the suspicion of conspiracy remains widespread in Japan.

The FBI affidavit and an Hitachi spokesman both agree that the alleged offer by Hitachi for more than \$600,000 for IBM technological secrets occurred in response to initiatives to "sell" the secrets by an FBI dummy corporation named Glenmar Associates. The FBI version states that the FBI began the case after it was informed by a former FBI agent working for IBM that IBM materials were known to be at Hitachi offices. There is reason to suspect, however, that this initial incident may also have been the result of a "sting" operation set up by the FBI.

Indonesian Minister: China 'biggest threat'

In an interview published in the June 28 international edition of *Newsweek* magazine, Indonesian Foreign Minister Kusumaatmaja Mochtar criticized U.S. policies in Southeast Asia as "too simple," indicating instead that all the countries of the region "agree that ultimately the biggest threat [to sovereignty] is China." Mochtar's statement was aimed at widespread efforts by the U.S. State Department to project Vietnam as a threat to the region's security.

While Mochtar's warnings did not make the pages of U.S. papers, what did make news was the coming into existence of the "Kampuchean government in ex-

Briefly

ile," bringing the three rebel groupings operating outside Kampuchea under one umbrella under Chinese sponsorship. While onetime Kampuchean head of state Prince Norodom Sihanouk was declared President, the Khmer Rouge rebels who under Pol Pot's direction conducted genocide against the Kampuchean people in the 1975-79 were awarded responsibility for foreign affairs. The remaining rebel group, headed by Son San, was given the Prime Ministership.

One of the reasons the rebel coalition was put together by the Chinese is that the Pol Pot group is losing international support quickly. Several European governments have indicated in recent weeks that when the vote for recognition of Pol Pot as the legitimate government of Kampuchea comes up this September at the United Nations, this time they may not vote for it. However, the U.S. State Department promptly greeted the formation of the coalition-in-exile as a "positive step."

Lebanon: Israel's 'Vietnam War'

Predicting "a deep-seated eruption of the Jewish conscience," Lyndon LaRouche issued a statement on June 21 on the Israeli invasion of Lebanon. It examines how Germany was ruined in the 1930s and 1940s and America was ruined with Vietnam, to pose the question: "Shall Israel continue to be essentially a mere British-Hapsburg puppet, a present-day tool of the same oligarchical forces which deployed Adolf Hitler's Nazis?"

Excerpts follow:

Unless a truly Jewish solution for the Israeli crisis of the Middle East can be found, a solution consistent with the morality of Jewish humanist culture over centuries, every Jew in the world dies a bit when he or she thinks of a cellar in Tyre piled six feet high with lime-sprinkled masses of Palestinian men, women and children, all in such a mass grave. . . .

. . . German republican nationalism

was virtually destroyed (down to the present day) by means of the substitution of "German blood" for "German culture." To argue that the German Jew, the epitome of German culture, was not German on grounds of [Averell] Harriman's favorite eugenics-doctrine, was to repudiate German culture (and German republican nationalism) just as much as substituting "Jewish blood" for Jewish culture obliterates the real existence of the Jew. . . .

Is not the Arab human? . . . You wish to say Arafat is some sort of criminal; to his people, he is a patriot. . . .

Let Israel recommit itself to the Jewish heritage of the [12th-century] Iberian renaissance, by becoming a leading and faithful spokesman for those conditions of rationality and material security most desirable in a neighbor. . . .

Then, Judaism may walk with restored honor among the peoples of the world.

The full text of the document, titled "Lebanon: Israel's 'Vietnam War,'" is available from *EIR*.

U.S.-Israeli relations: a little allegory

At a recent gathering of sages, one pondered aloud at the chutzpah (gall) of an Israeli who claimed that his country is now the only friend of United States. "It's simple," the elder said. "It's like the friendless, unmarried woman who never had any suitors because she emitted a stench so rank no one could bear come near her. Her luck seemed to change, however, when she met a man with no olfactory sense. They married.

"Within a week, the neighbors on the new couple's block departed; the man's faithful dog left home; the garbage man refused them service, and the groom's mother renounced her only son. Perplexed, the husband turned to his wife in despair.

"'See,' she said, 'I'm the only friend you have left.'"

● **ADEEB DAWISHA**, The chief Middle East expert at the Royal Institute for International Affairs, told *EIR* June 25 that "America needs a good jolt" and that this should be accomplished by a total break of the Arabs from both superpowers, but particularly from the U.S., while Britain picks up all the pieces left in the wake of the American collapse. "The mood in the Arab world is that the Soviets are letting the Arabs down, while the Americans are totally with Israel," Dawisha asserted. "The British and the French will now try to move in to fill the vacuum, although the British have the inside track. The oil-rich Gulf countries cannot for much longer keep their dependency on the U.S., given the present situation, and the Soviet option is untenable. So, Europe is the best compromise."

● **THE GREEN PARTY** in West Germany is not left-wing but right-wing in its ideology, and believes in "blood and soil" like the Nazis. This is the conclusion of a study produced for the Social Democratic Party's parliamentary caucus, due to be published soon. It was based on an analysis of more than 300 speeches given by Green deputies in various state and local parliaments.

● **FRANÇOIS MITTERRAND** signed a petition, published in the Montreal paper *Le Devoir*, in support of terrorist Francesco Pireno, who the Italian government has unsuccessfully sought to have extradited from Canada for participation in the kidnaping and murder of former Italian Prime Minister Aldo Moro in 1978.

● **A WINDOW** in the press office of the Navy Ministry building in Buenos Aires, Argentina, we are told, has sported a sticker that reads: "Honk if You Hate Haig."

What Harriman has in store for Democrats

by Barbara Dreyfuss and Kathleen Klenetsky

The big question facing the Democratic Party as it enters its midterm 1982 convention in Philadelphia is whether there will be anything "democratic" left of America's largest political party.

W. Averell Harriman, the former New York governor and promoter of Anglo-Saxon racial supremacy, is attempting to dictate to every Democratic office-holder and candidate the same "Global 2000" policies that U.S. voters rejected in disgust when they turned Jimmy Carter out of office in November 1980. His wife Pamela Harriman's political action committee (PAC), Democrats for the '80s, headquartered at the Harriman mansion in New York, designed the issues papers which will be given to delegates arriving at the convention June 25. The papers were then written by a group of nominally separate PACs and think-tanks whose key figures circulate interchangeably. This Harrimanite brain trust, described by a Democratic congressional staffer as "incestuous," was behind the resolutions on policy sent out earlier to convention participants.

According to Peter Fenn, director of Democrats for the '80s, the Harriman PAC "realized a few months ago that the Democratic National Committee was not prepared to do the briefing book for the midterm convention, so DNC chairman Charles Manatt told us 'go ahead, you have my blessing.' In January we pulled together the leading experts in the Democratic think-tanks such as the National Policy Exchange, Brookings, the Center for National Policy, and some former Democratic office holders. We met with them and delegated them to draw up, on 20 issues, a list of options."

Fenn continued: "We ran them by Cyrus Vance and others. Governor Harriman went over them."

Charles Manatt, the Democratic National Committee chairman, is understandably nervous about charges that he is forcing Democrats to swallow austerity policies which will be catastrophic to the party's traditional base. "These drafts are not party dogmas," he told a reporter, "nor an attempt to rewrite our party's platform. They are part of the continuing dialogue about our future now going on among Democrats across the country."

But excluded from this "dialogue," if Manatt and Harriman get their way, will be the one significant PAC that has denounced the Harrimanite proposals as "Anglo-Saxon racist" and offered alternative resolutions. As we go to press, Lyndon LaRouche's 15,000-strong National Democratic Policy Committee has been denied convention credentials, and LaRouche, who ran for the Democratic presidential nomination in 13 state primaries and catalyzed opposition to Carter at the 1980 Democratic convention, has been denied the right to speak.

In June, the NDPC formally submitted to the Democratic Policy Council a draft convention program, titled "Halting and Reversing the New 'Herbert Hoover' Economic Depression." The 25-page document outlines LaRouche's anti-depression program and hits hard at the necessity for the United States to recover the "American Century" outlook developed at the close of World War II by Franklin Roosevelt for replacing British colonialism with high-technology industrialization of the underdeveloped sector.

The NDPC is urging delegates to fight for a resolu-

tion that the policies of "population control, immigration restriction and the blockage of the Third World's just aspirations to technological progress and full economic equality with the advanced sector nations" endorsed by the Harriman nexus are "totally incompatible with the principles of the Democratic Party." The resolution calls on Averell Harriman to renounce his associations with such racist policies, or resign from the party.

Particularly at the site of the convention, Philadelphia—where NDPC-backed gubernatorial candidate Steve Douglas polled 35 percent of the vote in the May 18 Democratic primary—Manatt's attempted shutout of the NDPC is an explosive move, with the potential of becoming a party-wide scandal. Much of the Douglas vote came from black and Hispanic voters who will be disenfranchised by the Manatt-Harriman policies of reducing dark-skinned populations, to be enforced in the developing sector by NATO conventional wars, and in the U.S.A. by the high-interest-rate regime of Paul Volcker, whom the Democratic National Committee refuses to attack. These policies, the NDPC points out, are all an outgrowth of the now-notorious *Global 2000 Report*, commissioned by the Carter administration, which suggested that the alleged problem of limited resources could be solved by reducing population by 2 billion people by the year 2000, particularly in the part of the world below the Tropic of Cancer.

In addition to Pamela Churchill Harriman's Democrats for the '80s and the PACs named by Peter Fenn, the *Global 2000* cabal can be found in the Democratic National Committee's National Strategy Council and the party's Economic Opportunities and Growth panel. Charged with pushing the program in the Senate are Democrats Gary Hart of Colorado and Bill Bradley of New Jersey, and in the House, Tim Wirth of Colorado and Richard Gephardt of Missouri.

A survey of these groups reveals that they are all Harriman fronts. One name that shows up often is former Secretary of State Cyrus Vance, the Harriman protégé whose State Department prepared the *Global 2000 Report* and who helped the Ayatollah Khomeini into power in Iran, in order to implement a "dry run" of the Report's recommendations. Others include Trilateral Commission member and AFL-CIO president Lane Kirkland; Representative Gephardt, who recently told *EIR* he works in close coordination with Volcker's Federal Reserve; Felix Rohatyn, the investment banker responsible for gutting New York City's industrial base; Stuart Eizenstat, who designed Carter's economic policies; and Gary Hart, whose economic adviser is a member of the "limits to growth" Club of Rome.

Carter veterans including Vance, his successor Ed Muskie, former Treasury Secretary Michael Blumenthal, former Labor Secretary Ray Marshall, and former White House counsel Lloyd Cutler (now out to junk the U.S.

Constitution), who created the Center for National Policy. "These people do a lot of different things under different hats," said an aide to Gephardt. "They are like bees flitting from one group to another."

After the midterm convention, the DNC plans to inundate Democrats with policy papers and forums, as do the numerous Harrimanite front groups. "We hope by 1984 to have a consensus on policy which can then become national policy," gloated Ted Van Dyck, director of the Center for National Policy. But a scan of the resolutions submitted by the Harrimanite cabal reveals a policy around which no consensus could possibly develop unless party members are brainwashed en masse or driven out.

The Harrimanite resolutions

The **foreign policy** document to be voted on at the convention adds up to an unqualified endorsement of transforming U.S. and NATO military capabilities into an instrument for massacring the populations of developing nations. "Internationally we are faced not only with Soviet military power, but also with intensified economic competition, resource shortages and cartels, spread in nuclear weapons capabilities, starvation or poverty of half the world's population, and burgeoning demands upon the environmental heritage of humanity. . . . All of these are threats to our national security and explosive challenges to our way of life. . . ."

"America's foreign policy must address as well the global problems of environmental deterioration, hunger, and rapid population growth. . . . America's long-standing leadership in confronting the population threat should be maintained."

Other DNC resolutions call for:

Legalized murder in the name of **health care**. The DNC draft resolution on "Investing in Our People" proposes that "The problems of our health care system pose continuing challenges to the Democratic Party and to the nation as a whole. We must find new, creative incentives to reorient health care instead of treating sickness. We must pursue an aggressive program for restraining costs." These solutions, whose leading spokesman is Senator Ted Kennedy, involve denying medical care to the elderly, poor, and handicapped and restraining costs by inflicting "death with dignity," on the Nazi model of doing away with "useless eaters."

Labor policy can be summed up as sacrifice. "In every period of national challenge in our history, the American people have been willing to sacrifice for the common good so long as they understood the sacrifice would be fairly shared. We must launch a national commitment, building on a partnership among government, business and labor to invest in our future growth and productivity." Securing labor's cooperation through a Mussolini-modeled corporatist apparatus,

the Harrimanites intend to impose drastic cuts in real wages, give-backs in benefits, and other sacrifices.

Various proposals are being circulated on how to restrain wages:

- James Tobin, Nobel economist and co-chairman of the National Policy Exchange's policy advisory board, advocates "getting rid of Davis-Bacon, zoning and building codes, and continuing deregulation, particularly in transportation and trucking."

- Barry Bosworth, Director of Carter's Council on Wage and Price Stability, suggests in a Center for National Policy study issued last fall, in addition to mandatory wage controls, eliminating multi-year union contracts and cost-of-living escalators; outlawing strikes; and abrogating existing contracts.

- Several Democratic "experts" are promoting a tax-based incomes policy (TIP), which would penalize wage hikes above a certain level by imposing additional taxes on both employer and employee.

- Paul Jensen, executive director of the National Policy Exchange, is one of many DNC advisers who advocates setting up a national tripartite board to coordinate wage restraints.

Investment policy is devoted to the post-industrial era. The draft resolution acclaims "industries like computers, communications, electronic components, aerospace, pharmaceuticals, fiber optics, and data base management." This section of the DNC's economic policy resolution is a declaration of war on the country's basic industrial infrastructure, which is to be replaced by a post-industrial "information economy." In this respect, the resolution mirrors the "National Agenda for the Eighties" issued by the Carter administration.

Lester Thurow, also a member of the DNC's Economic Priorities Panel and a favorite spokesman for the Center for National Priorities argues against attempting to prop up what he calls "dying industries" such as basic steel, on the grounds that the props "will only prolong the pain. *Whatever government does, they will in the end die.*"

The **energy policy** is "conservation, insulation, retrofitting factories, and power plants; through production and development of our coal, oil, and natural gas resources; through the creation of new industries for synthetic fuels; and in the technological miracles that American genius can create in solar power; geo-thermal energy, wind power, biomass and other new forms of energy. Energy conservation is the people's energy source," says the DNC draft resolution, ruling out nuclear and fusion energy. Already, an estimated 115 million people in the developing sector have died since the 1960s because the advanced sector, especially the United States, has put the brakes on nuclear-power development. Calling conservation "the people's energy source" is like saying that hunger is the people's food.

Editorial Comment

Hinckley decision is license for assassins

by Lyndon H. LaRouche, Jr.

John W. Hinckley, Jr., a highly-trained assassin apprehended in the shooting of President Ronald Reagan and others, has just been awarded a legal slap on the wrist. He has been exonerated on a plea of legal insanity.

This is not merely a monstrous miscarriage of justice. It is, plainly and simply, an invitation to every pot-smoking scoundrel with a mental-illness-treatment-record to make himself a national celebrity by taking a pot-shot at some prominent political figure.

I am not interested in what the jury did or did not think. The jury was, overall, a typical street-corner audience standing fascinated, watching a shell-game run by the federal prosecution. The jury guessed where the pea was hidden; naturally, as the decision shows, the suckers bet wrong, as usual.

How the shell-game was rigged

From my knowledge of the Hinckley case, the prosecution and defense teams in the court case were both effectively orchestrators of Hinckley's "insanity" defense, with the principal psychiatric witnesses for both sides drawn from the same orbit: the interconnection of the World Health Organization, National Institute of Mental Health, and directly or indirectly interfacing the same Walter Reed Hospital at which one among the jurors was a psychiatric researcher.

More important than the "dog and pony show" features of the courtroom-debate on psychiatric interpretation was the manner in which that sideshow was rigged. Hinckley was presented by the prosecution as a "lone assassin," and therefore the jury was not given the mass of facts indicating that Hinckley was a highly-trained potential assassin and that strong indications of a "Manchurian candidate" case had been developed during the investigations.

Especially significant is the fact that Hinckley's psychiatric treatment in Colorado tracked him through institutions which are known in the psychiatric literature as authorities on the subject of techniques for creating "Manchurian candidate" varieties of assassins. This is especially significant when compared with the fact that a number of persons constituting a "threat-potential" against the President during the same period as Hinck-

ley's shooting-attack also operated under the same "Jodie Foster" scenario-motivation as Hinckley. It appeared as if some team of evil psychiatric networks had been stamping out "Manchurian candidates" with the clinical equivalent of a mimeograph-machine.

The problem of public policy on 'insanity'

The key problem of public policy posed by the "insanity" plea in the Hinckley case is a fundamental distinction which neither the prosecution, the defense nor the psychiatric specialists are indicated to have presented to the court or jury. In a case such as Hinckley's reported syndromes suggest, we must determine which of three principal categories of mental disorder are involved. Does the derangement of the subject's mind indicate merely possible "insanity," or does it signify either "criminal insanity" or simply a case of a "criminal mind"?

A "criminal mind" is typified by the case of a person who is not insane in respect to recognition of real events and social processes around him, but who is morally insane: who believes, emotionally, that he has the right to kill, steal, and so forth. . . . With this type, justice demands something approximate to tossing the convicted perpetrator into a maximum-security center and throwing the key away.

The "criminally insane" perpetrator is an insane person whose insanity involves a recurring compulsion to commission of criminal acts. By "insanity" we mean not only an incapacity to perceive physical or social reality in a "normal" fashion, but that he mixes up real and fantastic images of real experiences in the manner we associate with systematically generated delusions.

The best illustration of such a "criminally insane" person is the mental case of whom his psychiatrist writes something such as, "Subject will almost certainly attempt to kill his father if released."

This sort of perpetrator, unless cured, should never be released from maximum-security custody.

The third category is the case of the victim of a deluded composition of judgment, in which the insanity does not subsume a persisting or recurring impulse to perpetrate actions which the sane world knows to be felonious injury to other persons or himself. In such a case, the person's delusion-twisted lack of perception of reality may cause the person to perpetrate a criminal act, but sometimes without a criminal intent.

Today, especially during the post-war period, this problem of public policy has been compounded, chiefly as a result of the work launched by the London Tavistock Clinic under the co-direction of the late Brigadier Dr. John Rawlings Rees and Dr. Eric Trist. Through perversion of psychiatric skills and clinical procedures for criminal purposes, there has developed a large network of psychiatrists and associated specialists who

have developed a capability for selecting human "raw material" suitable to be converted into a "programmable assassin," a "Manchurian candidate." The published psychiatric literature now bulges with clinical studies of such methods and procedures of selection, conditioning, and programing.

Hinckley passed through institutions which are integral to the production of such a specialist literature. The network producing the psychiatrists testifying in the Hinckley trial is connected to and well-informed of the clinical work being done in the area of "Manchurian candidate" programing.

The initial experimental work done by John Rawlings Rees and others, experimenting on World War I "shell-shock" cases, was greatly expanded with research into "Korean War"-style methods of "brainwashing." However, the most important technical expansion of "brainwashing" capabilities, apart from "electroshock" conditioning, has developed out of a proposal publicized by Bertrand Russell during the late 1920s. Russell proposed then a concentration on developing cheap methods of mass-drugging to be developed as a repertoire of social control over large populations.

The best-known outgrowth of Russell's proposal is the connection between work being done at both Palo Alto and Harvard during the 1950s and early 1960s, the drug- and cult-synthesizing pilot-experiments associated with Russell's accomplice, Aldous Huxley, Gregory Bateson, and Harvard's researcher Timothy Leary. Approximately 1963, the pilot-projects were deployed in the form of a mass social experiment, the creation of the rock-drug-sex counterculture, as well as a group of experimental cults, including the "Manson Family." The basic techniques are at least as old as the Phrygian cult of Dionysus, the classical model for modern international terrorism.

If a youth drops into the rock-drug-sex counterculture, especially one with a certain kind of potential associated clinically with inadequate mother-love in childhood, the transformation of the personality effected produces an individual of the sort wicked psychiatrists would scrutinize more closely, to determine whether this subject were not truly potential material for producing a programmable assassin, to behave more or less precisely as Hinckley is known to have deployed during the period preceding the attempted assassination of President Reagan. We have knowledge that at least some of the relevant facts were part of the package placed at the disposal of the FBI and prosecutors. The case as defined by such facts was not presented.

As a result of this miscarriage of justice, a new dimension of threat-potential is now unleashed against not only President Reagan, but many additional public figures. The kooks are probably already oiling their weapons on receipt of news of the jury's decision.

Clinch River Breeder under fire

A group of Congressmen took to the House floor June 16 to announce that they have joined forces with a group of organizations outside Congress to defeat the Clinch River Breeder reactor. Speaking on behalf of the group, Rep. Claudine Schneider (R-R.I.) declared, "This morning we met with the Taxpayer's Coalition Against Clinch River, an umbrella organization of public interest groups that have banded together in a common cause fighting for an end to federal investment in the Clinch River Breeder reactor. We pledged to the coalition that we would represent their cause in Congress. Underneath the opposition to Clinch River, Rep. Schneider made clear, stands a basic zero-growth ideology, the idea that new technology for energy production is not necessary because there will be no economic growth. "This year we won't be changing our basic argument—that the Clinch River project is an overpriced investment in an irrelevant technology that is based on outdated assumptions about our need for new electrical generating capacity."

The development of Clinch River is intimately tied to development of a reprocessing facility, since the plutonium needed to trigger Clinch River's breeder process is only available as a product of reprocessing. Reprocessing and breeding would increase uranium fuel supplies approximately 60-fold from present uranium available and would eliminate the problem of storing nuclear wastes since it would make all but 4 percent of

high-level radioactive matter reusable.

The coalition that has allied with the near-dozen Congressmen against Clinch River includes most of the major environmentalist groups, and unions including the Mineworkers, the Steelworkers, United Auto Workers, and the International Association of Machinists, along with the "conservative" national Taxpayers Union, which is reportedly fighting it as a cost-cutting measure.

Freeze resolution passes House committee

The resolution to freeze production of nuclear weapons won its first important Congressional test June 23 when it passed the House Foreign Affairs Committee by a 26 to 9 vote.

Sources at the Members of Congress for Peace Through Law group in Congress, an organization controlled by the liberal Averell Harriman networks, were surprised by the wide majority of the vote on the resolution, which was sponsored by Jonathan Bingham (D-N.Y.), a protégé of former New York Gov. Averell Harriman. "We were surprised by the number of Republicans [seven] who voted with us," said one spokesman for the group.

The Peace Through Law group particularly singled out for praise the work of freshman Republican John LeBoutillier (R-N.Y.), who poses as a conservative in the mold of William Buckley. LeBoutillier attended the recent invitation-only Brasserie meeting in Washington arranged by organized-crime lawyer Roy Cohn. The meeting in-

cluded a number of "conservatives" such as Cohn's friend Richard Viguerie, whose attacks on Secretary of State Haig appeared to be part of the pattern of manipulating the President into defending the worst elements in his administration.

Hotel union investigated by Senate subcommittee

The Senate Permanent Investigations Subcommittee surfaced a year-long investigation of the Hotel Employees and Restaurant Employees International Union, with two days of public hearings on June 22 and 23. The hearings, under the direction of Sen. William Roth (R-Del.) and Sam Nunn (D-Ga.), grabbed news headlines with the "revelation" by federally protected witness Charlie Allen that Jimmy Hoffa had been ground up and used as fertilizer in a Florida swamp in retaliation for mob-related activities. But the subcommittee has a longer-range goal in mind—that of adding another international union to the subcommittee's witchhunt list. In his June 22 testimony, subcommittee investigator David Faulkner noted that the subcommittee's rationale for investigating the hotel workers union came from a still secret 1977 Department of Justice report entitled, "Organized Crime and the Labor Unions," which identified the Teamsters, Laborers, International Longshoremen's Association, and the Hotel Employees as the major unions infiltrated by organized crime. The subcommittee staff was able to obtain copies of it, according to Faulkner, from "media persons who had obtained

their own copies unofficially.”

The two days of hearings, complete with protected witnesses behind screens, concentrated on locals in Atlantic City, New Jersey, and in Honolulu. The subcommittee plans to go after other Hotel locals in the fall. The international leadership of the union is expected to be brought in for questioning by the end of the year.

Hatch protects Kennedy's bioethics

With encouragement from Senate Labor and Human Resources Committee Chairman Orrin Hatch (R-Utah), the Senate Committee unanimously went on record in favor of S.2311, a funding bill which contains financing for a two-year extension of the President's Commission for the Study of Ethical Problems to Bio-Medical and Behavioral Research. The pro-infanticide Bioethics Commission was created in 1974 by Sen. Edward Kennedy, who has extended its existence every two years for the past eight years. The Senate vote took place in April, under the pretext that the administration had sent confusing signals over whether to fund the Commission.

But on June 23, a House subcommittee demolished that excuse by voting to end such funding, under very clear direction from the White House, according to sources in the Subcommittee of Health and Environment of the House Energy and Commerce Subcommittee. The same sources report that they expect the House position to be upheld with support from other Senate Republicans.

While many Republicans have

expressed concern about the commission, including a group in Congress who sent a letter to President Reagan in February warning that the commission may have a “bias in favor of the destruction of newborn children,” Senator Hatch's chief health adviser on the Senate Labor Committee, Dr. David Sundwall, assured a caller that there was no serious concern about the Commission. In an earlier discussion, Sundwall declared the he was concerned about the “terrible things” modern technology can do in prolonging terminal illnesses.

Pell and Mathias hail 'global modeling'

The International Economic Policy Subcommittee of the Senate Foreign Relations Committee held hearings on June 23 to promote a new implementation phase of the *Global 2000 Report*, which looks forward to reducing world population by 2 billion as of the end of the century. Chaired by Sen. Charles Mathias (R-Md.) and attended by Chris Dodd (D-Conn.) and Claiborne Pell (R-R.I.), the subcommittee heard from Dr. John Gibbons, the director of the Congressional Office of Technology Assessment, which has just released a new report entitled “Global Modeling, the World Future.” Also testifying were former director of the Council on Environmental Quality Gus Speth (author of the *Global 2000 Report*), and Committee for the Year 2000 member Elliot Richardson. The emphasis on global modeling was stressed previously by the Club of Rome and by Cyrus Vance's Committee for the Year 2000 as the vehicle for propelling

brutal population-reduction policies within the Reagan administration.

Pell boasted of his membership in the Club of Rome, saying that nations become like people—at a certain age, they should concentrate on “quality of life.”

All the witnesses and Senators agreed that both the administration and the Congress should use global modeling.

House subcommittee bans wilderness drilling

The House Subcommittee on Public Lands voted June 18 to ban all oil and gas drilling in areas designated as federal wilderness areas and those areas under consideration for such designation. Approximately 32 million acres would be affected by this legislation, H.R. 6542, which was introduced by Rep. Manuel Lujan (R-N.M.).

Last year Interior Secretary Watt was strongly attacked by the environmentalists and their allies in Congress for wanting to allow oil drilling in a number of wilderness areas. Watt agreed to a moratorium on selling drilling rights until the end of 1982 so that Congress could act. But the House subcommittee, under pressure from the rabid environmentalists, was not satisfied with this and after hearings on the Watt bill, Lujan introduced new legislation which would close the areas in perpetuity, unless the President, citing “overwhelming national need” decides to open them. Congressional sources expect the House to approve the measure overwhelmingly in late July or August.

National News

NDPC called in on Texas vote fraud

Citizens for Electoral Justice, an organization of Austin, Texas citizens committed to reversing the electoral fraud perpetrated in the Democratic primary runoff June 5, called in election-fraud expert Edward Spannaus of the National Democratic Policy Committee.

Spannaus was met on his arrival at the Austin airport by a group of television and radio reporters. He stated that he had come at the request of the citizens' group, which raised the funds for his trip, because of reports of fraud similar to that the NDPC is contesting in the June 8 Democratic primary there.

Spannaus told a meeting of 60 Austin citizens, filmed by television cameras, that "the combination of massive documented evidence of irregularities and violations, [in the two contested commissioners' elections], the closeness of the elections, and a snow-balling citizens' mobilization means that we have the ingredients for a victory."

Court pursues California vote fraud

Judge Lloyd Phillips of the Sacramento Superior Court ordered California Gov. Jerry Brown's Secretary of State, March Fong Eu, on June 21 to provide full answers in writing within 48 hours to the questions on fraud filed by the Wertz for Senate campaign following the June 8 California primary. Judge Phillips ordered that the questions avoided in the Secretary's inadequate earlier response, filed only 15 minutes before the hearing, be addressed. Two of the avoided questions were: how the votes were secured after the election, and whether unauthorized personnel were allowed in the computer rooms during ballot processing.

In Yolo County, home of University of California at Davis, a base of Tom Hayden's Campaign for Economic Democracy, CED-sponsored candidates

were granted victories even in rural Republican districts. The county clerk, a CED candidate, illegally altered and filed the computer election program on election day. He won his election with more than 50 percent of the vote, avoiding a run-off.

In five precincts in Santa Monica, Hayden's home base, Wertz for Senate campaign workers have already obtained more affidavits from voters who stated they voted for Wertz than the total official vote Wertz was credited with.

Georgetown conference sells Harrier jets

According to the *Washington Post* and other sources, British Defense Minister John Nott hosted a major rural "bazaar" to promote British weaponry "battle-tested" in the Falklands. Britain is also instructing its stable of "military experts" to promote the idea that the British strategic quagmire in the South Atlantic has proven that British weaponry, particularly the Harrier "jump jet," has demonstrated its effectiveness.

At a Washington seminar sponsored by Georgetown University's Center for Strategic and International Studies on June 21, Jeffrey Record, Norman Polmar, and others solemnly announced that the reliability of the Harrier was the major "strategic lesson" of the Malvinas conflict. Record made the ridiculous claim that the Harriers were superior because, out of eight which the British admit went down in the fighting, none, they claim, was lost in air-to-air combat, and four crashed accidentally, while four were downed by surface-to-air missiles.

U.S. Admiral Thomas Moorer (Ret.) pointed out that if the air forces available were reversed and, "The Argentines had Harriers and the British had A4 Skyhawks [American] and Mirages [French], the Argentines would have stayed home because the Harriers never could have made it to the Islands with any bombs."

Other speakers pointed out that it was improbable that the results of the air

battles were as unbalanced as the British claims suggest and that in any case, the Argentine air force was operating at the outer limits of its flight range and had as its primary mission the sinking of British ships, whereas the British Harriers were operating under optimal conditions and with no mission other than attacking the Argentine forces.

Texas real-estate bubble about to pop

The Houston and Dallas commercial real-estate bubble, representing both office buildings and shopping malls, worth \$150 to \$250 billion, is set to blow.

Both cities' markets have been vastly overbuilt, on the expectation that the Texas economy is immune to the collapse of the national economy. Now this is being proven wrong.

Houston, now the fourth largest office center in the United States, has gone from 30 million square feet of office space in 1970, to 116 million square feet of office space by the end of 1981. In 1980-82, Houston will have built roughly 50 million square feet of office space. This amount of space in Houston is equal to five New York City World Trade centers. Rental demand can't possibly absorb this amount of space, especially since the growth of Houston office rentals was predicated on the expansion of energy companies, the movement of company headquarters from the Northeast to Houston, the growth of Houston industry, and the movement into Houston of foreign money—all of which have come to a screeching halt.

The vacancy rate of office buildings in most of Houston, with the exception of the central business district, is a high 10 percent. But most striking is the highly speculative nature of the Houston real-estate market.

Normally, a building developer lines up leases before he builds a building, leasing 30 to 50 percent of the building. He then takes this pre-lease list to an insurance company or some financial institution and gets 10- to 15-year money

to build the project. One Houston real-estate reporter stated, "What's happened over the last year is that people are building with no prior leases or only 5 percent of the building leased up. . . . They're borrowing from the banks six-month money, paying the prevailing interest rates." These "wildcatter" developers have no collateral to speak of, so as the market goes, they will crash.

The Texas real-estate collapse will shake markets in New York and throughout the country.

Thatcher deploys U.S. for British 'codes'

British Prime Minister Thatcher admitted to *EIR* Washington correspondent Stanley Ezrol at a White House press conference June 23 that Britain was using the United States to carry out its debt-collection policy against the Third World, and that this was essentially the issue in the Malvinas crisis.

Immediately following the hour-long meeting with President Reagan, Thatcher reported that the main topic of discussion was Reagan's congratulations on the birth of the royal heir. Thatcher claimed that the only problem the United States and United Kingdom have with Latin America is with Argentina, an assumption challenged by *EIR* Washington correspondent Stanley Ezrol.

When Ezrol asked Thatcher whether a move by Latin American nations to seize British financial and other assets wouldn't destroy what little is left of the British economy, her response was: "I must say, you have a way of asking questions which is not exactly propitious."

Ezrol: "I ask questions better than you fight wars."

Thatcher: "Oh? I rather thought we had won."

Ezrol: "You lost a great deal for a battle with a Third World nation."

Thatcher: "Let me try to understand; you seem to be saying that Britain has many investments in the Argentine and elsewhere in Latin America."

Ezrol: "Which represents vulnerability for you. . . ."

Thatcher: "Well, as you know, we and the United States are trying jointly . . . to get certain international rules over overseas investments. . . . Attracting overseas investments is one of the most important goals of the Argentine, and these other countries. . . . To do that, it is necessary to try to secure greater confidence in the security of these investments. . . . One needs codes of conduct. . . ."

Breakthrough in fusion development

Dr. Bruno Coppi of Massachusetts Institute of Technology reported to the International Atomic Energy Agency plasma physics conference in Gothenberg, Sweden June 6-11 on a new theoretical breakthrough in understanding nuclear kinetics that promised to revolutionize the development of magnetic fusion energy systems and their application.

Plasma scientists have now confirmed that nuclear polarization—the parallel alignment of the axis of spin of nuclei—can be utilized to suppress undesired reactions in a fusion plasma. Specifically, those reactions producing neutrons—the source of most of the engineering and technological problems in fusion reactors—can be prevented, while the non-neutron-producing deuterium-helium-3 reaction can be enhanced.

It was previously thought that the collision of plasmas in a reactor would destroy the alignment of the nuclei; however, Coppi reported, theoretical calculations at the Princeton Plasma Physics Laboratory have indicated that nuclear polarization is maintained under magnetic plasma conditions.

The breakthrough means that the engineering and technological problems involved in maintaining fusion plasmas and extracting their energy output in a useful form can be solved more easily than the those encountered in existing fission and fossil fuel energy systems.

Briefly

● **MEL KLENETSKY**, National Democratic Party Committee-backed candidate for Senate in New York, was illegally denied convention credentials at the state party convention June 20 and 21, after party officials gave his representatives false information about the time of the credentials meetings. Moynihan won the party endorsement unopposed. Klenetsky will now seek ballot status by gathering 20,000 signatures from registered Democrats statewide.

● **AN ASTROLOGER** with an international reputation has issued a startling prediction concerning the life expectancy of a list of prominent American political figures. According to the astrologer, who has asked that her name be withheld from print, if either *EIR* founder Lyndon H. LaRouche Jr. or European Labor Party chairman Helga Zepp-LaRouche is assassinated, or the victim of an attempted assassination, a list of 13 well-known political figures headed by Henry Kissinger, Nancy Kissinger, and Alexander Haig will meet sudden death by either massive heart attacks or strokes. The astrologer declined to reveal the other remaining names on the list, insisting that most of the remaining names are self-evident to relevant parties.

● **PETER McPHERSON**, the Administrator of the State Department's Agency for International Development, told reporters June 24 that while the \$35 million requested by the President for disaster relief in Lebanon would probably be sufficient to alleviate "immediate life-threatening conditions," and begin some temporary "band-aid" repairs, it would not begin to address the long-term reconstruction of Lebanese infrastructure damaged by the invading Israeli forces.

A gathering of the depopulation lobby

by Andrew Rotstein

On the top floor of New York University's Bobst Library on the afternoon of June 14, a luncheon marked the opening of the International Urban Symposium, the Citizens' Budget Commission's fiftieth anniversary celebration.

The idea of the symposium was that mayors from such cities as London, Hong Kong, Jakarta, and Milan could "share experiences" about urban problems with New York City's austerity experts. The symposium was a follow-up to the 1980 Rome Conference on Urban Futures sponsored by the U.N. Fund for Population Activities, at which the Mayor of Milan had demanded that the cities be emptied out as the advanced sector becomes transformed into a "post-industrial society."

"No question about it," said the short man, his aging jowls flapping as he chatted with a reporter. It was Harold Gelb, a vice-chairman of the CBC and a senior partner of the giant accounting firm Ernst & Whinney. "The city's budget is unrealistic. There's no way the money's there. Yes, after the elections in November, reality will hit this city. We simply don't have the means to maintain these services; people are going to have to realize this.

"Of course we don't have the money to support so many people," Gelb continued, his cocktail dwindling in inverse proportion to his crimson complexion.

"New York City lost a million people during the 1970s," said the reporter. "How many more do you think will go? Two million?"

"No, no. Only about a million," he replied, turning toward the bar for a refill.

At the other end of the room camped beside another bartender stood Mr. Iltyd Harrington, Jr., the Deputy Mayor of London and leader of London's British Labour Party. He was asked if he too thought population was a major world problem.

"It's *the* most important problem," he said emphatically, clearing his throat with three or four more swallows of wine. "We've lost a couple of million people in London in recent years, we're at about the right level now."

"What do you think, though, about delivering services in a depression that is sapping local revenues?" the

reporter queried. "Can the population, which is increasingly black and Pakistani, be supported? Are things like hospices more efficient than hospitals?"

"Well, we do have laws restricting immigration of these people," he answered. "But, yes, we don't have the right mix. As for hospices, what you're getting at is euthanasia, isn't it? It's a dirty word, but it *is* there, isn't it? I believe the world is going to blow up anyway sooner or later," Harrington concluded, beckoning the bartender for more refreshment. "Do you realize there are going to be 6 billion people by the year 2000? Six billion! We had the right amount at the turn of the century—about 2 billion."

'It's disgusting'

After the arrival of NYU President John Brademas, a former Congressman and Rhodes scholar, and the former Mayor of New York, John Lindsay, the luncheon began. While Metropolitan Transit Authority board member Stephen Berger discoursed at one table on the necessity of ending New York City transit service to ghetto areas, another table was holding dispassionate banter on the terrible goldbricking and unproductivity of the American workforce. "It's disgusting," croaked Wassily Leontieff, the white-haired Nobel laureate.

"That's why we'll never be able to do what the Japs are doing," added Donald Kummerfeld, the former executive director of the Financial Control Board, which has dictated draconian budget cuts to the city for the last seven years. Kummerfeld moved on to become the chief executive officer of the enterprises of Rupert Murdoch, the Australian who owns the *New York Post* and is the loudest purveyor of British policy in New York.

"I just finished a study on cost-effective alternatives to incarceration," chirped an up-and-coming young think-tanker across the table, trying to catch Kummerfeld's attention. "We have some ideas that would be much more effective than Mayor Koch's Rikers Island labor camps. I'm at a place now where we're studying the planned shrinkage of the transit system. It's hush-hush, but we're projecting cutting service to various parts of the city, altering routes, etcetera."

Kummerfeld leaned over the table, interrupting the aspiring careerist. "You know, of course," he smiled, "that will mean the death of whole areas of the city. But I'll say it: the Puerto Ricans have been getting a free ride."

"Ssshhh, Don," whispered Gelb, with a chuckle. "Remember what happened to Peter Grace," referring to the Grace grain company czar who recently drew media and minority group criticism when he described the food-stamp system as a preserve for Puerto Ricans.

"I don't give a damn," snapped Kummerfeld. "I'm not running for office."

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