

# EIR

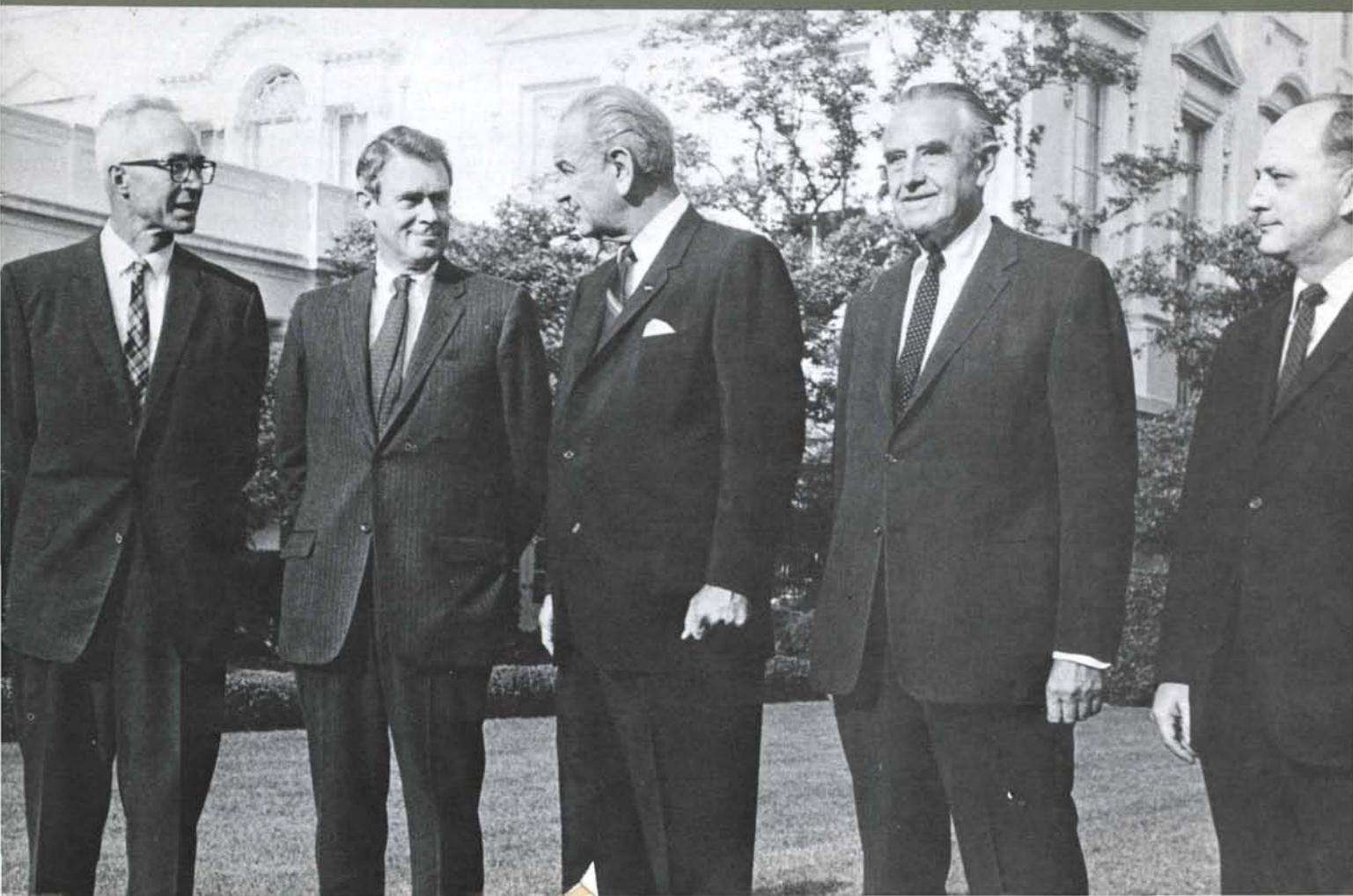
Executive Intelligence Review

September 7, 1982

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Kissinger makes dope deal over Lebanon's corpse  
Fed hyperinflates to bail out Euromarkets  
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# EIR

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# EIR

## From the Managing Editor

In this week's Special Report, Robert Zubrin assembles the evidence that the liberal Averell Harriman and his family (like the British free-traders who sponsored the Brown Brothers Harriman investment bank and the Harriman railroad interests) have been, and still are, determined to eliminate as many members as possible of the "inferior races."

It is well known that before and during World War II, for example, the U.S. State Department refused to act to save Jews who still had the possibility of fleeing to America. It is not well known, and indeed has been efficiently covered up, that the Harriman family ensured State's intransigence on this matter. Averell Harriman has continued to guide the State Department, as witness the 1981 *Global 2000 Report*, which prescribes reducing the world population by some 2 billion people over the next two decades.

By the way, it is Averell Harriman's overriding commitment to the British policy of colonialist genocide that has shaped his relations with the Soviets—first, as self-proclaimed instigator of the Cold War, when Averell and his father-in-law Winston Churchill expected to wage "preventive war" against the U.S.S.R., and wipe out that bastion of stubbornly industrialized "non-Aryans." Next, when such a war became imprudent, Averell was assigned to act as a friendly Soviet-handler. He currently sponsors the "nuclear-freeze proposal," designed to keep Moscow from strategic intervention as the underdeveloped sector is turned into an infernal battlefield for prolonged conventional wars of depopulation.

We are happy to note that not only our own readership, but a far broader audience, is receiving much of this documentation, through the efforts of *EIR* founder Lyndon H. LaRouche, Jr.'s National Democratic Policy Committee. *EIR* readers have a particular role to play, however, in bringing their influence to bear on every private organization and government agency empowered to act on the evidence below.

Why have Americans tolerated the Harrimans? This week we publish the first part of a series on the so-called entertainment industry which addresses that question. The mass media have insinuated an infantile, paranoid, degraded self-definition that leaves most U.S. citizens unwilling and unable to take responsibility for foreign and domestic policy.

*Susan Johnson*

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## The Fed's inflationary Eurodollar bailout

by David Goldman, Economics Editor

To the surprise of International Monetary Fund officials and, perhaps, those of other industrial nations, the United States will make the principal issue at the Sept. 4 meeting of the IMF's Interim Committee the *transformation of the IMF into an instrument for bailing out bankrupt developing-sector debtors*. U.S. Treasury Secretary Donald Regan will insist that the Fund be given powers to borrow very large amounts of money on the private capital markets and re-lend this money to countries in a position similar to that of Mexico, a cabinet-level meeting including Regan, Secretary of State Shultz, and Commerce Secretary Malcolm Baldrige decided the week of Aug. 16.

Although the United States, and most emphatically the Reagan administration, had opposed such expansion of IMF resources in the past, recognition that "the international monetary situation is unraveling" has changed the administration's viewpoint, according to senior officials familiar with the policy change, which took IMF staffers by surprise. The United States will maintain its "hard-line" posture towards increased financing for the Third World by opposing an increase in IMF quotas, i.e. member country contributions to the Fund, strongly urged in the IMF's Annual Report; however, the funds lent for "emergency purposes" through the new facility the United States proposes to create will be lent with the single condition that the recipient country subject itself to a Fund economic program.

### Hyperinflation to save the banks

Administration officials insisted that the new plan represented no largesse toward Third World nations, but only a

means of covering their payments to banks who might otherwise founder, as appeared likely when Mexico announced Aug. 15 that it had run flat out of cash. The model for the administration action, officials said, is the present Mexican formula: the \$2 billion in new credits and advance oil payments given Mexico by the United States and the \$1.68 billion emergency short-term loan issued through the Bank for International Settlements were made on the condition that Mexico accept IMF reorganization of its economy, including the elimination of all subsidies on domestic food and fuel prices, and a lowering of annual economic growth targets that will permanently put an end to Mexico's once-ambitious industrial development plans.

The Treasury will support the IMF's tough stance toward Mexico without reservations, officials said, even though the National Security Council will not rule out the likelihood of political violence in response to such brutal measures.

In summary, the United States will conduct a *monetary* program with hyperinflationary implications in a (vain) effort to hold the international banking system together, while pursuing an *economic* program which will ruin developing-sector economies. As *EIR* demonstrated in a June 29 survey, since 70 percent of the Mexican workforce is now employed assembling parts imported mainly from the United States, a shock-reduction of Mexican imports (which the banks have already enforced) will throw much of the industrial labor force out of work; add to this the elimination of basic subsidies, and the internal economy will disintegrate within months.

### The worst of all possible worlds

Carried past the first stage of implementation, the effort to bail out the \$1.7-trillion Eurodollar market with the \$153-billion balance sheet of the Federal Reserve System leads to classical hyperinflation. Not merely the still-forthcoming proposals of the Treasury before the IMF's Interim Committee, but the behavior of the Federal Reserve in the last month, suggests the worst of all possible worlds.

As we have repeatedly explained, the basis of the Eurodollar market is reserve-free multiplications of a relatively narrow base of initial deposits. Under conditions of feared collapse, lenders and depositors in the market unwind the chain-letter game by pulling out deposits and stopping loans. To prevent the collapse of scores, if not hundreds, of institutions on the model of the Banco Ambrosiano of Luxembourg, which defaulted on \$400 million of "interbank" debt, the Federal Reserve would have to substitute its own obligations for the lowest-quality, unbacked "bank money" in which the loans were made. More on this below.

The Fed, as Manufacturers Hanover Trust reported in a commentary Aug. 23, has already turned the pump on full. Entitled, "Concern Over the Financial Structure Prompts the Fed to Ease," the commentary read, in part:

"Despite widespread expectations that interest rates would rise in the second half of 1982, so far, at least, precisely the opposite has occurred. Fueled by a five and one-half percentage point drop in the Federal funds rate since late June, powerful financial market rallies have reduced interest rates across the entire maturity spectrum. But while undoubtedly welcome, these interest-rate declines have served to mask a continued deterioration in the business outlook. Faced with an economy yet to exhibit signs of recovery and well-publicized problems in the financial system—not to mention the soaring credit needs of the Treasury—the Federal Reserve has loosened the monetary reins. In so doing, bank reserve pressures have been eased, thereby pushing interest rates lower. . . .

"The central bank has also been generously providing reserves to the banking system. During the month ending August 11, these building blocks of the money supply expanded at a torrid 26.5 percent seasonally adjusted annual rate. This is an abrupt turnaround compared with the almost one percent seasonally adjusted annual rate of decline posted during the month ending June 30."

Manufacturers Hanover analysts guess that the Fed's behavior is prompted by the succession of financial bankruptcies—Penn Square Bank, Drysdale Securities, Lombard-Wall—that shuddered the market during the past three months. Federal Reserve officials, however, say that their principal job is to "worry about the whole financial system," which means, above all, the vulnerable Eurodollar market.

When a country like Mexico is unable to pay its bankers, that means, stripped of euphemism, that the bankers are unwilling to lend Mexico the wherewithal to pay its current interest installments, for fear of Mexican bankruptcy at some near future date. The entire Third World (with few excep-

tions) is in the same position, including Brazil with \$80 billion in debt, Argentina, with \$40 billion in debt, and Venezuela, with \$30 billion in debt. Since the entire sum of payments in question is interest—bookkeeping transactions within the financial system—it means that the banks are unwilling to generate the new bookkeeping entities required to lend Mexico the required interest through one window, and take it back through the other. All the "dollars" involved are deposit-entries at commercial banks representing a multiple of 6 to 10 times the original deposits into the Eurodollar system.

### **'High-powered money'**

When the Bank for International Settlements handed Mexico \$1.68 billion (of which \$750 million came from the Fed) to hand over, in turn, to its bankers, it substituted *central bank money*, also called "reserve money" or "high-powered money," for fictitious bookkeeping money. All central bank bailouts, including the one proposed via the International Monetary Fund cited earlier, have the identical effect: they transform the lowest-quality obligations of private banks into obligations of central banks, in this case, of the Federal Reserve.

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*The United States will conduct a hyperinflationary monetary policy to try to hold the world banking system together, while pursuing an economic program which will ruin developing countries. Banks hand a debtor the funds to pay their interest, and take it back through another window, generating a multiple of Eurodollar paper. When does the bubble burst?*

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According to Bank for International Settlements and Swiss National Bank internal estimates of the total required funds to tide the banking system over the present crisis, the central banks would have to create \$100 to \$200 billion in new "high-powered money" to cover "debt reschedulings" during the next year or so. Measured against total Federal Reserve credit, or \$153 billion as of Aug. 11, that amount is large enough to blow out the Fed's balance sheet.

That does not tell the whole story. About \$800 billion of the \$1.7 trillion in Eurodollar deposits represent loans be-

tween banks, much of it re-lending of the same original loans, but ultimately lent out to non-bank borrowers who cannot repay the principal value of those loans on demand. An informal boycott of suspect banks began with the Luxembourg-Ambrosiano affair; many foreign banks, as well as Canadian banks, are now surviving by borrowing funds from American banks at exorbitant spreads. Typically, big American banks will issue holding-company commercial paper, to re-lend the proceeds at half a percentage more interest. "We are far from the point where this banking arbitrage has reached its limits, but we are monitoring the situation daily," reports a worried Fed official. Despite the temporary solution of the Mexico program, the situation for the suspect banks is getting worse, not better. Mexico might tell the IMF, "We may not survive this crisis, but neither will you," at any moment, and there are Argentina and Brazil still to be dealt with. Even Chase Manhattan, Bank of America, and other large banks had trouble marketing their certificates of deposit upon the breaking of the Mexico crisis.

The default of a major bank, following the Ambrosiano-Luxembourg model, is perhaps even more dangerous for the market than a default of a major country, since its example would cause a general run against banks deemed similarly weak. At this point the demands against the fire brigade at the Federal Reserve would run out of all proportions, and the Euromarkets would disintegrate.

### 'Pushing on a string'

"It is impossible to tell how long we can go on creating high-powered money under conditions of debt-deflation," a senior Fed staffer commented. "Modern economic theory has no tools to deal with this; you have to move into 'catastrophe theory' to ask, 'When does the bubble burst?'" The problem is known in economic jargon as "pushing on a string," i.e. what the Fed was reduced to during the 1929-33 period: When lenders are convinced that their debtors are past saving, they will not lend no matter how much new high-powered money the Federal Reserve injects into the banking system, or how far interest rates fall.

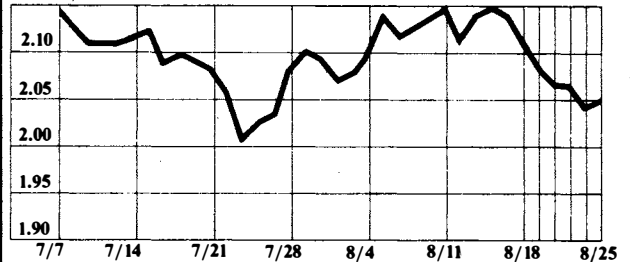
History-minded observers will not, therefore, take the central banks' commitment to "bail out the Euromarket" at face value. There is no way to stabilize the financial system without measures to revive world trade and investment, the opposite of the austerity program associated with the supposed bailout. The final step of the program would put the Fed, its balance sheet ballooned out of proportion, in the same position as Mexico, beholden to the International Monetary Fund for financial aid.

Since advisers to Secretary of State Shultz speak frankly about a change in the Mexican constitutional system, the inference is not hard to make that the authors of the bailout proposal have few illusions that it will succeed on its own terms: They expect, however, that it will give them time to flatten whatever opposition now exists to their hopes for picking up the pieces when it fails.

## Currency Rates

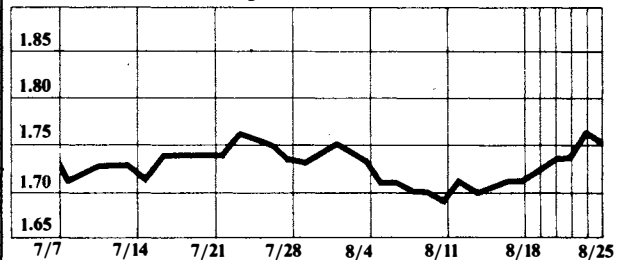
### The dollar in Swiss francs

New York late afternoon fixing



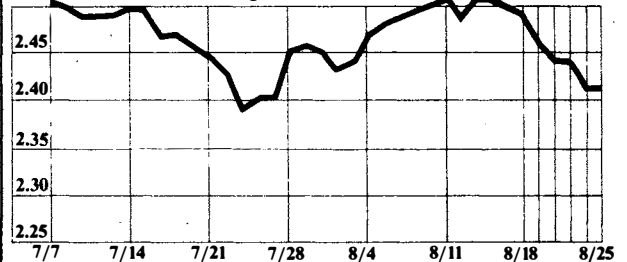
### The British pound in dollars

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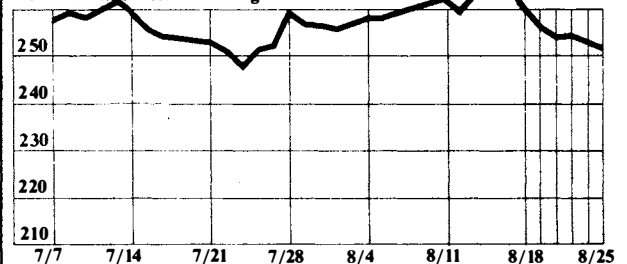
### The dollar in deutschemarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing





# Socialists' austerity won't rescue France

by Dana Sloan

France is not about to be spared the devastating effects of the international depression that some 10 years of monetary and economic folly have unleashed on the rest of the world. But it is with particular incompetence and blindness that France's political leaders, both those in the ruling Socialist circles as well as the opposition, are preparing to "manage" the crisis.

Jean Karoubi, who served as François Mitterrand's campaign coordinator in the United States and is a close friend of presidential advisor Jacques Attali, recently expressed to *EIR* his confidence that the Socialist government's "restructuring" plan for the French economy was proceeding apace, in two phases.

The first phase, which is to last until the approach of the politically crucial 1984 legislative elections, would be characterized by rising unemployment and "no free lunches." Karoubi, a graduate of the London School of Economics, and currently employed by a multinational corporation in New York, is quite blunt about his purpose in backing the Socialist experiment for France: only a fascist dictatorship or the kind of illusion of "self-management" provided by the Socialists can implement the kind of austerity that monetarists today require. Phase two, as if by miracle, is supposed to allow the Socialists to win the legislative elections by loosening up on the austerity.

Meanwhile, circles close to former President Valéry Giscard d'Estaing who have hoisted Gaullist party leader Jacques Chirac into the position of head of the opposition, are busily preparing for the day when, as they put it, the French population realizes that it has such a bad case of gangrene, that they will vote their former leaders back into office in order to "amputate."

The reality is that it is the oligarchs and bankers of the International Monetary Fund and the Swiss Bank for International Settlements that are holding the bowl in which the various goldfish, some swimming to the left and others to the right, are circling.

The effective 20 percent devaluation of the French franc against major currencies such as the dollar and Deutschmark since Mitterrand took over is beginning to have devastating effects, with worse yet to come. Fully 37 percent of the total French import bill is payable in dollars, which now have to

be purchased at nearly 7 francs a piece. In addition, many loans taken out on the international markets when the exchange rate was in the order of 4.5 francs to the dollar are now coming due, but at the new rate.

Between early May 1981, on the eve of the presidential elections and July 1982, total French exchange reserves dropped by 100 billion francs, from 363.4 billion to 263.3 billion. At the same time, French borrowing on the foreign markets has been rising at an accelerating rate: during the first half of 1982 foreign borrowing amounted to \$5.5 billion, compared to \$4.3 billion for all of 1980 or \$6.8 billion for all of 1981. The estimated balance of payments deficit for the current year will be 66 billion francs, or double the 1980 figure.

The French trade deficit has also begun to rise sharply, with a June gap of 13.2 billion francs compared to May's 3.1 billion. The cumulative deficit for the first half of the year is 43 billion francs, up from 25 billion for the same period last year.

Behind these figures is a collapse of the traditional surplus areas in French trade. For example, the agro-food sector surplus, which can usually be counted on to help "bring up the average," dropped by one-third, from 12 billion francs for the first half of 1981 to 8 billion. Investigations will probably show that this drop in the agro-food sector is attributable to the genocidal conditions being imposed on the developing sector economies.

Similarly, France's usual small trade surplus with the East bloc countries turned into a 5 billion franc deficit—a fact which might help the Reagan administration understand why France has been fighting so tenaciously to keep up its end of the Soviet gas pipeline deal, even to the extent of forcing Dresser Industries to risk the very real possibility of sanctions.

The 1981 six-month deficit with West Germany of 9 billion francs almost doubled, to 17 billion, a fact which has been the cause of much pleasure on the part of West German economists. What they haven't yet realized, however, is that the increase in imports of German goods, chiefly attributable to a consumer spending rise that followed the Socialists keeping their first electoral promises to increase the minimum wage, is about to come to a screeching halt with the wage-price controls imposed in July.

With unemployment over the 2 million mark, the social security and unemployment insurance funds are moving dangerously toward the verge of bankruptcy. In addition, this year's budget deficit will probably be double the 1981 figure of 72 billion francs, or triple the 1980 deficit, the result of not enough productive investment and too much worthless spending on such programs as the nationalization of banks and industry. In contrast, one of the first budgets to get the axe, according to French industrial sources, was the entirety of the Atomic Energy Commission's research budget for the second half of the year, a move coherent with the Mitterrand anti-industrial tendency.

# Ibero-America begins to discuss unified defense against the IMF

by Dennis Small and Cynthia Rush

Around the world, the eyes of political and financial leaders have been focused on Mexico, and its all-too-solitary battle against the International Monetary Fund. Other Third World nations, themselves bankrupt and politically far weaker than the Mexicans, nervously watched to see how much devastation the IMF would be able to wreak. British and New York bankers, on the other hand, crossed their fingers hoping that Mexico would not counter-blackmail them with the threat to cease payments on their huge \$82 billion foreign debt.

This proposal to drop a "debt bomb" on the IMF and the large commercial banks, first issued by *EIR* founder Lyndon LaRouche during last spring's Malvinas War, gained adherents across Ibero-America over recent weeks as the financial crisis in the region reached explosive proportions.

As this issue went to press, the IMF was still wrestling with both Mexico and Argentina to get them to submit to austerity packages *before* the Sept. 5 start of the annual IMF meeting in Toronto, Canada—a timetable now in jeopardy due to these countries' resistance to accepting national economic destruction.

In Mexico, the IMF won a partial victory when the Bank for International Settlements and the U.S. Federal Reserve put together a \$7.5 billion "bailout" package for bankrupt Mexico, in exchange for a Mexican promise to impose domestic economic policies dictated by the IMF. But so far President José López Portillo has left things at the level of promises, and has refused to announce a formal agreement with the IMF.

In Argentina, the country has become ungovernable as opposing factions battle over whether or not to strike a deal with Britain over the disputed Malvinas Islands, in exchange for the promise of some loans. Monetarist Finance Minister Dagnino Pastore was forced to resign on Aug. 24 because he favored agreeing to IMF domestic wage austerity to court Britain's favor. But the next day, his factional enemy and president of the Central Bank, Domingo Cavallo, was also forced to resign his post. Cavallo had argued against bending to the IMF or capitulating to the British banks on the Malvinas question, and in favor of rebuilding domestic industry with protectionist measures. Now that both men have been removed, Argentina's direction is undefined.

To try to bludgeon the continent back into line, the British financial oligarchy has scheduled Henry Kissinger for a hush-

hush trip to Mexico, Panama and Argentina in early September.

## The debt is unpayable

The Mexican and Argentine developments occurred against a backdrop of growing numbers of Ibero-American political leaders beginning to "think the unthinkable:" that their countries have no hope of paying their debts in any event, and that continental unity to force through a favorable renegotiation of their foreign debts—involving debt moratoria—has become an urgent necessity.

The preferred forum to discuss such joint debt action would be a meeting of Ibero-American foreign ministers—*without* the United States present. The Venezuelans first surfaced this idea last spring, as a means of consolidating the Ibero-American unity sparked by the Malvinas War. Over recent weeks, extensive bilateral diplomatic contact has occurred between the continent's foreign ministers, where the debt issue has been on the agenda. And the third week in August, one of Venezuela's most influential foreign policy makers, the Chairman of the Foreign Relations Advisory Committee, Dr. José Rodríguez Iturbe, reiterated his government's call for semi-annual meetings of Ibero-American foreign ministers to coordinate policy. He added that the recent inauguration of Colombian President Belisario Betancur made coordination on the continent much more feasible.

Why Rodríguez Iturbe emphasized the Betancur question became clear at the conference of the Latin American Parliament held in Bogota the fourth week of August. The Colombian President opened the conference by forcefully reiterating his earlier calls for reorganizing the Inter-American system and the Organization of American States, which he factually described as not much better than a "luncheon club."

In an as yet unpublished interview with *Newsweek* magazine, which that organ is apparently reluctant to put in print, Betancur explained that "Colombia does not want to be a satellite of the United States," adding that his nation will seek out U.S. economic aid only if it is free from conditions that inhibit development. "We need help for our industrial infrastructure and heavy and semi-heavy industry," Betancur said. "Thus we can begin to improve our global production of capital goods."

The final communiqué of the Latin American Parliament

reflected this commitment to continental unity to defend sovereign economic development, urging that a "Latin American community of nations" be formally established, and that it define action in areas of common concern such as regional security, the restructuring of the OAS, and economic development.

Simultaneous with the Bogota meeting, the 26 members of the Latin American Economic System (SELA) met in Caracas to discuss related issues. Venezuelan President Luis Herrera Campins told the final session of this gathering that the OAS had to be modified to serve as a forum of "North-South dialogue," emphasizing that the current international economic crisis demanded a "collective economic defense against illegal and arbitrary coercion," such as that applied to the continent by Great Britain and the United States during the Malvinas War. Herrera expressed particular concern over Ibero-American vulnerability in such areas as food supplies and basic capital-goods production.

LaRouche's proposal for the use of the "debt weapon," and for the creation of an Ibero-American Common Market, circulated widely at both the SELA and the Latin American Parliament meetings, and were reflected in the call by Venezuelan leader Humberto Celli in Bogota for a 10-year moratorium on payment of the foreign debt of developing nations (see page 13).

The London and Wall Street banks, of course, have a plan to deal with such threatened joint debt action by the

nations of Ibero-America: "divide and conquer." Brazil's stupidly short-sighted monetary officials, for instance, are being bought off with "special" new loans just for them—as the rest of the continent is financially strangled. Once fragmented, goes the strategy, the IMF can move in on its victims, one by one.

### Toppling López Portillo

Mexico remains top on this hit list, because of its leadership role on the development question. Daily, the Wall Street financial press has churned out strategies for defeating Mexico in economic warfare. The New York *Journal of Commerce* suggested for instance, that Mexican assets in the United States could be seized if they try to buck the IMF's dictates. The evil *Wall Street Journal* berated Mexico's national commitment to industrial development and vented particular venom on Pemex, the state oil company which was the motor of the country's industrialization drive. "Mexico's technocrats might want to ask," the *Journal* helpfully suggested, "whether multinational oil companies might have earned more money for Mexico than state-owned Pemex."

The reference to Mexico's "technocrats" has a special significance. It is meant as an appeal to President-elect Miguel de la Madrid and current Finance Minister Silva Herzog (a de la Madrid man), to de facto seize the reins of power from current President López Portillo *before* he leaves office on Dec. 1, 1982, and to reverse his prodevelopment policies

## LaRouche's proposal for a continental common market

During the Malvinas crisis this spring, U.S. economist Lyndon H. LaRouche, Jr., proposed the Ibero-American nations use their unpayable debt burdens as a "debt bomb" to sink The City of London. To shield these countries from deadly London reprisals against their foreign trade and to promote their development over the long term in the face of conditions of international collapse, LaRouche suggested they form a common market. Since that time, LaRouche's Common Market concept has been published in newspapers throughout Ibero-America, and received the close attention of top policy-makers throughout the area.

LaRouche's common market idea is distinct from past failed efforts at regional integration; countries have much strong motivation to ensure that it works, and it defines a new regional banking system which would end foreign bankers' control over trade flows.

Member countries would form a customs union which not only would protect new industries from assault by outside forces, but would negotiate fair (parity) prices for

intra-regional trade. The member countries would orient their development plans toward satisfying the total needs of the region, and seek as much regional self-sufficiency as feasible. New advanced technologies would of course continue to be imported into the region as rapidly as possible.

A regional development bank would coordinate and assure adequate capitalization of investment projects. Trade would be financed by new national banking systems modeled on the one Alexander Hamilton set up to restructure the U.S. debt within the context of industrial development. Trade flows would be cleared through an inter-republic banking function which would link the national banks of the members, and would operate on the basis of a common currency of account.

If such a common market, as broadly summarized above, were taken up by several of the larger Ibero-American nations, they would find themselves transformed from beggars at the table of the bankers, into one of the world's most powerful economic blocs. If the United States and other advanced capitalist nations were to work as partners with this bloc, rates of development on both sides would be immense; if they refused, the Ibero-American nations would at least be able to defend themselves and survive.

immediately. "Silva Herzog is almost like an acting President," the Aug. 24 *Journal of Commerce* reported hopefully. "There is almost a total power vacuum" in Mexico, they explained, "and Silva Herzog is partially filling it."

The problem for the bankers, in the words of London's *Financial Times* is that López Portillo is "violently opposed" to going to the IMF; and there are strong indications that the Mexican President is trying to hold to that commitment. After a 10-day silence, for example, López Portillo emerged to announce that he would shortly introduce legislation demanding stiff jail terms for any government employee who engages in currency speculation and capital flight. He also reported that his much-awaited Sept. 1 State of the Union address will not only discuss the achievements and failures of his administration but will also focus on "what we must do in the future"—a veiled threat which must have the IMF nervous over what the nationalist Mexican leader might say. Nor have they forgotten that López Portillo met privately last May with the author of the "debt bomb" proposal, Lyndon LaRouche.

A well-informed West Coast banker emphasized this "López Portillo problem" in a candid conversation with *EIR*. "López Portillo had to be bludgeoned all last week to agree to anything. Silva Herzog and others had to work around him; they cannot even let him appear on TV," the banker reported.

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## Kissinger descends on three key nations

by Dennis Small, Ibero-America Editor

It was never meant to get out—the fact that Henry Kissinger was planning an early September trip to Mexico, Panama and Argentina—but this magazine was tipped off in mid-August that the former Secretary of State was about to embark on a mission to Ibero-America to help the British banks and the International Monetary Fund impose their policies on the continent. Within days *EIR* was able to confirm the lead with reliable sources in each of the three countries, and 24 hours later *EIR* founder Lyndon LaRouche issued an international press release alerting the leaders of Ibero-America to the horror about to descend on them. LaRouche's warning was covered prominently in the Argentine press and was studied carefully by diplomats and government officials of every major nation in the region.

As of this writing, it is not known whether or not Kissinger intends to proceed with his diplomatic thuggery, now that a spotlight has been placed on it. But his homicidal drive to

destroy any national leader who bucks his masters' policies remains intact.

The former Secretary of State is notorious throughout the developing sector for employing the meanest sadism—typical of the unstable homosexual psyche, as evidenced by his mid-1970s involvement in destabilizing, overthrowing, or murdering every Third World leader then fighting for a New World Economic Order: Pakistan's Bhutto, India's Gandhi, Sri Lanka's Bandaranaike, Guyana's Wills, Peru's De la Flor, and others, were all victims of Kissinger operations.

Now, Mexico's President José López Portillo has infuriated the international bankers by refusing to roll over and play dead before the IMF, and his life has been repeatedly threatened over the last weeks. Kissinger is a sworn enemy of López Portillo's attempt to industrialize Mexico. In Panama, former President Aristides Royo was toppled last month, *EIR* has learned, for preparing to declare a debt moratorium on his country's unpayable foreign debt—and Kissinger wants to travel there to inspect his handiwork and to make sure that the new government will stay in line.

### Plans for Argentina and Brazil

But the Argentine case best exemplifies the purpose behind the Kissinger trip. According to well-informed Washington sources, Kissinger's trip to Argentina was in the direct employ of British financial interests, who asked him to mediate their outstanding dispute with Argentina over mutually frozen assets—a legacy of last June's Malvinas war. The British banks are refusing to unfreeze Argentine assets or to issue new loans, unless and until Argentina agrees to a formal "cessation of hostilities" with Britain—a virtual abandonment of their historic sovereignty claims over the Malvinas.

To deliver this blackmail threat most forcefully, the British contracted the services of the new firm which Fat Henry has established, called Kissinger Associates, Inc. (sometimes referred to for short as Kiss. Ass. Inc.), on whose board of directors sits Lord Carrington, Britain's former Foreign Secretary.

To prepare the groundwork for his visit to Argentina, Kissinger lunched secretly in New York City on Aug. 19, with Argentina's ambassador to Washington, Esteban Tackacs, who is reportedly a good friend of Henry's since the Argentine diplomat's recent tour of duty as ambassador to Canada. Moreover, Washington sources told *EIR*, Tackacs "has optimal ties" to the entire group of Kissingerians wedged in the Reagan administration, including Assistant Secretary of State for Inter-American Affairs, Thomas Enders, and U.N. Ambassador Jeane Kirkpatrick. This entire Kissingerian crowd attempted to ingratiate itself with the Argentine government by partially supporting their cause in the Malvinas war . . . at the very *end* of that crisis, when it became safe to do so. Now they are being deployed to do the inside dirty work against ongoing Argentine resistance to IMF conditionalities. Argentine press sources have reported that Jeane

Kirkpatrick intends to visit a half dozen Ibero-American nations during September, notably including Argentina.

Another deployment of the Kissinger gang of thugs should be noted. U.S. Special Ambassador Gen. Vernon Walters was sent to Brazil the last week of August to meet with his many contacts in that country's military. Reliable congressional sources report that Walters' message was that Brazil had to help the United States bludgeon Argentina into line on the subject of its negotiations with the IMF and the British, and that Brazil itself must keep aloof from the continental discussion of joint debt renegotiation. There are no indications that Brazilian President Figueiredo is agreeable to following these orders. On the contrary, the Brazilian head of state snubbed the diplomatic reception held in Walters' honor at the U.S. Embassy in Brasilia; and it is probable that he too will now be put on Kissinger's "black list" of uncompliant political leaders.

### A challenge in Mexico

Three major Mexico City dailies, *La Prensa*, *El Sol de Mexico*, and *Ovaciones* on Aug. 27 prominently played up a Mexican Labor Party rally Aug. 26 protesting the upcoming Kissinger visit. The three papers ran pictures of PLM members demonstrating in front of the local branch of Chase Manhattan Bank.

According to *La Prensa*, Mexico City's largest-circulation paper, the demonstrators "noted that Kissinger is homosexual and showed several photos in which the former U.S. official is shown being embraced by young boys." The daily *Ovaciones* ran a picture of PLM demonstrators with a caption saying that for the PLM "Henry Kissinger's visit will be tantamount to accepting the visit of assassins of thousands of citizens around the world." *El Sol de Mexico* published a similar picture showing PLM banners denouncing Miguel Alemán for covering up Kissinger's Acapulco crime.

in a possible trip to those nations by the former Secretary of State, Henry Kissinger, on an economic mission.

Through a spokesman, Lyndon LaRouche—the founder and head of the National Democratic Policy Committee, and a 1980 U.S. presidential candidate for the nomination of the Democratic Party—stressed that Kissinger is preparing to visit Mexico, Panama and Argentina, to carry the policies of the International Monetary Fund to these countries.

LaRouche characterizes the austerity policies which the IMF attempts to impose as "genocidal," and urges the Latin American nations to defend themselves, "uniting their forces to force their creditors in London, Switzerland and New York to accept a favorable renegotiation of the foreign debt of the continent."

According to the spokesman for LaRouche—who is a longtime political enemy of Kissinger's—"the monetarist forces of the IMF are carrying out a blatant strategy of 'divide and conquer,' giving a few crumbs of credit to Brazil so that it does not ally with the rest of Ibero-America while the IMF assaults it. But if the IMF achieves this destruction, Brazil will suffer the same fate within a few months."

The spokesman added that Kissinger's tour of various Ibero-American capitals is part of this IMF effort, and that Kissinger is preparing to destroy those government leaders who oppose his policies, as was seen in the case of former Panamanian president Aristides Royo.

To carry out this task, said the spokesman, Kissinger recently formed a consulting firm called "Kissinger Associates, Inc." which includes, among its directors, the former Foreign Secretary of Great Britain, Lord Carrington.

LaRouche is promoting the creation of an Ibero-American Common Market to defend the continent from what he believes will be the imminent collapse of the world economy.

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## MEXICO

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*In an Aug. 21 front page editorial, the Mexico City daily Uno Más Uno said the following on the debt issue:*

The entire world banking system, both public and private, would find itself in an extremely grave situation were the large debtor nations to find themselves incapable of meeting their foreign debt obligations. It would be a collapse of immense repercussions. We would be dealing, undoubtedly, with a matter which would shake the international economic and banking networks to their roots, and which would create the gravest problem faced by world capitalism since the current Bretton Woods financial system was created in 1944. Just three Latin American countries—Mexico, Brazil, and Argentina—have registered foreign debts equal . . . to a third of that issued to all of the developing sector nations

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## Press relays warnings on Kissinger and the IMF

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*The official Argentine news agency, Telam, on Aug. 20 ran the following wire, datelined New York City. It was printed the next day in two of Buenos Aires's leading dailies, Clarín and La Razón, under the headline "U.S. Warning on Kissinger Trip to Argentina."*

The leader of a faction of the U.S. Democratic Party warned the Latin American nations against what could be involved

combined. . . .

The time has come to pose a global renegotiation of the foreign debt of the developing nations, which cannot face payments of these magnitudes. The private and public banks must be made aware of the grave risks that this poses for the world. Debt must be an instrument for development, and not the means to cover, at ever shorter terms and higher interest rates, current account deficits. All of this demands a radical change in the course of the national and world economies.

Uno Más Uno *columnist Guillermo Almeyra wrote on Aug. 23:*

The \$250 billion in Latin American debt threatens the entire international banking system with a series of chain-reaction collapses. This is the case, above all, because \$200 billion of that debt is concentrated in Argentina, Brazil, and Mexico, and represents half the GNP of those countries. It absorbs, through debt service payments, the majority of the export earnings of those countries. . . .

The industrialized nations may find themselves faced with a cut-off in payments. And many large creditors, who went overboard in lending to some of these countries when the going was good, could find themselves dragged into bankruptcy. Many might then recall the case of the Fugger, the bankers to the Hapsburgs, who went under when the kings could no longer pay.

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## BRAZIL

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*Abilio Diniz, general manager of one of Brazil's largest food processing and supermarket chains, is one of the few critics of the current recessionary policies to have a position inside the government as a member of the National Monetary Council. In an interview with Folha de São Paulo on Aug. 22, Diniz argued:*

A renegotiation of foreign debt has become part of the economic scenario of almost all the developing countries. . . .

Practically all the countries which recently renegotiated their debts began the painful road . . . by having to obtain 'moral support' from the International Monetary Fund, which forced them to rigorously impose orthodox stabilization policies and only then begin to negotiate the debt with the Paris Club and the private banks, such a slow process that it practically interrupts the flow of new loans.

The question of new credits—beyond those to cover debt service—is important during and after the negotiations since the country cannot stop. . . .

The problem of the foreign debt is not specific to Brazil, but a generalized problem deeply rooted in the world economic recession, the oil price shocks, and, mainly, in the

raising of interest rates. This situation, which is exploding today in the form of a grave financial crisis, clearly reveals the extreme vulnerability of the international financial system, which is impotent to face it. . . .

This conjuncture, which has been gradually changing the rules of the game of the international economy, shows the need for a new international financial structure which not only makes viable the administration of the debts of the developing countries, but also lets them carry out necessary changes in their development plans.

*Celso Furtado is one of Brazil's most famous economists. He is an exponent of the "developmentalist school" associated with the United Nations Economic Commission for Latin America (ECLA). Furtado also participates in Club of Rome meetings and shares their view that "finite resources require limits to growth." He is now playing an important role in the debt debate in Brazil. The following is from an interview he gave to Folha de São Paulo, Aug. 15:*

It is necessary that Brazil take international initiatives seeking a broader solution to the problem of the progressive indebtedness of the Third World countries. This solution would have to be compatible with the development of those countries and with the expansion of international trade. Thus, it is necessary to escape from the tyranny of short-term criteria, dominated by the perspective of international private bankers. . . .

The longer some kind of dialogue with the international bankers is put off—a dialogue which must be preceded by political work with the governments of the major creditor countries—the tougher their demands will become.

*The Aug. 15 issue of the Brazilian daily, O Estado de São Paulo, reports on recent remarks made by leftist economist Paul Singer:*

In moments of great external crisis, like today, Latin American nations find it very difficult to maintain debt service payments, which leads a number of them to try to renegotiate their debts separately. But if the Latin American countries united as a bloc to renegotiate their debts, they would end up imposing a number of changes in the international financial system, or even creating a new one, altering the rules of the game and reducing the interference of the U.S. Federal Reserve Board.

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## BOLIVIA

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*At the national convention of the Bolivian Labor Federation (COB) which ended Aug. 12, a resolution calling for the suspension of foreign debt payments was passed. In a*

statement to La Paz radio that day, COB Chief Executive Juan Lechín Oquendo reported on the convention's decision:

We have proposed that the government choose between the hunger of the people and paying off Bolivia's creditors. We have called for the suspension of the servicing of Bolivia's foreign debt. We have also voted against the increase in the price of fuels and against the withdrawal of subsidies for sugar and flour.

We believe that the improvement of the economic status of the workers will reactivate the economy; thus we insist on the need to raise the salaries of the workers whose purchasing power has declined to only 30 percent of what it was in 1976.

On Aug. 18, Carlos Canache Mata, the head of the Venezuelan Committee of Solidarity with Bolivia, spoke to the press of the "dramatic economic situation" facing Bolivia:

This country has a foreign debt of \$3.8 billion and is behind in meeting its debt service payments, which has created the risk that Bolivian exports may be embargoed. During several days, banks in the country were closed, and it is easy to imagine the incalculable consequences that this has for the economic activity of any country. There is a critical shortage of basic items in the popular diet, and the cost of living has risen considerably.

Reporting that an International Monetary Fund mission is currently visiting Bolivia to discuss conditions on a \$220 million loan, Canache Mata warned:

The IMF is imposing two conditions which will worsen the cost of living: the elimination of the subsidy for fuel and for wheat flour for bread.

The Bolivian Workers Federation has protested the intent of the government, backed by the IMF, to seek to throw the weight of the fiscal and economic crisis upon the backs of the workers as their solution to the crisis.

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## VENEZUELA

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El Universal of Caracas reported Aug. 20 that Venezuela's Humberto Celli, Vice President of the Latin American Interparliamentary Meeting which opened Aug. 23 in Bogota, Colombia, had announced before he left that a call for debt moratoria would be placed on the agenda of the meeting:

Humberto Celli will propose to the Latin American Parliament that they solicit from the industrialized nations a gradual moratoria on the collection of debt payments from the Third World nations.

The Sub-Secretary General of Acción Democrática will

make his proposal at the meeting. His view is that the moratoria should be for varying lengths of time, but not less than 10 years. His thesis is based on the assumption that, through this route, the underdeveloped countries will have the opportunity to implement plans for the recovery of their finances. In addition, the industrialized countries will be guaranteed the collection of their debts, precisely through the betterment of the internal economic situations of the peoples of the Third World.

Celli illustrated his formula with explanations of the economic crisis which confronts, among others, Argentina, Brazil, Bolivia, Mexico and Panama.

'Many nations are on the verge of having to cease payments.'

Could Venezuela benefit from such terms?

'Although Venezuela is a country with a large oil income, it has reached its limit of indebtedness, which poses the eventuality of aspiring to the same treatment that other countries could obtain with a moratorium.'

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## ARGENTINA

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Clarín, one of Buenos Aires' principal dailies, featured the debt question in several articles of an economic supplement Aug. 22. One column reported:

Among the private conversations carried out by high-level Argentine officials outside the country (the Foreign Minister in Brazil, Dante Simone in Western Europe, and others) one subject much feared by the IMF figured prominently. It has to do with the virtual *cartel* formed by the 'unredeemed debtors': That is to say, Brazil, Mexico, Argentina, Venezuela, Zaire, and others. This alliance, neither formal nor political, would actively pressure in Toronto to force the liquidation of liabilities.

A second article, entitled, "The Latin American Debts Pass By a Delicate Cornice," reports:

The crisis of the international financial system continues: the underdeveloped countries are indebted, in many cases beyond their capacity to pay; the number of those in arrears or in need of refinancing grows; and the condition of the world market does not permit hope that these countries can obtain genuine resources, through production or through export, to meet their commitments, avoid *default*, and save many banker-creditors from bankruptcy. . . .

The situation demands the maintenance of an exquisite equilibrium between debtors and creditors. Many analysts and officials now argue that the only way to emerge from this conjuncture is through a *global refinancing on a world scale* of debts, including a significant writing off of these.

# Will the Ruhr region be de-industrialized?

by Renée Sigerson

Early this August, an internationally based financial clique decided to topple Germany's seventh largest industrial concern, the Allgemeine Elektrizität Gesellschaft (AEG), unleashing the opening phase of a full-scale economic depression. Since AEG's entry into proceedings to avoid bankruptcy, West Germany is in a state of upheaval.

One of the key personalities acting to shape the outcome of this political crisis is the chairman of Germany's "fourth political party," European Labor Party (EAP—Europäische Arbeiterpartei) chairman Helga Zepp-LaRouche. In the second week of August, Zepp-LaRouche issued three "open letters" which have been distributed in tens of thousands of copies to trade union, Social Democratic and industry groups. The documents included a critique of the "deal" Chancellor Schmidt foolishly thinks he struck with Secretary of State George Shultz to paper over the international credit crisis; a call for a mass mobilization in Germany, to have the environmentalist/terrorist "Green Party" outlawed as unconstitutional; and a detailed outline for saving Germany's economy over coming months through bold measures aimed at establishing a New World Economic Order directed toward industrialization of the Third World.

On Sept. 7, the national trade union federation (DGB) is holding mass demonstrations to protest budget cuts in social services last spring. The trade-unionists around the EAP are considering an intervention to turn that event into a mass show of support for an economic recovery policy.

### The fight around Ruhrstahl

Within days of AEG's failure, devastating reports began to be made public on the current condition of the German economy. Exports—which account for over 40 percent of industrial output—declined 4.6 percent from June to July. In some regions of the country, unemployment is already well over the national average of 7.5 percent, and recently a leading trade unionist in the industrialized Ruhr region issued a public statement that he wouldn't be surprised if unemployment in parts of that area were to hit 20-25 percent.

The semi-nationalized Volkswagen corporation has announced that at the end of September it is putting 75,000 of its 125,000 employees on reduced work hours for some weeks,

as a result of a major downturn in sales.

The same clique which brought AEG to its knees—a network of Munich-Frankfurt private banking houses, represented by the Swiss-linked electronics magnate Peter von Siemens—are now attempting to condemn the Ruhr's heavy industry to contraction and cartelization.

A fight has erupted in the Ruhr city of Dortmund. In the spring of 1981, the EAP worked with labor leaders to set up a mass demonstration in Dortmund which called for the construction of a new steel foundry, named the Westphalenhütte, to replace the deteriorating, uncompetitive Phoenix foundry section of the Hoesch corporation. Following the demonstrations, an agreement in principle was reached for a DM 1.5 billion federal guarantee to back investment in the plant.

Suddenly, the Dortmund authorities were informed by the office of Economics Minister Count Lambsdorff that the government guarantee was being reviewed, on the grounds that the project had failed to attract sufficient private investment. Terming the plan too ambitious, the Ministry recommended that Hoesch cancel the new plant, and seek a DM 700 million loan to refurbish the outmoded Phoenix works.

The entire town of Dortmund is now in an uproar over the Lambsdorff affront. Fueling the anger is a report that the Economics Ministry has given approval to the Thyssen and Krupp steel conglomerates to merge their specialty steel divisions into a new firm, which could quickly become Western Europe's largest specialty steel producer.

Lambsdorff has argued that the review of the guarantee for Hoesch is not related to the Thyssen-Krupp merger, but no one in Dortmund believes him. The Westphalenhütte project was scheduled to go into effect later this year, following a merger between Krupp and Hoesch to form a new company, Ruhrstahl AG. In addition to the credit guarantee for Westphalenhütte, the federal government was committed to providing a DM 4.8 billion investment credit to Ruhrstahl AG. Lambsdorff has always opposed this expenditure.

The Thyssen corporation, which now expects to pick up the shards of reduced industrial capacity in the steel sector, is the only German steelmaker which is part of the Anglo-American "multinational corporations" network internationally. Unlike Krupp and Hoesch, for Thyssen a shutdown of German capacity can be offset by increased earnings in low-wage plants in Brazil, or even the United States. Thyssen's objective is to rationalize German steel output to conform with the Davignon Plan, the scheme for a shutdown of Europe's basic steelmaking capacity under the aegis of the European Community's Economic Commission.

In addition, since the AEG proceedings, German bankers have been disciplined to orient lending toward crisis-management and pre-depression policies. The banks have told Hoesch and Krupp officials that the only grounds on which they will finance the Ruhrstahl merger is if government investment credit backs up their risk. Lambsdorff is playing his part by trying to make allocation of that credit dependent on the banks' commitment to lend private capital.



## Where are the weak links?

*Continuing problems for the biggest U.S. institutions on the interbank market could produce a crisis at any moment.*

Several of the largest American banks have been excluded, to one extent or another, from normal funding operations during the past four weeks, the first time any development of this sort has occurred, including the worst of the last Great Depression (named the way 1914-18 was called the "Great War"). These include:

*Continental Illinois* of Chicago, excluded from the "no-name group" of large commercial banks who pool their funding operations in the Certificates of Deposit market, following the failure of the Penn Square Bank in June;

*Manufacturers Hanover Trust*, also excluded from the "no-name group" of commercial banks, ostensibly because MHT published the fact that its Mexican exposure was \$1.4 billion at the point Mexico went into de facto debt moratorium. As the *Journal of Commerce* pointed out in an Aug. 27 editorial entitled, "The Mexico Witchhunt," MHT hardly deserves singling out, since the exposure of both Citibank and Bank of America in Mexico is twice as large, although not published; but some market operators may know additional compromising facts concerning Manny Hanny.

*Chase Manhattan Bank*, in a well-publicized embarrassment, had difficulties marketing its own CDs following the Lombard-Wall Securities failure, which cost Chase \$40 million; Chase had already lost close to half a billion dollars in the earlier failures of Drysdale Securities and Penn Square Bank.

*Bank of America* and other West Coast banks were temporarily unable to market Certificates of Deposit when Mexico announced it had run out of cash, an extraordinary development, considering that the Bank of America is the country's largest commercial bank.

Although the initial Mexican shock dissipated, to some extent, after the Bank for International Settlements poured \$1.85 billion of pooled central-bank money into Mexico's creditors, and the huge spread between Treasury bill and certificate of deposit rates narrowed somewhat upon announcement of the bailout, the situation could go sour at any moment.

Virtually any adverse news, e.g., the report Aug. 26 that the *Nederlandsche Credietbank*, 32 percent owned by Chase Manhattan, had closed 40 of its branches due to financial problems, prompted a new movement into ultra-safe Treasury bills out of bank CDs, at the point when the Mexican issue appeared to have quieted.

The next bad news will probably hit from the interbank market. After the November 1979 American freeze of Iranian assets, Arab depositors put over \$100 billion of new funds into European and Japanese banks, mainly Japanese banks, rather than into American banks.

As the American banks commented at the time, the U.S. institutions borrowed these funds on the interbank market, the \$800 billion exchange of deposits among Eurodollar banks. The full amount of American indebtedness

on the interbank market is not known, but it may run into the scores of billions.

The *Financial Times* of London's Banking editor, William Hall, warned Aug. 26 that Japanese or other banks may, "on orders from their superiors," attempt to call in their deposits from American banks, the quality of whose assets is suspect among international banks. Japanese banking sources confirm that orders have already gone out to reduce exposure to American banks, although they rule out any sudden action that could backfire against them.

"Although we want to reduce exposure," said one Japanese bank economist, "we must remember that Japanese banks also have \$10 billion in loans out to Mexico."

American banks, in turn, are making substantial arbitrage profits lending to other national banking groups who borrow from U.S. institutions through the interbank market.

U.S. banks will offer bank commercial paper in the U.S. and lend the proceeds to foreign banks at a spread that used to stay below one-half percent, but now might be as high as 1½ percent or more. Following the failure of *Banco Ambrosiano* of Luxembourg, which stiffed its banking creditors for more than \$400 million, second-tier banks in the international markets have difficulty obtaining funds.

The American banks are, momentarily, making good money by using their own credit rating to fund the second-tier banks.

"There are limits past which this cannot continue," said a Federal Reserve official responsible for monitoring banks' problems. "We have not reached those limits yet, but we are monitoring the situation on a daily basis."

## Turning industrialists into militarists

*A defense buildup on NATO's terms won't expand trade, but will impose a new level of "supranational" economic controls.*

**W**ith the passage of the Roth-Nunn Amendment to the 1983 Defense Authorization Bill, and its signing by the President on Aug. 23, the United States has sanctioned the conversion of the industrial base of the West into a war machine run by the NATO high command.

The Roth-Nunn Amendment authorizes the President to negotiate with the 13 NATO nations to carry out the following:

1) "To pool their defense efforts and resources to create, at reasonable costs, a credible collective conventional force for the defense of the North Atlantic Treaty areas;

2) "to establish a cooperative defense-industrial effort with Western Europe and between Western Europe and North America . . . ;

3) "to share, equitably and efficiently, the financial burdens as well as the economic benefits, including jobs, technology, and trade, of NATO defense;

4) "to begin negotiations promptly to establish the strategies, structures, policies, and programs to give full effect to the agreements described in clauses 1) through 3)."

The amendment is a culmination of a 10-year effort by NATO agents and proponents in and around government to attach the entire industrial base of the West to a NATO war machine aligned both as a conventional-forces spearhead against the Soviets and a vehicle for "out-of-area" deployments in the Middle East, Central America, the Far East and Africa to

fight a multitude of depopulation wars.

Readers will recall the warning against the "military-industrial complex" by President Eisenhower, no enemy of the military or industry, in his speech on leaving office in 1961. The specific cabal he was referring to had emerged during the Korean war, when it attempted to use the United Nations as a unified Western command.

The timing of the Roth-Nunn amendment is crucial. The financial controllers of the NATO parent body, the Organization for Economic Cooperation and Development (OECD) having plunged the West into depression, conducted trade war against European NATO member industries through the U.S. Departments of Commerce and State, and enabled the British to conduct the first "out-of-area" deployment with forces assigned to NATO, now entice nations and manufacturers with the possibility of military orders.

Speaking when the amendment was introduced on May 13, 1982, Sen. John Tower (D-Tex.) said, "If we are going to preserve in the various European capitals a political climate which supports increased defense spending . . . we are going to have to be willing to make some purchases from these countries."

The cost of what the amendment calls the "economic benefits, including jobs, technology, and trade," are the following:

1) A yearly growth in military outlays of each NATO member of 3 per-

cent in real terms, which under depression conditions will further burden national economies;

2) The increasing use of the nations' industries for NATO rearmament instead of civilian production;

3) The loss of national military sovereignty as each nation makes specialized contributions to the overall NATO force and gives up the capability to fully deploy its armed forces for its own purposes;

4) The ultimate deployment of NATO forces, which means war which each nation has no ability to forestall or disengage from.

According to a top former NATO procurement official in Washington, "the Germans won't like this at first, but they will come to soon see the advantages. After all their unemployment is 7 percent, an all-time high for the Federal Republic."

There are in fact indications that the Germans may accept a major role in the NATO conventional buildup in Europe. The June 21 report of the Commission for Long-Term Planning of German Armed Forces follows the arguments of the NATO agents that very sophisticated weaponry has become too expensive for one nation to sustain, and therefore NATO must develop and deploy such technologies on a supranational basis.

The report states: "Scarcity of resources and strict limitation of the Federal Armed Forces mission to defense requires us to adhere to the following principles: the application of particularly expensive peace technology must be restricted to combat-sensitive areas;

"Expenditure must be reduced by forming weapons families and using modular designs (i.e., NATO standardization);

"Collaboration with NATO allies is to be increased."

# Trade Review

by Mark Sonnenblick

| Cost             | Principals                | Project/Nature of Deal  | Comment   |
|------------------|---------------------------|---|---|
| <b>NEW DEALS</b> |                           |   |   |
| \$150 mn.        | Brazil from West Germany  | Brazilian navy is buying 2 advanced Type 1400 submarines from Howaldtswerke shipyards of Kiel. Deal includes transfer of technology to Brazil so that Brazilian navy technicians would participate in first sub, and second sub could be substantially built in Brazil by 1983. Type 1400s run by diesel on surface and silent electric when under water. The nationalization of arms technology is a condition imposed on Brazilian navy by army and airforce, which have long had that policy, and which rejected navy plans to continuing buying finished ships abroad. Urgency of buying submarines was shown by Malvinas war, which also dissuaded Brazil from buying from U.K., the builder of its present 3 modern subs. | German exports of weapons outside the NATO area, which had been strictly restricted, were made more flexible in May, at the same time NATO was extended, over German objections, to include Third World conflict areas. German gov. expects leftist opposition to export license. Brazilian Planning Ministry could try to use arms orders as quid pro quo for Germany accepting long postponement of Brazilian nuclear plants contracts. |
| \$180 mn.        | Japan from Venezuela      | The six big Japanese companies in the Venalum smelter consortium have agreed with the Venezuelan gov., the majority partner, to pay 20% under the Alcan-listed price (\$1,750/ton) for aluminum ingots shipped July-Dec. Discount had originally been set at 6%, but was changed to 12-15% during first half, and Japan sought 30% now, as reflection of depressed spot prices.   | Japan and Venalum agreed on 1982 shipments of 130,000 tons, down 30,000 from contract.  |
|                  | U.S.A. from Taiwan        | Teh Tung Shipping is building a shipyard down Sabine River from Houston to give low-cost repairs to its 40-ship fleet. Yard will include floating drydock bought from Todd Shipyard and will handle ships up to 500 ft. Teh Tung will use Chinese and American labor in an overt attempt to undercut prices charged by U.S. yards, which they claim "has become a major item for Oriental shipping companies." Teh Tung admits they have little experience in ship repair and none with U.S. repair systems.  | Teh Tung is owned by Taiwanese, headquartered in Tokyo, and flies Panamanian flag. An on-shore venture for a very offshore company.   |
| \$47 mn.         | South Korea from U.S.A.   | Westinghouse will provide electrical distribution system for lines 3 and 4 of Seoul subway. Westinghouse supplying 18 12 MW power traction substations and computer system to control power flow. Will be shipped in 1983.  | Good for 960 man-yrs. of work in U.S.A.   |
| <b>UPDATE</b>    |                           |   |   |
|                  | Ibero-America/ Japan/Asia | Japanese localities are competing to be chosen as site for "Asia Port," a huge base for stockpiling food and natural resources from Brazil, Argentina and other Ibero-American countries for transshipment to East Asia. Idea was promoted by Brazil in August 1979; feasibility report recently completed by the private International Development Center of Japan, which recommends Oita Prefecture. Port could handle up to 13 mn. tpy grain, 7.6 mn. tpy coal and 10 mn. tpy iron ore, coming off 250,000-ton ships. Bulk materials would be reshipped to Western Japan, South Korea, Taiwan, China, and other East Asian ports incapable of handling the cost-efficient transoceanic supercarriers.                        | Oita governor will lobby in Brazil in October against competing Asia Port sites such as Kobe and Okinawa in Japan, Indonesia, and Thailand.   |

# Business Briefs

## Energy Policy

### Korea told to slow nuclear program

The World Bank has advised South Korea's Ministry of Energy and Resources to carefully review the present long-term energy development program in which the bank said too much emphasis is given on nuclear energy.

In a newly published report on Korea, the International Bank for Reconstruction and Development (IBRD) said the relative cost figures on which the Korea Electric Power Corporation and the government are now relying do not seem "robust" enough to justifying the degree of reliance on nuclear plants.

KEPCO's figure on electricity demand and on relative generating costs should be reviewed "carefully" and the ministry should also seek further "expert advice" on whether nuclear generation is being given too large a role in the system in comparison with coal, according to the Aug. 18 *Korean Herald*.

Despite such advice from the World Bank, the Ministry of Energy and Resources is reported to be determined to push ahead with its long-term power generating plan in which heavy emphasis is on nuclear power energy because nuclear-generating costs are cheaper.

## U.K. Economy

### British joblessness at record high

British unemployment reached record levels as of Aug. 1, even by depressed British standards. According to the latest official figures, *over one out of every eight* members of the workforce is now unemployed, for a total of 3.26 million unemployed or 13.8 percent of the workforce.

The doctored figures released by the government are admittedly "conservative." For example, the London *Financial Times* cites the fact that over a half million youth do not show up on the unemployment rolls because the government packed them

off into special "training programs" lasting a few months—with no jobs awaiting them when the programs are over.

The rate of unemployment increase, in particular, is astounding. Between the second and third quarters of this year, the rate of increase was twice that of the increase between the previous two quarters. The confederation of British Industries for the past two weeks has been demanding that the government ease up on its austerity program or face the threat of rapidly spiraling collapse. Labour Party members have now been joined by increasingly vociferous Tory "wets" calling for some government aid for job creation.

## Trade Policy

### IMF deplors increased protectionism worldwide

A division of the International Monetary Fund (IMF) which keeps close tabs on the economic policy measures of member governments has just issued a report criticizing the increased protectionism and efforts to protect domestic industries which have accompanied the growing world depression.

The Exchange and Trade Relations Department of the IMF, where some of the most important decisions by the supranational agency are formulated, reports that for the first time since 1975, world trade grew more slowly than the rate of growth of simple output. The report notes that "the stagnant trade environment has led to increased calls" in numerous nations "for government intervention in support of domestic industries."

The report also notes, "some countries have resorted to capital controls with a view to obtaining a measure of independence for domestic financial policies." Such measures, to the extent they have been undertaken, have protected some countries from devaluations of their currencies, or what the IMF describes as "exchange rate levels not fully consistent with sustainable balance of payments positions."

It is the IMF's goal to abort such defensive measures, particularly in those cases where protectionism has allowed countries to work up alternatives to imposing the aus-

terity policies the IMF is committed to enforcing. One of the chief policies the IMF has been encouraging is broadscale devaluations. During the one-year period under review in this report, the IMF notes that about 25 countries devalued their currencies by widely diverging margins.

## Monetary Policy

### Fed pumping: alternative to massive debt write-offs

The move by the U.S. Federal Reserve Bank to pump billions of dollars into U.S. commercial banks' reserves was the only alternative to "substantial write-offs" of bad loans, according to a high-level New York banking source.

Martin Schubert, president of the largest privately owned U.S. Commercial bank, Rosenthal Ltd., indicated in an interview that bank examiners have known for months that U.S. banks are carrying a heavy load of loans which will never be repaid. "Because the examiners are taking an easier attitude on write-offs," namely, neglecting to put the afflicted lending institutions through appropriate debt write-off proceedings, "it was time for the Fed to take an easier attitude," he stated.

"If traditional criteria" for write-offs were now being applied, Schubert underlined, "quite substantial write-offs would be under way."

Asked what considerations led the Fed to take this course, he said a combination of domestic and international "shocks" to the banking system, including Mexico's declaration of default, made the money-pumping approach the most agreeable.

Schubert also notes that one of the least sound pressure points in the international banking system is the offshore banks of major international banks. He predicted that at the upcoming meeting of the International Monetary Fund, to be held in September in Toronto, Canada, the IMF governors will strike a tough agreement on "support" of offshore subsidiaries. He reported the offshore issue will be hammered out in private, sideline meetings. Nevertheless, this is highly unusual, since until now, the IMF

has had no jurisdiction over offshore banks. Rather, it has been the Bank for International Settlements in Switzerland which has been the watch-dog agency on this question. Schubert's assertion provides another case of IMF/BIS coordination from the top, outside of the powers of regulatory agencies of responsible governments.

### Conference Report

## EIR editors address NDPC steel conference

*Executive Intelligence Review* editors addressed a National Democratic Policy Committee conference on the steel industry crisis Aug. 26 in Pennsylvania's "steel valley" near Pittsburgh. Sponsored by the largest of the Democratic Party political action committees, whose advisory board is chaired by *EIR* founder Lyndon H. Larouche, Jr., the conference warned that the present crisis will mean the permanent reduction of the size of the U.S. steel industry by half and permanent reduction of steel employment by 60 percent.

Panelists David Goldman and Richard Freeman of the *EIR* economics staff used LaRouche-Riemann economic model predictions to demonstrate that the crisis would be permanent. In later panels, Asia Editor Daniel Sneider and physicist Dr. Steven Bardwell presented results of a global study of development requirements that showed the U.S. must double its steel capacity to meet the identifiable needs of the world economy.

Pittsburgh's NBC-affiliate television station, reporting the Commerce Department's announcement the same day of new trade sanctions against Western Europe, featured the steel conference in its 6:00 p.m. news broadcast. After panning over unemployment lines in the steel valley, the NBC broadcast cited "one group that believes that all of this is unnecessary, and that the depression is deliberately contrived." The NBC feature included an interview with *EIR* Economics Editor Goldman, who attacked the "Harriman wing of the Democratic Party," which wants to "de-industrialize the United States and let the steel industry go the way of the American buffalo."

In an evening panel, Fusion Energy Foundation Executive Director Paul Gallagher presented the results of a computer-based study demonstrating that infrastructure investments are the basis of productivity. Gallagher proposed that water and nuclear power construction were the key to renewed U.S. industrial productivity, requiring expansion, not reduction, of steel capacity.

### Mexico versus the IMF

## Monetarists demand state-sector dismantling

José María Basagoiti and Manuel Clouthier, two prominent Mexican business figures who have enthusiastically supported an IMF takeover of the country, emerged from a meeting with President López Portillo Aug. 25 to demand that the government sell off its state sector industry. These industries "have been a burden on Mexico, and have brought it to ruin," they charged.

The day before Basagoiti had called for "preserving jobs," to great press fanfare, adding that the only way to preserve these jobs is for all workers to accept severe wage cuts. Basagoiti heads the Mexican Employers Confederation, and Clouthier, the Businessman's Coordinating Council. Both groups have heavy overlap with the neofascist PAN party and with the anti-industrial Miguel Alemán/Bank of Mexico crowd.

Fidel Velásquez, head of the Mexican Workers Confederation (CTM), responded to Basagoiti by saying that there can be no trade-off between jobs and wages: neither can be sacrificed. He indicated, however, that labor will not call for immediate strikes to enforce wage increases, preferring to give direct labor-management negotiations a chance. Speaking of this as a "friendly, conciliatory" strategy, Mexico's labor chief made it clear he wanted to avoid precipitate action that would feed IMF destabilization plans.

In a statement Aug. 24, Velásquez's number-two man, Blas Chumacero, blasted Mexico Finance Minister Silva Herzog as a "monetarist" who was undermining the country's interests by going to the IMF.

## Briefly

● **WEST GERMANY**, Switzerland, and the Netherlands jointly cut their central-bank lending rates Aug. 26, following the trend of American rates down. However, the liquidity-crisis-induced demand for dollars has narrowed the spread between the U.S. and European currencies temporarily.

● **A \$25 BILLION** bailout fund will be offered to the International Monetary Fund's Interim Committee Sept. 3, according to press reports, corroborating reports *EIR* earlier obtained from administration officials.

● **SIR GEOFFREY HOWE**, Britain's Chancellor of the Exchequer, announced Aug. 26 he will not take measures to lift sanctions against Argentina, as British bankers had wanted; Howe's intransigence increases the possibility of a unilateral Argentine debt moratorium.

● **GEORGE SHULTZ** is on the Board of Directors of the Institute for International Economics, a "private" think tank run by former Kissinger aides (and Carter administration officials) C. Fred Bergsten and Richard Cooper, along with a number of international figures who share responsibility for the direction of the international economy over recent years. The Secretary of State shares his IIE affiliation with radical environmentalist leader Lester Brown of the Worldwatch Institute, anti-nuclear advocate Joseph Nye, and Carter administration radical Andrew Young. The Institute's first White Paper, just released, amounts to a strong criticism of the Reagan administration's policy toward the International Monetary Fund.

● **WALL STREET** has accomplished something *EIR* thought impossible: to make Swiss bankers laugh. "It's funny," quipped a senior official of the Swiss National Bank. "Until a couple of months ago, the smart money was buying. Now the stupid money is buying from the smart money."

## **Averell Harriman and Nazi policies in the U.S. today**

by Christina Nelson Huth, Features Editor

For more than five decades, as philanthropist, America's ambassador to the Soviet Union, Democratic Party leader, governor, and adviser to President, W. Averell Harriman has publicly and proudly been known as a "liberal." In this Special Report, researched and written by Robert Zubrin of *EIR*'s U.S. desk, we document the contents of that liberalism.

In the first decade of this century, Harrimanite liberalism was represented by Averell's mother, Mrs. E. H. Harriman, who personally founded and endowed the Eugenics Record Office of Cold Spring, New York, to serve as the center of a neo-Malthusian race science movement in the United States.

Throughout the 1910s and 1920s, Harrimanite liberalism meant the sponsorship of legislation and coast-to-coast propaganda campaigns to close America's doors to immigration of Eastern and Southern European peoples, and to turn the United States into a Nordic race state.

From the rise to power of Hitler in Germany in the early 1930s until the moment the United States declared war on the Nazi Reich in 1941, Harrimanite liberalism meant a public campaign in support of Nazi eugenics. In 1932, Averell Harriman and his mother hosted the guest appearance of Dr. Ernst Rudin at the Third International Conference of Eugenics at the Museum of Natural History, where Averell sat on the board of trustees. Rudin, soon to be a Nazi official, wrote the Nazi law "for the Protection of German Blood and German Honor," which defined Jews as non-citizens, and made sexual intercourse between Jews and "Aryans" a criminal offense. Harrimanite liberalism meant not only a support campaign for Nazi eugenics, but a racialist extermination policy at home. The Harrimans conducted a decades-long drive for mass sterilization of America's poor people as "genetically inferior" useless eaters. Forced sterilization of convicted criminals, the mentally ill, and even institutionalized orphans was enthusiastically endorsed by Mary Harriman Rumsey, Averell's sister, as a cost-cutting measure.

Following World War II, the liberalism of Harriman and the machine he had developed in government and public life meant the revival of the pro-Nazi Eugenics Lobby under a new cover, the environmentalist and population control move-



*The American Museum of Natural History in New York City, complete with its statue of the "great Aryan" Teddy Roosevelt on horseback attended by a servile American Indian and Negro. From its founding in 1877, the museum has served as the center of the U.S. eugenicist race-science movement, with the support of the Harriman family from the turn of the century onward.*

ments. Harriman's environmentalists set the stage for the destruction of America's space program, the proudest technological achievement of the post-war era, and the destruction of the nation's nuclear energy capacity. America's environmentalist-enforced failure to export nuclear technologies has resulted in the deaths of more than 115 million people in the Third World due to energy shortages and economic devolution—apart from the genocidal wars there which Harriman's population control lobby has promoted, under its banner of liberalism, including the Vietnam War, which the U.S. entered during Harriman's term as Undersecretary of State for Southeast Asia. With President James Earl Carter's issuing of the *Global 2000 Report* calling for the elimination of 2 billion people by the year 2000 the Harrimanite liberals had succeeded in forcing the adoption as U.S. foreign policy of genocidalist racism.

From the days of Parson Malthus and John Stuart Mill, liberalism was coined by the employees of the British East India Company as the creed to defend the "freedom" of the oligarchy to loot the world, against the rising tide of the successful American Revolution. It was no accident that liberals, led by Benedetto Croce and Luigi Einaudi, gave the go-ahead for Mussolini's March on Rome. In 1932 it was the British-controlled liberal banker Hjalmar Schacht who paved the way for Hitler's rise to power in Germany, and then became the Nazis' Finance Minister, imposing the economic policies that led straight to the death camps. At the proper moment, the liberals step aside and the direct face of the oligarchy—fascism—will be revealed. Today, the world cannot afford to wait for that final step to be taken.

## In this section

### I. Averell Harriman and Nazi policies in the U.S. today

An introduction.

### II. The Harrimans' eugenics: at the root of Global 2000

Documenting seven decades of often successful efforts to instigate mass murder.

### III. Averell and Pamela Harriman's grip on American policy-making in the 1980s

Their collaborators in government, business, and the political parties.

# The Harrimans' eugenics: at the root of Global 2000

by Robert Zubrin ·

"Our ancestors drove Baptists from Massachusetts Bay into Rhode Island, but we have no place to drive the Jews to. Also, they burned the witches, but it seems against the mores to burn any considerable part of our population. Meanwhile, we have somewhat diminished the immigration of these peoples."

—Charles B. Davenport, Director, *Eugenics Record Office*, April 7, 1925.

When, in its final days in office, the Averell Harriman-controlled Carter administration released its *Global 2000 Report* calling for the elimination of 2 billion of the world's population, it was not the first time that the Harriman family and its allies in the Eastern Establishment had proposed genocide. The same network of Harriman-allied families and financial institutions which today is responsible for the *Global 2000 Report*, was, in the 1930s, fully supportive of the experiment in global depopulation known as Nazism, including all of its lurid racist and anti-Semitic aspects. As the *Global 2000 Report* shows, they remain so committed to this day. Here we document the ideological and historical roots of this genocidal faction in American policy-making today.

## Racism and the Malthusian elite

The racial-Malthusian doctrine which became hegemonic among much of the American and German elites by the turn of the century was synthesized in England. While racialist views are basically endemic among an elite which defines itself in terms of blood ties, it required the systematization of such prejudices into a grand pseudo-scientific belief structure before such views could be converted into a reliable capability in the service of the geopolitical policies of the British oligarchy. This was the task of Charles Darwin.

Starting from the premise of Malthus's world of limited resources, the only world acceptable to the oligarchical mind because it is the only one they can control, Darwin argued that it was the victory of the superior races in the struggle for scarce resources which defined how nature progressed. Thus the enslavement or even extermination of inferior races of man (like the Irish) was not only natural, but beneficial.

In his *Descent of Man*, Darwin wrote: "We civilized men . . . do our utmost to check the process of elimination; we

build asylums for the imbecile, the maimed, and the sick; we institute poor laws; and our medical men exert their utmost skill to save the life of everyone until the last moment . . . Thus, the weak members of civilized society propagate their kind. No one who has attended to the breeding of domestic animals will doubt that this must be highly injurious to the race of man."

Darwin showed no doubt as to which race should survive: "All other series of events [in the history of the world] . . . only appear to have purpose and value when viewed in connection with, or rather subsidiary to . . . the great stream of Anglo-Saxon emigration to the West."

Darwin's theory was totally incompetent as a scientific explanation of the origin of species in nature, but it suited the purposes of the British elite and they gave it great play. Britain's leading social thinker, Herbert Spencer, the uncle of Fabian Society founder Beatrice Webb, had already developed the identical theory, without taking the trouble of a boat ride to the Galapagos. Spencer took his "survival of the fittest" (which Darwin later adopted), and elaborated it into a sweeping social philosophy, which was promoted to the hilt in the United States by the New England Brahmins and the New York City financial crowd.

Spencer was open about the implications of his philosophy. He opposed all state protection for the poor. They were unfit, he argued, and should be eliminated. "The whole effort of nature is to get rid of such, to clear the world of them, and to make room for the better." Spencer opposed public education and sanitation on this basis, and even government prosecution of medical quacks. If the lower classes are so "unfit" as to believe in quacks, they should suffer the consequences, he maintained, and naturally on the global scale, it was the "Aryan race" that was most fit.

With the backing of Darwin's scientific authority and London's money, Spencer's ideas rapidly became hegemonic among leading circles in America. Nicholas Murray Butler at Columbia, Charles W. Eliot at Harvard, and William Graham Sumner at Yale were all devoted followers of Spencer. So were Andrew Carnegie, Henry Cabot Lodge, Elihu Root, and John Fiske, the President of the Immigration Restriction League.

The British needed a centerpiece institution to give "sci-



entific” backing to the new social theory in America. In 1861, only two years after the publishing of Darwin’s *Origin of Species by Means of Natural Selection, or The Preservation of Favoured Races in the Struggle for Life*, Sir Henry Wentworth, tutor to the Prince of Wales, the future Edward VII, traveled to America where he met with Albert S. Bickmore, the scion of a New England shipping family. Bickmore was then working as an assistant to Harvard naturalist Louis Agassiz. Wentworth told Bickmore that he thought it would be a grand idea for him to leave Agassiz and go to New York, to establish a museum of natural history in the city where America’s financiers were located. Agassiz’s institution was out of the way, Wentworth complained, and besides, Agassiz was an opponent of Darwin’s.

### **The role of the Museum of Natural History**

Huge financial resources were immediately made available for the museum project from the top circles of New York finance, including J. Pierpont Morgan, Hugh Auchincloss, Theodore Roosevelt, Sr., James Brown and Howard Potter of Brown Brothers (now Brown Brothers Harriman), Levi Morton and George Bliss of Morton Bliss, members of the Phelps family, and members of the Dodge family. John D. Rockefeller also chipped in, but for reasons of class, the Rockefellers were not admitted to the new museum’s board of trustees for two generations to come.

Exhibits were collected and stored, first in the offices of Brown Brothers, then in an armory. In 1871, the cornerstone of the museum building was laid, and finally in 1877, the American Museum of Natural History had its grand opening. At the ceremony, Harvard President Charles W. Eliot explained its purpose: “In whose honor are the chief personages of this nation, state, and city here assembled? Whose palace is this? What divinity is worshipped in this place? Nothing else than the stupendous doctrine of hereditary transmission [which will] . . . enhance the natural interest in vigorous family stocks . . . give a rational basis for penal legislation, and promote both the occasional production of illustrious men and the gradual improvement of the masses of mankind.”

The morality of the racist cabal behind the museum became shockingly evident in 1898, when the museum dispatched Lt. Robert Peary to the North Pole in its ship, *The Roosevelt*. On orders from Dr. Franz Boas of the Museum’s Anthropology Department, Peary “obtained” five Eskimos and brought them back to New York for examination. After a few months’ close observation, four of the Eskimos died. Boas had them stuffed, mounted, and placed on display.

New York was scandalized. *The World* editorialized: “The scientists who were delighted to study leisurely the Esquimaux here in New York have long since forgotten these simple folk from the bleak Arctic. True, four of them died here, of tuberculosis, but not until these wise men had learned everything they care to know. And then, were not the corpses turned over to the doctors for the very interesting dissections which added much to our knowledge on ethnological sub-

## **How Harriman helped Hitler exterminate Jews**

Between 1921 and 1941, approximately 3 million Jews and 6 million other Eastern and southern European people were denied admission to the United States as a result of the Harriman family’s eugenic immigration quotas.

In fact, well after news of Hitler’s anti-Semitic extermination policy had reached the world outside Germany, the Harriman circle continued to do everything in its power to maintain strict limits on the number of Jews allowed to enter the United States. The restrictions championed by Harriman were not lifted until December 1941, when the United States declared war on the Nazi Reich.

As the 1930s wore on, the Nazi persecution of Jews caused the German immigration quota to fill completely, with available quota numbers backed up for many years in the future. In February 1939, when New York Sen. Robert Wagner introduced a bill to allow 20,000 German-Jewish children to come in above quota, to be adopted by American families who had already volunteered to take them, it was H. H. Laughlin of the Harrimans’ Eugenics Record Office, and John Trevor, a trustee of the Museum of Natural History and the director of the Record Office’s Eugenics Research Association, who led the successful campaign to defeat the bill.

To do this, they organized a “Coalition of Patriotic Societies,” that brought together everything from the Sons and Daughters of the American Revolution, and the American Legion, to the KKK, and hundreds of other organizations, real and fictitious. Nearly all the testimony delivered by this coalition against the bill was presented by Laughlin or Trevor.

Then, in June 1939, 937 German Jews escaped the Nazis on the German-American Lines ship *The St. Louis*, and sailed to America to seek refuge despite their lack of quota numbers. As *The St. Louis* sailed up and down the East Coast waiting for permission to land, Laughlin issued a special report on immigration which demanded that “international sentimentality” not cause America to lower its “eugenical and racial standards.” Laughlin demanded that the United States cut its quota by a further 60 percent, and that “loopholes” which allowed Jewish immigration to America by excusing the “moral turpitude” of fleeing Jews who had smuggled money out of the Nazi Reich be closed.

As a result of Laughlin’s agitation, *The St. Louis* was turned around, and the 700 of its passengers who could not receive permission to debark in Britain were returned to Europe, where they were eventually incinerated at Auschwitz, Buchenwald, and Dachau.

jects? But, best of all, the perfect skeletons were turned over to the American Museum of Natural History, up in Manhattan Square, where savants who wish to study Esquimaux anatomy may do so quite comfortably.”

But, given the power of the museum’s trustees, nothing was done.

### Protecting the purity of the great race

As the nation’s leading institute of race science, the museum, whose board of trustees by 1918 included W. Averell Harriman, took the lead in promoting racist agitation against immigration. Madison Grant, a Museum trustee and close friend of President Theodore Roosevelt, was Vice-President of the Immigration Restriction League and its most rabid publicist.

In his *Passing of the Great Race*, Grant wrote: “In Europe today, the amount of Nordic blood in each nation is a very fair measure of its strength in war and standing in civilization. . . . In the City of New York and elsewhere in the United States there is a native American aristocracy resting upon layer after layer of immigrants of lower races. . . . It has taken us 50 years to learn that speaking English, wearing good clothes and going to school and to church does not transform a Negro into a white man. . . . Americans will have a similar experience with the Polish Jew, whose dwarf stature, peculiar mentality and ruthless concentration on self-interest are being engrafted upon the stock of the nation. . . . Indiscriminate efforts to preserve babies among the lower classes often results in serious injury to the race. . . . We Americans must realize that the altruistic ideals . . . and the maudlin sentimentalism that has made America ‘an asylum for the oppressed’ are sweeping the nation towards the racial abyss.”

Grant’s book was later translated into German, and used as one of the bibles of Nazi propaganda.

The museum’s agitation did not go unheeded. Expressing basic agreement with its outlook was liberal Woodrow Wilson. No longer, Wilson declared, do the men of the “sturdy stocks” of Northern Europe constitute the main body of “foreign blood” coming to the United States. Their place has been taken by immigrants from Southern and Eastern Europe, “men out of the ranks where there is neither skill nor energy nor any initiative of quick intelligence . . .”

In 1921, Madison Grant joined with Averell Harriman, J. P. Morgan, Herbert Hoover, and museum President (and J. P. Morgan’s nephew) Henry Fairfield Osborn to host the Second International Congress of Eugenics at the museum. Averell’s mother, Mary Averell (Mrs. E. H.) Harriman had already established the Harrimans as America’s first family of eugenics race science in 1910, by donating 80 acres of land with buildings in patrician Cold Spring Harbor, N. Y., to establish the Eugenics Record Office, endowing the institution with a further \$300,000 (about \$10 million in 1982 dollars) in 1918. While Averell Harriman donated \$1,000 out of pocket to make the conference possible, and served on

the Museum Executive Committee hosting the conference, his mother co-hosted the Ladies Committee of the conference with Mrs. Henry Fairfield Osborn and organized the transportation to New York of the entire Committee on Immigration of the U.S. Congress to view the exhibits and hear anti-immigrant tirades from Grant, Osborn and various representatives of the Harriman Eugenics Record Office. Averell’s sister, Mary Harriman (Mrs. Charles Cary) Rumsey, did her bit by dining and entertaining all of its members at her own expense at the Piping Rock Club in Glen Cove.

The anti-immigration agitation of the conference sponsors had been answered in 1920 with the passing of the first racist immigration restriction law, and by 1924 would be answered with an even-tighter bill, written by Madison Grant, restricting permission to immigrate to the United States to only people from the “Nordic” countries of England, Germany, and Scandinavia. Ellis Island was shut down, and U.S. economic growth slowed dramatically.

Justifying such racially biased restriction, the *Eugenical News*, the official periodical of the Eugenics Record Office wrote in February 1924, “Since there were fewer southeastern Europeans here in 1890 than in 1910, a percentage provision based on the former census would decidedly cut down the numbers of such immigrants. This provision would change the character of immigration, and hence our future population, by bringing about a preponderance of immigration of the stock which originally settled this country. On the whole, immigrants from Northwestern Europe furnish us the best material for American citizenship and for the further upbuilding of the American race. They have higher living standards than the bulk of immigrants from other lands; average higher in intelligence; are better educated; more skilled; and are on the whole better able to understand, appreciate and support our form of government. . . . As President Coolidge tersely expressed it in his recent Message to Congress: ‘America must be kept American.’ ”

Coolidge, himself a pawn of the Morgan interests, even wrote a few articles himself for *Good Housekeeping* on “racial hygiene.” That was not sufficient for the Harrimans, however. In 1924, their *Eugenical News* endorsed English Speaking Union and Council on Foreign Relations founder John W. Davis (the uncle of Cyrus Vance) for President as “best adapted by heredity” to be President.

Museum trustee Teddy Roosevelt, who came to the Presidency through the assassination of anti-British President William McKinley, found Madison Grant’s ideas very useful for his plans to create a Nordic Alliance of Britain, Germany, and the United States. For the same reasons, he warmly approved the ideas of Houston Stewart Chamberlain (second cousin to Munich appeaser Neville Chamberlain) whose *Foundations of the Nineteenth Century* formed the basis for the racial doctrines of the German Nazi Party. In a 1911 review of the book, Roosevelt commented: “Much that he says regarding the prevalent loose and sloppy talk about the general progress of humanity, the equality and identity of the

racism, and the like, is not only perfectly true, but emphatically worth considering by a generation accustomed, as its forefathers for the preceding generations were accustomed, to accept as true and useful thoroughly pernicious doctrines taught by well-meaning and feeble-minded sentimentalists."

Chamberlain was certainly no sentimentalist. On his deathbed in 1927 he wrote to Adolf Hitler; "You are the hope, the star, of Germany and the Aryan race."

Just as in the days of Darwin, race science was the "principle of natural selection" enshrined to determine who would be sacrificed in a Malthusian world of limited resources. Roosevelt, Grant, Osborn and the rest of the Museum of Natural History crowd were all founders of the "conservation movement" with important roles in launching of such early environmentalist groups as the Sierra Club, the Save the Redwoods Society, and the Conservation Foundation. Averell Harriman continues as an angel of the radical environmentalist movement to this day.

### The Third Eugenics Conference

With the convening of the Third International Congress of Eugenics at the Museum of Natural History in 1932, the American bluebloods moved into open organizing for Adolf Hitler's Nazi experiments. The halls were filled with pictures and graphs showing the physiognomies, mental qualities, and threatened migrations of Aryans, Latins, Jews, Negroes, etc. for an audience of leading race scientists and Malthusians assembled from all over the world.

The Eugenics Society had been around for half a century, the first chapter having been set up in England by Darwin's cousin Sir Francis Galton. The First International Conference of Eugenics had been held in London in 1911, with Winston Churchill serving as its vice-president, and the Museum of Natural History was the scene of the second conference in 1921, but this time there was a new excitement in the air. This time the significance of the ideas discussed would reach far beyond immigration policy—the star of eugenics was on the rise in Germany.

A look at the sponsors of the conference is instructive. They included **Mrs. H. B. DuPont**, of the DuPont family of Delaware;

**Colonel William Draper**, later to found the Draper Fund/Population Crisis Committee, which brought together the Vietnam war crowd of Gen. Maxwell Taylor, Gen. William Westmoreland, Ambassador Ellsworth Bunker, McGeorge Bundy, and Robert S. McNamara into a single organization committed to the depopulation of the Third World.

**Mrs. Mary Averell Harriman**, to whom the conference proceedings were dedicated because of her life-long largesse to eugenics;

**Mrs. Mary Harriman Rumsey**;

**Mrs. Walter Jennings** of Standard Oil, controlled by the Rockefellers;

**Dr. J. Harvey Kellogg**, of Kellogg's Cereals of Battle Creek, Michigan;

## Suppressing pellagra cure killed millions in U.S.

In the early years of the 20th century, approximately 5,000 Americans died every year as a result of the vitamin deficiency disease pellagra, and an additional 300,000 per year died as a result of being weakened by pellagra and succumbing to an infectious disease. Almost all of these deaths occurred in the rural South, with 50 percent of the victims drawn from the 10 percent of the U.S. population who were black.

In a series of experiments in 1914-15, Dr. Joseph Goldberger of the U.S. Public Health Service discovered that pellagra is caused by a shortage of niacin and can be cured by feeding its victims a balanced diet including meat and vegetables. Conversely, limiting a diet to corn, the typical Southern staple of the time, would invariably produce severe cases of the disease.

Goldberger's findings were instantly unpopular with the Harriman circle and the Eugenics Record Office, who had long championed the idea that pellagra and other diseases result from the inferior heredity of the stricken individuals. Eugenics Record Office Director Charles Davenport, who wrote in 1911 that the Irish genetically lack resistance to tuberculosis and that legislation to improve sanitary and living conditions in Irish communities was therefore misguided, took charge of a campaign to discredit Goldberger's findings.

Davenport began with a series of articles in medical journals and the Record Office's *Eugenical News* casting doubt on, or simply ignoring Goldberger's work.

Davenport's master stroke was the release in 1917 of the third report of the national Pellagra Commission, which he had taken over after its leaders had resigned in the wake of Goldberger's findings. In his report, Davenport and his assistants documented in mountainous detail that in 90 percent of pellagra cases, the stricken individual had at least one parent or grandparent who had been a victim of the disease.

Davenport's statistical fraud carried the day in the medical profession, and he continued his campaign to suppress Goldberger's cure for pellagra. As a result, it was not until the mid-1930s that Goldberger's findings were accepted into American medical practice. In those two decades of delay, approximately 6 million Americans (3 million black and 3 million white), were killed by pellagra, murdered by the fraud run out of the Harrimans' Eugenics Record Office.

**Mrs. John T. Pratt** of Standard Oil, member of the Republican National Committee;

**Dr. Charles W. Burr**, a descendant of the traitor Aaron Burr;

**Dr. Helen C. Putnam**, a New England blueblood of the same family which spawned McGeorge and William Bundy, policy planners of the Vietnam war;

**Major Leonard Darwin**, the son of Charles Darwin;

**Mr. and Mrs. Cleveland H. Dodge**, financial controllers of Woodrow Wilson and owners of the Phelps-Dodge mining interests;

**Professor Irving Fisher** of Yale, braintruster to Calvin Coolidge and Herbert Hoover, and one of the founders of the monetarist school of economics of Milton Friedman;

**Madison Grant**, trustee of the Museum of Natural History;

**Dr. William K. Gregory**, American Museum of Natural History associate and a collaborator of South African racists Raymond Dart and Robert Broom in pushing the theory that Negroes represent an "ape-man" stage in evolution;

**Dr. Clarence Gordon Campbell**, of the Harriman-bankrolled Eugenics Research Association;

**Mrs. Kermit Roosevelt;**

**Mrs. Theodore Roosevelt;**

**Sir Bernard Mallet** of the British Neo-Malthusian Society;

**Alfred Ploetz**, of the Germany Society for Racial Hygiene;

**Dr. G. F. Ashley Montague**, anthropologist advocate of matriarchy;

**Dr. Erwin Bauer**, Kaiser Wilhelm Institute, Munich;

**Dr. Franz Boas**, founder of cultural relativist anthropology, stuffer of Eskimos, and teacher of Margaret Mead;

**Dr. Margaret Sanger**, neo-Malthusian Society leader and founder of the American Birth Control Society and Planned Parenthood;

**Frederick Osborn**, nephew of Henry Fairfield Osborn, and cofounder of the Population Council, the mother-group the whole array of post-war population control organizations.

### **Breeding and the 'six overs'**

The conference opened with some introductory remarks from Dr. Charles Davenport, chief of Harrimans' Eugenics Record Office at Cold Spring Harbor, which was linked, by this time, to the Carnegie Institute. Davenport began by giving a progress report on sterilization techniques, and hopefully pronounced that immigration policy had finally been brought under eugenic control. Racial "cross-breeding" is the cause of "biological disharmonies" and "turbulent people," he asserted.

On the other hand, said Davenport, "the mixture of North Europeans in the United States seems to have produced many especially virile persons of which the Theodore Roosevelt family is a brilliant example. . . . Meanwhile any people is justified in going slow in bringing together in its land very

diverse races of mankind. . . . Finally we may enquire: can we by eugenical studies point the way to produce the superman and the superstate? Progress will come slowly. . . . But I think we are justified in having faith that the future will bring precise knowledge in human biology, and education will establish the desired mores."

This said, Davenport turned the podium over to Henry Fairfield Osborn, the Vice-President of the conference for the keynote address. Osborn, the nephew of J. P. Morgan, was president of the American Museum of Natural History from 1908 to 1933. In 1934, he traveled to Germany to receive the Goethe medal from the Führer, Adolf Hitler. He was a close friend of Jesuit Teilhard de Chardin as well as Theodore Roosevelt and Madison Grant. Osborn's speech reads word for word like any environmentalist tract of the past dozen years:

The outstanding generalizations of my world tour are what may be summed up as the "six overs." . . .

Over-destruction of natural resources, now actual-ly worldwide;

Over-mechanization in the substitution of the machine for animal and human labor, rapidly becoming worldwide;

Over-construction of warehouses, ships, railroads, wharves, and other means of transport, replacing primitive transportation;

Over-production both of the food and of the mechanical wants of mankind, chiefly during the postwar speculative period;

Over-confidence in future demand and supply, resulting in the too rapid extension of natural resources both in food and in mechanical equipment;

Over-population beyond the land areas, or the capacity of the natural and scientific resources of the world, with consequent permanent unemployment of the least fitted. . . .

I have reached the opinion that over-population and underemployment may be regarded as twin sisters. From this point of view I even find that the United States [with 112 million people] is overpopulated at the present time. . . . I think the present unemployment figures represent a condition likely to be in part permanent.

Osborn then presented his final solution to the unemployment problem:

While some highly competent people are unemployed, the mass of unemployment is among the less competent, because in every activity it is the less competent who are first selected for suspension while the few highly competent people are retained because they are still indispensable. In nature these less fitted individuals would gradually disappear, but in civilization we are keeping them in the community in the hopes that in

brighter days they may all find employment. This is only another instance of humane civilization going directly against the order of nature and encouraging the survival of the unfit. . . .

The slogan "not more but better Americans" should have its counterpart in every country in the world . . . accompanied by the consciousness that quality rather than quantity is the essential element of progress in every country and in every race.

**An idea whose time had come?**

Following Osborn's speech, the conference proceeded to unanimously elect Dr. Ernst Rudin as president of the International Federation of Eugenics Organizations. Rudin, employed by the Rockefeller Foundation-funded Kaiser Wilhelm Institute in Munich, was a top race scientist, having co-founded with Dr. Alfred Ploetz the German Society for Racial Hygiene back in 1905. Ernst Rudin was to become the author of Hitler's law "For the Protection of German Blood and German Honor," which defined Jews as non-citizens and made any sexual intercourse between Jews and Aryans a criminal offense. He was also the author of the law "For the Prevention of Hereditary Diseased in Posterity." Rudin based the law directly on the Eugenics Record Office's Model Eugenic Sterilization Law of 1921, which called for the for-

cible sterilization of the feeble-minded, mental patients, the criminally insane, convicted criminals and "orphans, the homeless, ne'er-do-wells, and tramps"—in other words, any individual whom the Harrimans and their friends pronounced to be genetically undesirable. As the architect of Hitler's and Goering's T4 program, Rudin trained the medical personnel who conducted Nazi Germany's first extermination program, killing 400,000 mental patients. Millions of Jews, Slavs, and others followed.

Rudin's political outlook is summarized concisely enough by the obituary he wrote for his good friend Ploetz in 1940: "It is tragic that Ploetz did not live to see the solution of the problem of understanding and cooperation of the Nordic races, when he had believed so ardently in the purposeful leadership of Adolf Hitler, and his holy, national, and international racial hygenic mission. But let it be a consolation to us that until his last breath he maintained the unshakeable hope of a victory of conquest of the German race and that in the then ensuing peace there would follow a victory in racial hygiene."

This was the man elected by the Harrimans, the DuPonts, the Rockefellers, Morgans, Dodges, and Roosevelts to head their "scientific society." In the name of "living space" and "racial hygiene" 50 million graves had been dug by Averell Harriman, and the rest of the polite, well-dressed folk of the Eastern Establishment.

**The origins of the fraudulent IQ test**

**INFERIOR INTELLIGENCE**

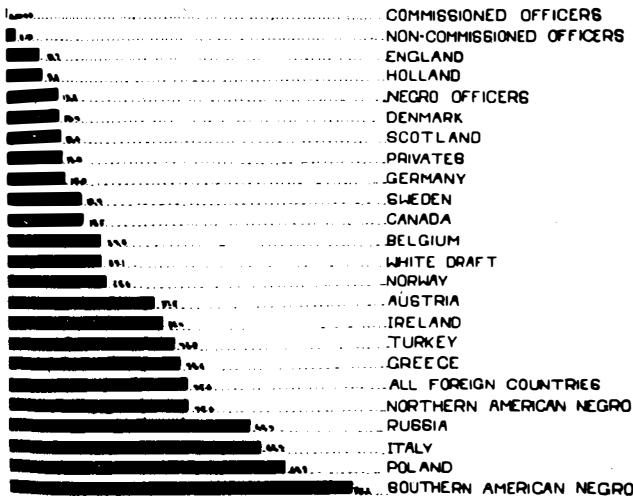


Chart prepared by H. H. Laughlin, Superintendent of the Harrimans' Eugenics Record Office, and presented to Congress on March 8, 1924, to show that non-Nordic immigration would lower the level of intelligence of the American population.

In the first decade of this century, the eugenicist circle around Averell Harriman's mother opened a campaign, which has continued to the present day, for the forced sterilization of America's poor. A high point of this Harriman-centered effort was the 1921 drafting of the Harriman-founded Eugenics Record Office's Model Eugenic Sterilization Law, which called for the forcible sterilization of the feeble-minded, mental patients, the criminally insane, convicted criminals, and "orphans, the homeless, ne'er-do-wells, and tramps." The Record Office model served as the basis for the Nazi forced sterilization laws of a decade and a half later.

How did the Harrimans and their fellow eugenicists propose to determine feeble-mindedness? Eugenics Record Office Director H.H. Laughlin succeeded in getting the fraudulent Stanford-Binet IQ test accepted as a measure for this purpose. This suited the Harrimans' racialist and anti-Semitic biases to a tee, as the Stanford-Binet tests was given only in English, and involved numerous "Americana" trivia questions. As a result, over 85 percent of the Russia, Jewish, Polish, Mexican and Italian immigrants who took the test scored in the "moron to imbecile" range. As such, they became candidates for forced sterilization under the Harriman-sponsored laws passed in 30 U.S. states by the end of the 1920's, should they be institutionalized for any reason.

## From the pages of the Eugenic News

*The following are excerpts from the Eugenic News, the official periodical of the Harrimans' Eugenics Record Office.*

**March 1922**, "Eugenics in South America," by Reginald G. Harris:

It is concluded that both the Indian and Negro races, as represented in South America, are inferior to the white race. In spite of this fact, no barriers to racial interbreeding, save the barrier of social class, are found existing commonly in South America.

Nor, speaking generally, have the resulting hybrids been looked down upon by any of the pure blood parent stocks. . . . In spite of this seeming intermediate position of the hybrids, they have failed to provide South America, as a whole, with that which it seriously needs, namely an active, intelligent middle class. . . . Indeed, anyone who is interested in rapid and permanent progress in South America, especially in those countries where crossing between the races already mentioned has been great, and where the hybrid class, or the inferior race, is greater in number than the white race, must often despair of his hope. . . . The hybrid stock should be replaced, and the general stock of Europeans renewed by abundant selective immigration. . . . A knowledge and practice of eugenics is necessary for the rapid development of those countries of South America where inferior races and hybrid stock are present in large numbers.

**September-October 1932**, "The Nordic Movement in Germany," by Dr. K. Holler:

*[Begins by reporting favorably on how the ideas of Prince Gobineau and Houston Stewart Chamberlain converged with that of many eugenicists to create the Nordic movement in Germany.]*

The fact that the movement today has many leading men of the German intellectuals in it, especially the fact that it has found strong adherents in the German *Jugend*, justifies the guess that in a not-far-off time in Germany state recognition will be gained.

The "Nazis," as Hitler's adherents are named in Germany, are in any case strongly increasing and since they accept the Nordic view-point, when they take over the government in Germany, in a short time there may be expected new race hygiene laws and a conscious Nordic culture and "foreign policy." Since similar movements are rising in different Germanic and Anglo-Saxon states it is to be believed that a new territory of international understanding is opening from which new and valuable projects are to be expected.

**March-April, 1936**, "The German Racial Policy," by Dr. Clarence G. Campbell:

It is unfortunate that the anti-Nazi propaganda with which all countries have been flooded has gone far to obscure the correct understanding and the great importance of the German racial policy. The German nation has adopted a policy of biological improvement in its racial quality as its major national objective, to which all other objectives are regarded as subsidiary. This national policy seeks to attain the greater purity of racial stocks by selective endogamous mating and breeding, with a clear conception and conviction as to its beneficial effects upon its racial quality and its culture. . . . No earnest eugenicist can fail to give approbation to such a national policy. Indeed it goes to realize the hopes that eugenicists have entertained for many years, but have despaired of ever seeing adopted in the present generation.

**July-August 1936**, by Charles Mathias Goethe:

The last twenty years witnessed two stupendous forward movements, one in our United States, the other in Germany.

The first, in the United States, was the passage of the Immigration Quota Acts of 1921-24. In securing their passage, 'twas learned that the real yellow peril is the yellow streak in certain American politicians. By their enactment a first-class power wrote into law the concept of the desirability of racial homogeneity. The United States had received history's greatest mass migration in the "New Immigration." The Nordic stream, flowing since Jamestown and Plymouth Rock, had become a trickle. A few energetic patriots reacted. Followed these Quota Acts which said to the world: "America, still overwhelmingly Nordic, proposes so to remain!" These acts began a gigantic eugenical experiment in population control.

The second was Nazi Germany's eugenics laws. . . .

*[He proceeds to discuss how public opinion in both Germany and the United States has been distorted by hostile propaganda about the other country.]* In speaking on Baltic Europe's eugenics to certain American audiences, one hears German sterilization is used to hound one group. Is it not regrettable that considerable groups in both countries continue similarly misinformed?

The above also suggests: Does there exist in America an adroit censorship to bar any advocacy of the desirability of conserving Nordic homogeneity?

## Berlin gathering of race scientists, 1935

One of the most gala gatherings of the pre-war eugenics movement occurred with the convening of the World Population Conference in Berlin in 1935. Representing the Harriman's U.S. eugenics organizations were Dr. H. H. Laughlin, a superintendent of the Harrimans' Eugenics Record Office, who delivered a paper on the progress of U.S. sterilization programs, and Dr. Clarence Gordon Campbell, who had been a member of the managing committee of the Harriman-sponsored Third International Congress of Eugenics at the American Museum of Natural History in 1932, and who was President of the Harriman-bankrolled Eugenics Research Association. Other Americans present included Warren Thompson and Dorothy Swain Thomas, both of whom were later to join with John D. Rockefeller III and Frederick and Fairfield Osborn in establishing the Population Council in 1952.

The keynote of the conference was given by Nazi Minister of the Interior Wilhelm Frick, who was later hung by the Allied Military War Crimes Tribunal at Nuremberg for crimes against humanity. "We have been reproached as following a special racial cult and injuring the commands of Christian love for our neighbors by eugenic measures," Frick said. "But if it was not part of the plan of the original order of things in this world that long life should be given to many sick people through the progress of science, which had been denied them under primitive conditions, then it cannot be wrong to prevent this good deed from becoming a plague to the healthy."

The next speaker was the conference President, Prof. Eugen Fischer, "eminent anthropologist," and a member of the German Society for Racial Hygiene who had attended the 1932 eugenics conference at the American Museum of Natural History. Fischer gave the conference invocation as follows: "We may with thankful hearts think today in the beginning of our work of that man whose strong hand has the will and strength, God willing, to save the German nation from the fate of populations which led past cultures and peoples to their death.

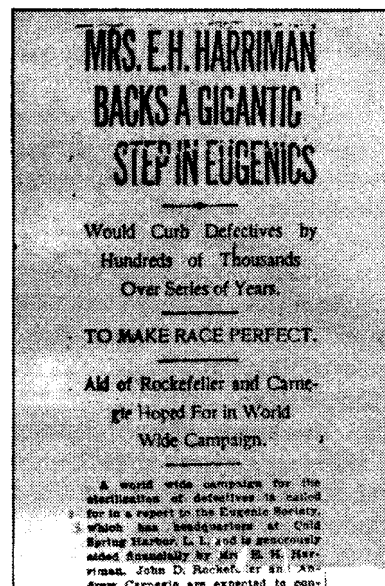
"With this wish for all as we gather for work on German soil and in the Reich capital, we honor and greet the German people's Führer and Reich Chancellor, and I would request you greet him with me: Hail Führer and Reich Chancellor Adolf Hitler!"

The only Americans whose speech the *New York Times* reported was Dr. Clarence G. Campbell. "The leader of the German Nation, Adolf Hitler, ably supported by Dr. Frick and guided by Germany's anthropologists and social philosophers, has been able to construct a comprehensive policy of population development and improvement that promises to be epochal in racial history," Campbell said. "It sets a pattern which other nations and other racial groups must follow if they do not wish to fall behind in their racial quality, in their racial accomplishments, and in their prospects for survival.

"It is not to be denied that these ideas have met stout opposition in the Rousseauvian social philosophy which assumed that humanity is wholly free to ignore obvious biological realities, which bases its population development as well as its whole social and political theory upon the patent fallacy of human equality."

Dr. Ruttke, the Director of the Reich National Health Service, then called for "worldwide assumption by the state of the duty of damming the flood of unhealthy heredity" by sterilization laws. The conference concluded with a banquet at which Dr. Campbell toasted "that great leader, Adolf Hitler."

Unlike most of the pre-war eugenics organizations, the organization responsible for the Berlin Conference, the International Union for the Scientific Study of Population (IUSSP), did not disband or even change its name during or after World War II. Instead, it continued to operate, and in 1947 joined with British eugenicist Julian Huxley to set up the United Nations population program. In 1954, the IUSSP co-sponsored with the United Nations another World Population Conference, and since that time have held a series of such events, the most recent having occurred in Manila in 1981.



*The New York World of Sept. 4, 1915 reports on Averell Harriman's mother's international campaign for forced sterilization of the mentally ill, handicapped, and institutionalized.*

# Averell and Pamela Harriman's grip on American policy-making in the 1980s

by Robert Zubrin

Today, at age 91, Averell Harriman totters at the head of a vast political empire of Eastern Establishment institutions. It is through this empire that Harriman has been able to take control of the national leadership of the Democratic Party, and enforce upon that party a set of zero-growth and genocidal policies wholly alien to the Democratic Party's base among workers and minorities. It is through this empire that Harriman has been able to hand-pick virtually every senior cabinet member and advisory office holder of the Kennedy, Johnson, and Carter administrations, and determined their policies, including the creation of the Vietnam War in the 1960's, and the Carter policies of energy conservation, *Global 2000* depopulation, and high interest rates in the 1980s. As a result of Harriman's control, the Democratic National Committee today continues to block any effective action against the depression-causing policies of Carter-Harriman appointee Federal Reserve Chairman Paul A. Volcker.

Aside from direct control of such wholly owned Harriman pets as Sen. Daniel Patrick Moynihan (D-N.Y.), Harriman's key channels of policy-making influence include:

*The New York Council on Foreign Relations.* Founded in 1919 as the U.S. branch of the Royal Institute of International Affairs for the purpose of running the United States according to the dictates of British foreign policy, the CFR remains today the top controller of American political life. Harriman is a member, and is well-represented in the Council by a large faction of his followers, alongside those of the Morgan, the Rockefeller, and the Kuhn-Loeb/Lehman Brothers groupings. Harriman acts as a significant input into CFR policy deliberations, and as an output channel through which CFR decisions are imposed as policy on the Democratic Party. Harriman maintains a similar relationship with the more recently founded Trilateral Commission.

*The American Assembly.* This privately owned stable of Harriman CFR members meets regularly at Arden House, the Harriman mansion in Harriman, New York. Current and recent members of the American Assembly include such former members of the U.S. Executive Branch as George Ball, Hubert Humphrey, C. Douglas Dillion, Marriner Ec-

cles, William Bundy, and Clifford Hardin. The list also includes Milton Eisenhower, Citibank Chairman Walter Wriston's father Henry Wriston, newspaper magnate John Cowles, Club of Rome member Sol Linowitz, and *Washington Post* editor Katharine Graham.

In 1963, Harriman and the American Assembly hosted a reunion of pre-World War II Eugenics Society personnel, to discuss how to make eugenic "population control" the basis of U.S. foreign policy toward the non-Nordic nations of the developing sector. This conference included Frank Lorimer, Frank Notestein, Dudley Kirk, and Phillip Hauser.

*The Democratic Strategy Council.* Formerly known as the Democratic Advisory Council, which was founded by Harriman and John Kenneth Galbraith in 1956, the DSC is an official institution of the Democratic Party and fulfills the function of translating CFR policy into domestic legislation and foreign policy recommendations for Democratic Congressmen, mayors, governors, and the party's Platform Committee. Created over the stiff opposition of Democratic Congressmen, the DSC has served to rob both Democratic Party machines and their constituents of any real influence over the party's policy. Present and recent leaders of its foreign and domestic sections have included:

*W. Averell Harriman*, Chairman for foreign affairs;  
*George Ball*, CFR, American Assembly, Draper Fund;  
*Clark Clifford*, CFR, architect of Nixon impeachment;  
*Orville Freeman*, CFR, former Agriculture Secretary, Draper Fund/Population Crisis Committee;  
*John Kenneth Galbraith*, economist, Draper Fund;  
*Arthur Goldberg*, CFR, former aide to New York Governor Harriman, former Secretary of Labor;  
*Samuel Huntington*, CFR, Trilateral Commission;  
*Sol Linowitz*, CFR, American Assembly, President, Xerox Corporation;  
*Nicholas de B. Katzenbach*, CFR, Institute for Policy Studies, former Attorney General;  
*Dean Rusk*, CFR, Harriman choice for Secretary of State;  
*Paul Nitze*, CFR, Reagan arms negotiator;  
*Zbigniew Brzezinski*, CFR, Trilateral Commission, chief



of Carter National Security Council;

*Cyrus Vance*, CFR, former Secretary of State, author, *Global 2000 Report*;

*Paul Warnke*, CFR, Carter arms negotiator;

*Robert Roosa*, CFR, partner Brown Brothers Harriman, Carter economic advisor.

*The Brookings Institution*. Founded by a grouping of Council on Foreign Relations interests in the 1920s, the Brookings Institution today is almost entirely controlled by Harriman personnel, and functions as the authoritative source for austerity and anti-growth recommendations packaged in liberal garb for government agencies and the Democratic Party. Institution trustees include:

*C. Douglas Dillon*, Kennedy's Treasury Secretary;

*Robert S. McNamara*, Kennedy's Defense Secretary;

*William McChesney Martin*, former Federal Reserve chief;

*Gerard C. Smith*, North American Secretary of the Trilateral Commission;

Top staff members of the Brookings Institution include Carter advisers *Henry Owen* and *Charles Schultz*, and *Leslie Gelb* of the *New York Times*, Harriman's leading press outlet.

*The Center for National Policy*. Chaired by Cyrus Vance, this small think-tank functions as Harriman's personal policy-formulating center. Its director include:

*W. Michael Blumenthal*, former Treasury Secretary;

*Warren Christopher*, former Undersecretary of State;

*Stuart Eizenstat*, Carter's domestic policy adviser;

*Lloyd Cutler*, Carter White House Counsel;

*Ray Marshall*, former Labor Secretary;

*Edmund Muskie*, former Secretary of State;

*Felix Rohatyn*, Lazard Freres banking house;

*Glen Watts*, Club of Rome, Trilateral Commission, and chief of Communications Workers of America.

*Democrats for the '80s*. This "political action committee" functions as the chief vehicle for spreading Harriman money and influence around the Democratic Party. Its offices are located inside Harriman's Washington, D.C. townhouse, and it is chaired by Harriman's wife, the former Mrs. Winston Churchill II. Pamela Harriman's reputed lover, former Democratic National Committee Chairman Robert Strauss, sits on the board, along with House Speaker Tip O'Neill, Edmund Muskie, and Stuart Eizenstat. At the May 25 Democratic Party midterm convention in Philadelphia, Democrats for the '80s circulated a resolution urging that "America's long-standing leadership in confronting the population threat should be maintained."

Harriman controls numerous other political action committees, including the National Committee for an Effective Congress, headed by Russell Hemingway and Bishop Paul Moore of the Cathedral of St. John Divine in New York; ProPAC, headed by Socialist International operative Victor Kamber; Ted Kennedy's Fund for a Democratic Majority; George McGovern's Americans for Common Sense; Morris Udall's Independent Action; and Walter Mondale's Com-

mittee for the Future of America.

*The disarmament, environmentalist and population control movements*. In early 1982, Harriman operatives Robert S. McNamara, George Kennan, Gerard Smith, and McGeorge Bundy called jointly for a no-first-use of nuclear arms by the United States. This publicity stunt was picked up by the Harriman controlled *New York Times* and *Washington Post*, to launch a national nuclear freeze movement. With the help of the many "grassroots" fronts established by the Harriman-controlled Institute for Policy Studies, a training ground for left-wing activists and terrorists headed by Marcus Raskin and Richard Barnett (both of whom got their start in Harriman's Arms Control and Disarmament Agency, 500,000 people were brought to New York City June to demonstrate against nuclear technology and weapons.

In 1969, Harriman used similar tactics to create the "environmentalist" movement virtually out of thin air, with press noise about Earth Day. Large sums of money from Rockefeller Foundation (Robert Roosa, Cyrus Vance, trustees) and Ford Foundation (Robert McNamara, McGeorge Bundy, trustees) were funneled into this project. Its intersection with the radical student movement of the 1960s was used by Harriman to create a left-wing movement inside the Democratic Party, aimed against the constituency-based machines of party traditionalists. Harriman's backing for Tom Hayden's proto-fascist, environmentalist Campaign for Economic Democracy in California, an insurgency which threatens to take over the party machine in that state, is one example of this tactic.

The population control movement is a Harriman creation which predates both environmentalism and anti-nuclear movement, going all the way back to the Harriman family's promotion of Nazi eugenics in the United States before World War II. In the 1960s, Harriman used his control of the Kennedy and Johnson administrations to make genocide U.S. foreign policy, under the guise of population control, through the Vietnam War. For this operation, The Draper Fund's Population Crisis Committee was the major control point. Harriman protégés George Ball, Robert McNamara, C. Douglas Dillon, William McChesney Martin, Ellsworth Bunker, Richard Gardner, Gen. Maxwell Taylor, and Gen. William Westmoreland are all members of this committee. The basic policy was that neither a quick victory nor a quick retreat would be permitted.

*Law firms*. The Harriman circle maintains a powerful grip on members of the government, corporate, and political party elite through its control of a number of top Wall Street law firms. These include: Arnold and Porter; Clifford, Warnke, Glass, McIlwain and Finney; Corcoran, Youngman and Rowe; Fried, Frank, Harris, Shriver and Kampelman; Paul, Weiss, Rifkind, Wharton, and Garrison; Coudert Brothers; Covington and Burling; Cravath, Swain and Moore; Milbank, Tweed, Hadley and McCloy; Sullivan and Cromwell; Williams, Connally and Califano; Simpson, Thatcher and Bartlett; and Wilmer, Cutler, and Pickering.

## Sharon, Assad, and Kissinger plan the next Lebanon war

by Judith Wyer and Nancy Coker

Less than 72 hours after Bashir Gemayel, Lebanon's Falangist militia leader, was installed as President of Lebanon under Israeli guns in August, Rifaat Assad, the gangster brother of Syrian President Hafez Assad, and Israeli Defense Minister Ariel Sharon arrived in the United States.

According to intelligence sources, Sharon and Assad held a secret meeting at the President's Camp David retreat in Maryland. The purpose of the meeting was to plan the next round of violence for Lebanon, in preparation for distributing the spoils of that shattered country through partition.

"There will be a little war between Israel and Syria," commented one Falangist source. "A little, controlled war, followed by a big, big peace treaty, involving either the de jure or de facto partition of Lebanon. Syria and Jordan will both be involved in the deal, though Jordan may not be the Jordan we now know. It may become what Sharon wants it to become: the region's Palestinian state."

It is not the first time that Sharon and Assad have carried out clandestine sessions in the United States. Two weeks ago, shortly before the fascist Gemayel was catapulted to power, Sharon and Assad each quietly slipped into the United States to confer with Henry Kissinger, the guru behind current Reagan administration Middle East policy, on the partition of Lebanon and the overall strategy for redrawing the map of the region.

Since 1972, when Kissinger initiated the crisis-management policy for the Middle East which eventually became the Camp David accords, Sharon, the late Moshe Dayan, the Assad brothers, and the Gemayel clan have been plotting with Kissinger to partition Lebanon. As a result, Lebanon

has suffered a series of wars and invasions that has claimed well over 100,000 lives and destroyed the unity of the country.

The secret meetings between Kissinger, Sharon, and Assad are planning the next civil war in Lebanon, which they calculate the hated Gemayel's "election" will trigger. And Kissinger, as Secretary of State George Shultz's Middle East adviser, will help manage the crisis into Phase II of the Camp David folly: an Israel-Syria accord to permanently divide Lebanon.

Underlying the scheme to destroy Lebanon's national sovereignty is a British intelligence plan to shatter all the nation-states of the region, transforming them into a collection of colonial fiefdoms. Kissinger, a business partner of Britain's Lord Carrington and an acknowledged asset of British intelligence, is presently putting the Reagan administration on a policy course that will finish off U.S. influence in the Arab world and lead to the undermining of America's two chief Arab allies, Egypt and Saudi Arabia.

Kissinger's betrayal of the most elementary U.S. interests is partially explained by the fact that his allegiances are to the Nazi International's Monte Carlo Commission, an elite Freemasonic grouping involved in the deployment of European and Arab terrorism. Rifaat Assad and his brother Hafez also maintain close ties to the oligarchical Monte Carlo elite via Radio Monte Carlo, a Middle East intelligence operation founded by the fascist regimes of Vichyite France, Nazi Germany, and Mussolini's Italy in 1942. As for Bashir Gemayel, his Falange was founded six years earlier by his father Pierre, modeled on the shocktroops of Hitler's Germany.

In between his two visits to Washington, Rifaat Assad

made another secret trip to London. Lebanese sources say that he met with a top British Special Intelligence Services Middle East operative, the first Crown Prince of Saudi Arabia, Abdullah. Abdullah, a well-known British agent and leader of the fanatical Muslim Brotherhood, is backing the Kissinger ploy, while his factional opponent, Saudi King Fahd, in alliance with Egyptian President Hosni Mubarak, is urging the United States to talk to Palestine Liberation Organization chairman Yasser Arafat to begin to actually solve the Palestinian problem now. Should Kissinger succeed in embroiling the Reagan administration in a bilateral Camp David-style Israel-Syria deal, the Palestinian issue will, again, be sidestepped, ensuring that a prime source of Middle East instability remains. This conforms to a well-known promise Kissinger made to Israel in 1975 that the United States would never talk to the PLO or any of its leaders.

If Arafat succeeds in getting out of Beirut and arrives, as planned, in Tunis, the headquarters of the Arab League, he, Mubarak, and King Fahd are expected to make a strong bid for a U.S.-PLO dialogue. This, Kissinger and his allies are committed to stopping, no matter how much blood is spilled.

### **The civil war potential**

Immediately after a slim majority of Lebanon's parliament voted Gemayel into the presidency, new fighting erupted on the outskirts of Beirut on the strategic Beirut-Damascus highway. The fighting pitted Israel and the Falange against Syrian troops. Behind the scenes they are attempting to foment a new round of warfare between the Christian Falange and the coalition of Muslim groupings that boycotted the parliamentary election and vow not to recognize Gemayel, whom they call an Israeli puppet.

Gemayel is purposely provoking Lebanon's Muslims. Shortly after he was named President, he announced that all Palestinians in Lebanon, including its 400,000 Palestinian civilian refugees, would be expelled from Lebanon.

Various Muslim militias are reported to be arming in preparation for an all-out war against the Falange, and Israel, which has already begun a pullback from Beirut, has turned a blind eye to the arming, knowing it is in preparation for a new round of fighting.

According to one State Department source, since 1978 Israel and Syria have harbored secret plans to conduct a limited war in Lebanon whose outcome would be a U.S.-mediated partition.

This is precisely what Sharon, Assad, and Kissinger are now working out.

Such a war would resemble the 1973 Middle East war, which Kissinger orchestrated to give Egypt a "limited victory" and the basis for making a deal with Israel.

In Washington, the State Department refused to deny that Sharon and Assad were secretly meeting. State Department spokesman John Hughes ducked a series of questions from *EIR* correspondent Ronald Kokinda Aug. 27 on the content of the reported Assad-Sharon meeting, saying "I don't know.

I'm having enough trouble keeping you informed on the Sharon-Shultz meeting."

Earlier, after an 80-minute meeting with Shultz, Sharon announced to the press that "Israel will never agree to a second Palestinian state—there is already a Palestinian state, and that is Jordan." The State Department's tacit acceptance of this formulation was evidenced by a weak-kneed statement put out by Foggy Bottom defending Jordan's territorial integrity but *not* refuting Israel's claim that Palestine is Jordan.

### **Breaking King Fahd**

The relocation of 1,000 Palestinian guerrilla members of the radical wing of the PLO, the Popular Front for the Liberation of Palestine, to Marxist South Yemen on Saudi Arabia's southern border has caused concern in Riyadh. The extremists, headed by terrorist George Habash, an ally of the Ayatollah Khomeini, are already threatening to destabilize the pro-American Saudi Arabia regime. Reportedly, the content of Rifaat Assad's and Prince Abdullah's talks in London centered on blackmailing King Fahd into accepting an Israel-Syria deal and scrapping his effort to solve the Palestinian problem. Syria, with long-standing relations with Habash, is offering to restrain the extremists in return for Fahd's changing his policy.

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*Rifaat Assad, brother of the Syrian President, made a secret trip to Washington last month to confer on the next stage of partitioning Lebanon: a new 'managed' war. The Reagan administration is on a policy course that will finish off the two main U.S. allies, Egypt and Saudi Arabia, while perpetuating the Palestinian problem, to the satisfaction of British intelligence.*

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Several British intelligence sources, including those associated with Armitage & Associates, a British intelligence front for Persian Gulf operations, say that a new crisis is brewing in South Yemen that could result in a war with North Yemen and pull in Saudi Arabia's southern neighbor, Oman.

Should such a crisis erupt, it would undoubtedly affect oil flows through the Persian Gulf. Unlike the crisis of 1973, there will be no U.S. influence to salvage in the Middle East or among European allies.

# Kissinger makes a drug deal over the corpse of the Lebanese nation

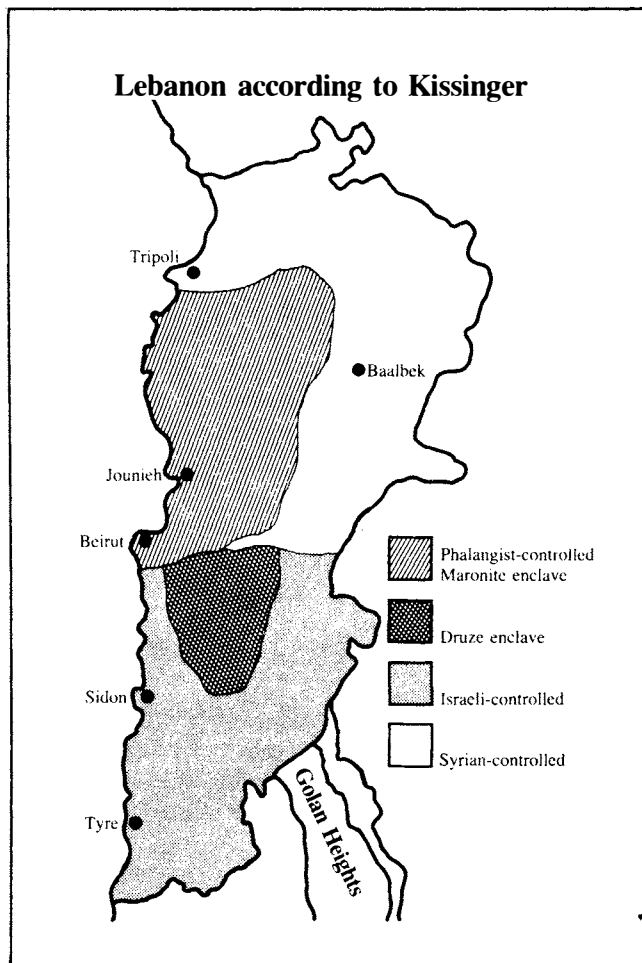
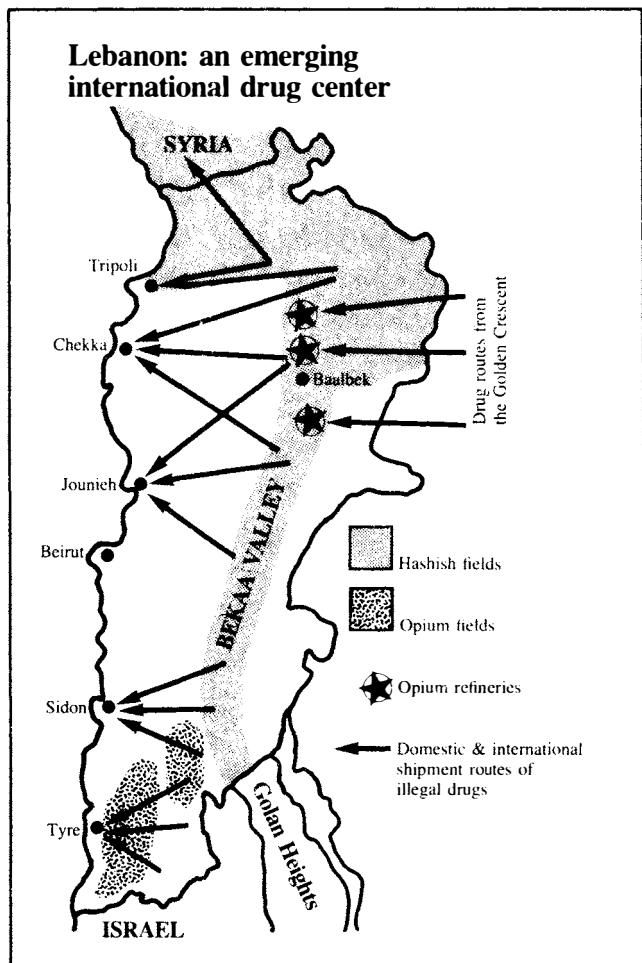
by Judith Wyer

As the architect and crisis manager of the 1976 Lebanese civil war, then U.S. Secretary of State Henry Kissinger drew up a plan to partition Lebanon. If Kissinger now has his way, Lebanon will soon be divided between Israel, Syria, and the Falangist gang. This chop-up of Lebanon will make it the hub of a drug and organized crime operation reaching from Pakistan to the Mediterranean.

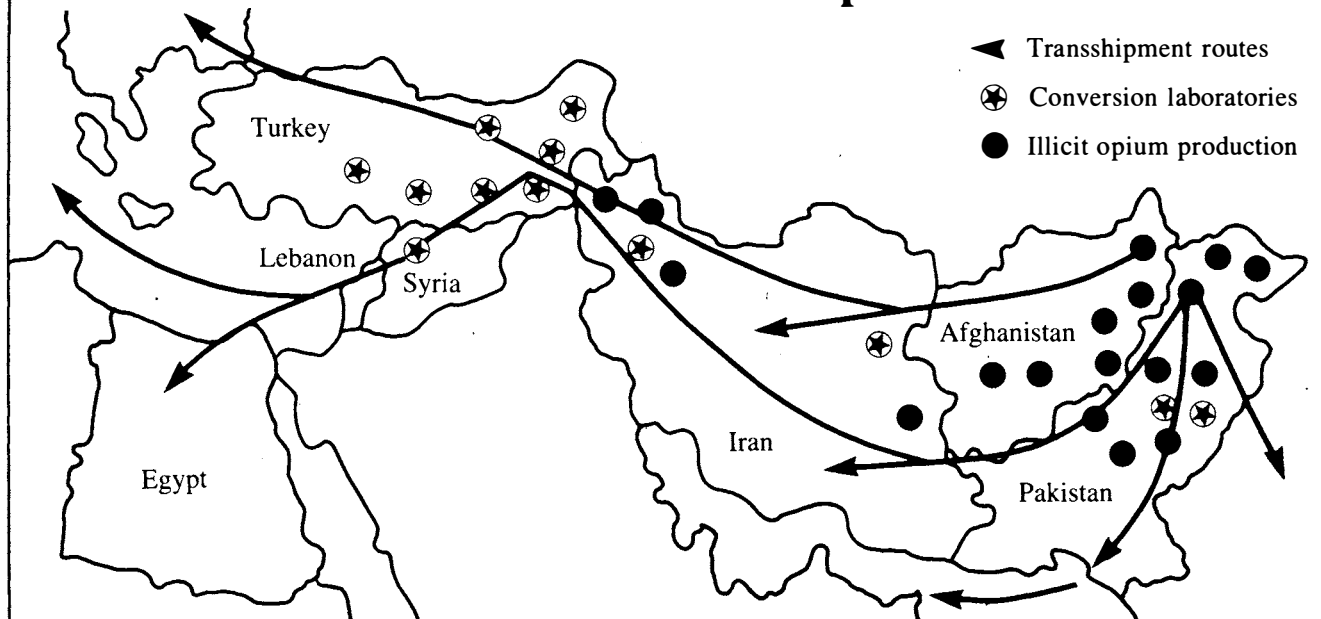
An unspoken element in the Middle East policy doctrine drawn up by Kissinger in 1972, the so-called step-by-step approach which led to the Camp David accords between Egypt and Israel, is the transformation of the region into a

haven for what Kissinger and his backers like to call "free enterprise." As a result of this policy, both Egypt and Israel have been turned into havens for "Dope, Inc." over the past ten years.

It is no exaggeration to state that criminal activity is the definition of "free enterprise" for the Kissinger network. The prototype of the enterprise zone policy was imposed on Egypt in 1974 by Kissinger and his traveling piggybank, David Rockefeller, under the name of the Open Door. President Anwar Sadat was offered plenty of credit from private banks, as long as the Egyptian government did not ask too



## The Golden Crescent: illicit sources of opiates



many questions about what the money was being used for. Soon after Sadat finally began to crack down on the "enterprise zones" around Alexandria, where warehouses full of illegal opium and hashish were discovered and major arrests made in September 1981, he became the victim of terrorist bullets.

Central to the Rockefeller-Kissinger policy is the spread of unregulated offshore banks as repositories of "hot money" from shady enterprises. With 120 such banks already in Lebanon, operating according to the Swiss numbered-account model, Lebanon has been designated as the financial center for illicit opiates originating in the Golden Crescent (Pakistan, Iran, and Afghanistan) as well as Lebanon's traditional crop, the potent cannabis drug hashish.

Israeli Defense Minister Ariel Sharon, a tool of the powerful Israeli Mafia run by David Rockefeller's business partner Meyer Lansky, has shown himself to be prepared to cut Israel into Lebanon's lucrative drug trade. Israeli sources report that shortly after Sharon's invasion of Lebanon 40 tons of Lebanese hashish were confiscated by Israel to be sold on the open market. This is, presumably, one of the financial benefits of Israel's occupation of south Lebanon to which the Israeli Finance Ministry has referred.

Since Israel's first invasion of south Lebanon in 1978, Israel has cultivated a close alliance with the Shiite Muslim minorities in the region. These Shiites are allies of both the fanatical Ayatollah Khomeini in Iran and the ruling Assad gang in Syria. This alliance serves to conduit the drugs produced by Iran and Syria that are moved via south Lebanon through the port towns of Sidon and Tyre.

Guiding Kissinger's longstanding design to carve up Lebanon is a plan authored by British intelligence agent, Prin-

ceton University's Professor Bernard Lewis, to undermine the sovereignty of all the states in the region, transforming them into lawless tribal fiefdoms of organized crime and its British and Venetian oligarchical controllers.

In the decade that Kissinger has dominated the American policy toward the Middle East, a series of catastrophes have swept it and Southwest Asia, contributing to the massive increase in illegal drug exports.

- The 1975-76 Lebanese civil war began the slow disintegration of Lebanon as a state and claimed well over 100,000 lives.

- In July 1977 a coup d'état in Pakistan installed General Zia ul-Haq as dictator. The episode brought to power a regime that has been proven complicit in heroin running, including Zia's own family. Zia's predecessor, the legally elected President Bhutto, testified that shortly before his overthrow Kissinger promised to "make a horrible example of you" because of Bhutto's commitment to developing an independent nuclear energy capability for Pakistan.

- In 1978 the Israelis invaded south Lebanon, transforming that once-prosperous agricultural region into a lawless territory in which illegal drugs, notably opium, and international illegal drug transshipments proliferated.

- In February 1979 the so-called Islamic Revolution brought mass murderer Ayatollah Khomeini to power in Iran.

U.S. drug enforcement authorities report that as of 1981, Pakistan had become the world's largest opium exporter. Though it is difficult to quantify, Khomeini's Iran is thought to have become another major exporter, as well as consumer, of opium and heroin. It is known that since 1978 a growing portion of heroin consumed in the United States and Europe has come from the Golden Crescent. It is also known that the

Muslim rebels fighting Soviet occupation of Afghanistan are an important component of the Golden Crescent drug trade, swapping opium for arms.

Since the outbreak of the Iran-Iraq war in September 1980, Israel has made no secret of its alliance with the murderous Khomeini regime, supplying millions of dollars in arms to Iran. Zia maintains secret relations with Israel through various military and intelligence channels, the most important being the Canadian based Space Research concern.

### The transformation of Lebanon

According to the Italian weekly, *Panorama*, since 1978 Lebanon, too, has become an up-and-coming opium, hashish, and now heroin exporting center. *Panorama* estimates that at least 30 percent of Lebanon annual income is earned through illegal drugs. The funds for such trade ends up in Lebanon's unregulated banks, Lebanon's largest industry.

The process of transforming Lebanon into a vast drug plantation began immediately after the 1976 civil war when destitute farmers in the Mermel region of northern Lebanon converted their fields from cash crops to hashish, under the tutelage of the Syrian occupying troops. Today the Hermel and the remaining territory occupied by Syria in the Eastern Bekaa Valley constitutes one of the most profitable hashish-exporting enterprises in the world.

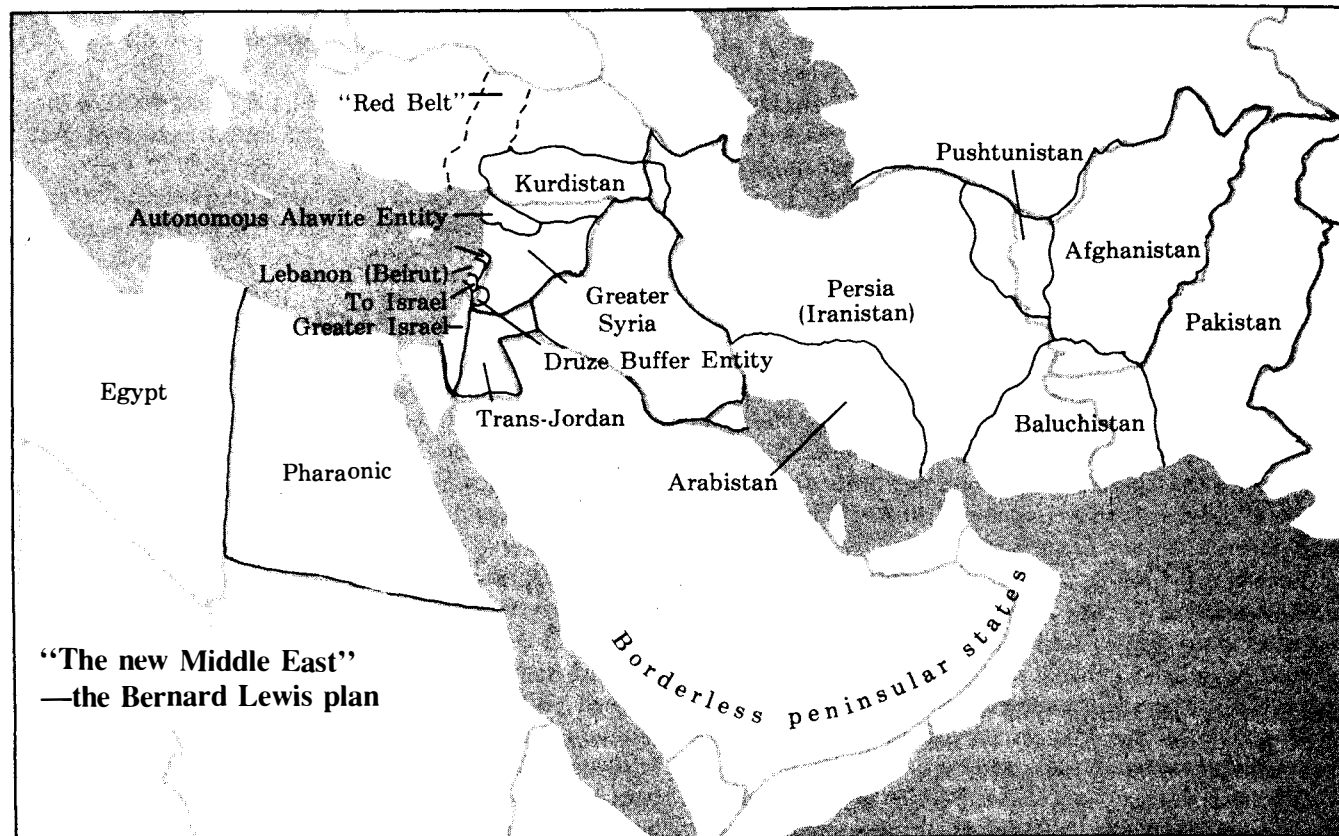
Late last year during the investigations by Italian authorities of the terrorist kidnapping of the U.S. Gen. James Do-

zier, it was revealed that the Italian Red Brigades, some of whom were trained in Lebanon, are also a part of the Lebanese drug pushing syndicate through their ties to the Sicilian Mafia. Days before the rescue of Dozier, the Italian government tried to extradite a Syrian drug merchant, Salah ad Din al Bakhsh, from Greece. He was reported to have conducted drug transactions with Italian terrorist Rafael Reggio, who was arrested in connection with the Dozier affair. European terrorists are reported to be an outlet for drugs grown in the Mideast, from which they generate funds to buy guns.

The Italian trail also reveals the smelly pawprints of Henry Kissinger. Testimony in the trial this summer of the Red Brigaders who kidnapped and assassinated Italian Christian Democratic statesman Aldo Moro revealed that a "prominent international figure" (Kissinger) threatened Moro that he would "pay dearly" for his political plan for a national unity government. Moro himself believed that Kissinger hated him for his role in the Euro-Arab dialogue, a policy which could have led to a sound peace settlement between the Arabs and Israelis, jettisoning the Dope, Inc. partition scheme.

### Israel's free enterprise zone in south Lebanon

Israel's successive invasions have made south Lebanon a lawless, virtually ungoverned territory, and provoked a demographic shift in which the Shiites have become dominant. These Shiites, in combination with the followers of Col. Saad Haddad, the mercenary militia leader in Israel's pay, are



destined to become the gauleiter in Israel's occupation of the south.

Since the June 6 Israeli invasion under Sharon's orders, the occupying army has begun to carve out an entity in south Lebanon making Israeli-allied Shiites Israel's colonial governors. In early August, the Israeli Tourist Minister announced that south Lebanon will become a tourist and casino center which will benefit Israel's economy.

Detailed plans drawn up by the Israeli foreign intelligence service, Mossad, *well in advance of this year's invasion*, called for Lebanon's freewheeling Swiss-modeled banking system (an entrepôt since the 1950s for international organized crime), to become Israel's offshore banking center. On cue, the first Israeli government delegations to visit the southern Lebanon ports of Sidon and Tyre after Israeli troops occupied them were led by the Israeli Finance Minister and the governor of the central bank.

Like Tyre and Sidon in the south, the major ports north of Beirut in the Maronite enclave have become prime outlets for illegal drugs and other contraband. As early as 1976 Bashir Gemayel began to cultivate his relationship with Israel, sealing their support for his bid to succeed Elias Sarkis as President of Lebanon. Since then, Israel is reported to have delivered up to \$100 million worth of arms to the Bashir Gemayel-led Falangist militia.

Israeli support was the key to Gemayel's victory over the Maronites during a series of blood feuds in 1979 and 1980 which destroyed the power of the contending Maronite clans led by former President Camille Chamoun and Suleiman Franjeh. Bashir Gemayel is personally responsible for the atrocious murder of Franjeh's son Tony.

Immediately after Gemayel took control of the Maronite enclave he seized the ports previously controlled by his Maronite adversaries. According to an exiled Lebanese banker, the ports and the lucrative casinos in the Maronite capital of Junieh have already netted the Gemayel clan tremendous returns.

A Maronite supporter of Gemayel revealed recently that once the "smoke clears" in Lebanon, it will become the dominant banking center in the Mideast functioning exactly like Switzerland. Despite six years of civil strife and foreign occupation, the central bank still is reported to have several billion dollars in gold in its coffers. And despite the chaos, the decentralized Lebanese banking system has continued to function.

Another piece of the picture is the notorious gold bullion market in Dubai, which is reported to have been resuscitated earlier this year. Besides being the Persian Gulf headquarters of British intelligence, Dubai is ruled by Sheikh Rashid, whose regime is the closest in the Gulf to Ariel Sharon's drug-running Muslim allies Zia and Khomeini, and who is a known funder of the British intelligence-created Muslim Brotherhood. The gold, which originates in Zurich and London, is important because it is a universal currency for opium transshipped through southern Iran.

## The Assad Mafia and the Middle East crisis

by Thierry Lalevée, Middle East Editor

The recent Lebanese war was not fought over drugs, but there was definitely a "drug connection" to it which will be the basis for a most cynical, dirty deal in the coming weeks between Syria and Israel. This will most likely be concretized in the shape of a partition of Lebanon between Syria and Israel, as we document above, leaving a token "independent" Lebanon under the rule of some Israeli-controlled puppet à la Bashir Gemayel, who will control a "greater Beirut" whose territory will extend no farther than to Khalde or the Mount Lebanon region.

Underlining this drug aspect of the war was the Israeli army's behavior in Lebanon, acting under the orders of the plenipotentiary representative of the Israeli Mafia, Defense Minister Ariel Sharon. Entering the destroyed cities of Tyre and Sidon, the Israeli Defense Force took two steps; first to load hundreds of trucks with seized Palestinians weapons which, as the Vienna *Kurier* revealed Aug. 21, were sold afterward for hard currency to willing arms dealers who transported them to Iran, then in the midst of its offensive against Iraq. Secondly, dozens of other trucks were loaded with the local hashish crop, evidently not to be burned in Israel, but rather sold through Sharon's American Mafia connections, represented by Meshulem Riklis of the Rapid American Corporation. Hence, a few weeks after the beginning of the war the Paris daily *Le Monde* could quote Israeli officials as saying that "the war has been a good war; we have made a lot of benefits."

But the Israelis cannot be really totally blamed for this state of affairs, as they were merely emulating Israel's supposed "enemy," Hafez al Assad of Syria, who since 1972 has based his regime on creating a "greater Syria" by partitioning Lebanon with Israel, a rationale to include that country in his mafia activities.

Indeed, if Lebanon is partitioned into three spheres of influence—at least—the prime object will be control of drugs, production and trade, and the recycling of dirty money. Israel is expected to retain control over southern Lebanon where "Major" Haddad has for years been using the production of hashish by the local Shiite community to buy the weapons he needed from the Israelis. Syria, on the contrary, will try to retain its control over northern Lebanon and the key city of Baalbeck, the real revolving door of the drug market where, especially in the last few years, the first refineries for the

opium coming from the Golden Crescent were established, from which heroin is then exported to Europe or to the United States.

Then Beirut will be left under Maronite Christian control to become once again an international center for recycling drug money, a kind of Switzerland of the Middle East—less its former territories. Beirut will be once again active as during the heyday of the *Intra-Bank* of Yussuf Beidas and of the Casino du Liban, then owned by French mobster Marcel Franceschi. Franceschi was assassinated last January, but his network is not dead. Also, Gaston Deferre, the French Interior Minister and a “longstanding friend of Israel,” it was said recently, has more than one interest in reestablishing the old connections between Beirut and Marseilles, the entrepôt for the drug trade in France, of which he was Mayor.

### The Assad Mafia

The Assad ruling family, in control of Syria since the end of 1970, is probably one of the most powerful Mafias in the entire Middle East, through a family/Alawite network which extends its control over the country via hundreds of so-called security apparatuses called “special units” or “special brigades”; each is under the control of one of Hafez al Assad’s brothers or close cousins. The most famous is doubtless Rifaat al Assad, Hafez’s younger brother, who oversees the entire set of Pretorian guards controlling the country.

Less so far has been said on how these operations are being financed. For example, a recent article in the French daily *France-Soir* pointed out that Rifaat was the head of a car-smuggling ring (the French embassy lost more than 10 in that way) whose headquarters are in the Lebanese city of Britel, significantly close to the city of Baalbeck. But *France Soir* did not mention Britel and Baalbeck’s known drug centers. Working for the Assad Mafia in Baalbeck are primarily two gangs. In charge of the local production of hashish is one Nayef Masri, the “boss,” who until recently dealt directly with a former CIA agent called Ronald Stark. Stark was a member of the “Brotherhood of Eternal Love” cult in Los Angeles, which was implicated in drug-running operations in southern Lebanon and denounced by the Italian police for his participation in the activities of the terrorist Red Brigades. From Baalbeck, Stark had established a route to Italy via Sicily, which was also used to smuggle weapons to the profit of Stark, Masri, and their Syrian “protectors.” The other gang is led by Omar Makkuk and his sister who, in late 1979, were the first to establish opium refineries in the region, which then exported heroin to European nations via Turkey or Cyprus.

Key in that framework is that other city, Tripoli, a Syrian “protectorate” via the local families or through direct Syrian presence working in association with the local boss Ahmed Rahme. Further north, you find the region controlled by former member of Parliament Sabri Hamadi who has, by now, reached international notoriety as a drug runner.

But these are in fact only minor and local aspects of the

Assad Mafia’s activities.

More relevant to our subject is the recent crackdown in Sweden on the so-called Shoemaker ring which is now on trial in Stockholm. The core activity of the ring was smuggling into Sweden of hundreds of millions of dollars worth of heroin over a several-year period. The route went through Beirut and Stockholm, but ended in Los Angeles with a Syrian named Georges Makhlouf. An Alawite from southern Turkey, Makhlouf, who presumably adopted the name “Georges,” is a relative of Hafez al Assad’s wife Anisa Makhlouf! Closing the circle is the fact that Anisa has been for years a leader of the Syrian Social Nationalist Party or “Syrian Popular Party,” which advocates the fascist myth of a “greater Syria.”

### The Shoemaker ring

Living in Los Angeles for the past several years, Makhlouf was the recipient of the monies sent from Stockholm as the profits on the heroin smuggling, then reinvested in Makhlouf’s profitable ventures in Los Angeles. Only when the ring was cracked down on in Stockholm, did the Los Angeles police begin to realize that behind Makhlouf’s expanding business was a very dirty mafia. The ongoing court case in Stockholm is bringing to light the direct connection between international drug smuggling and international terrorism in which the Assad Mafia plays a key role.

Makhlouf’s partners in Stockholm were Kework Vartanian and Diran Zinazanian, two hard-core members of the Armenian Liberation Army (ASALA), whose release from jail was demanded by the ASALA on Aug. 7 after the aborted attack on Ankara airport. (See page 39.) Ironically, Vartanian and his colleagues had been condemned to jail a few days before, not for their political activities but for the fact that they had been the key organizers of the Shoemaker ring; the money was indeed sent to Makhlouf but was also used to finance the ASALA activities throughout Europe. Zanzanian was for example implicated earlier in the murder of a Turkish diplomat in Copenhagen, and was also a close friend of Yeniko Moushian, who was blinded for life after one of his bombs exploded in his Geneva hotel room. But the ring was also ecumenical. The couriers were primarily Druze of the Chaaban family; Palestinian via the Abufacher family; or Lebanese via Nabil Karams, the owner of the Stockholm restaurant in which the financial transactions were held.

Investigations of the “Shoemaker ring” are still underway both in Los Angeles and in Stockholm. The dossier already consists of some 20,000 pages, enough to document in all its details the activities of the Assad Mafia, and its use of drugs to finance international terrorism. Indicative of how sensitive the matter is is the fact that during the trial of the ring, the apartment of Swedish Judge Sigurd Dencker was blown up. A few days of investigations were sufficient to convince the Swedish police to call on Interpol, as the person who had put the bomb had already found refuge in . . . Damascus!



# The reactivation of Henry Kissinger's Black September terror networks

by Jeanne Bell

While serving as U.S. Secretary of State and National Security Adviser to President Nixon from 1972 to 1974, Henry Kissinger was the subject of a top-secret national-security investigation involving the planned activation of a synthetically created terrorist organization, "Black September," in a spree of anti-Semitic violence against prominent American and Canadian Jewish leaders. The successful penetration of the Kissinger-associated terrorist command by U.S. intelligence networks enabled a series of planned bloodbaths to be averted.

Today, law-enforcement officials and intelligence sources in the United States and Canada have already warned of an imminent outbreak of "Black September" terrorism in North America at the same time that a similar activation in Europe and the Middle East has already claimed tens of lives. Kissinger is the man to hold culpable for atrocities already committed and those being planned.

The new internationally coordinated terror campaign involves the reactivation of the Nazi "Malmö" International with links into Lebanon (see article, page 47), as well as the escalation of violent actions throughout Europe, particularly in France, and the Middle East, by an assortment of "separatist" organizations. The deadly attacks that have already occurred will multiply if Kissinger is not stopped.

## Violence in France

In late August, over 70 terrorists active in networks controlled by "Carlos" descended upon Rome, including 9 Palestinians, 40 Libyans, 14 Pakistanis, and 9 Iranians. Their mission is to unleash an unprecedented wave of terror in London, Switzerland, and Italy, where their targets will be Arab ambassadors from Egypt, Saudi Arabia, Iraq, Jordan, the Sudan, and Morocco. Their plan also includes the kidnapping of at least one moderate Arab leader, probably a leading Saudi figure. This operation, it was revealed by *Investigative Leads*, is being funded through Libyan intelligence circles.

The stage was set for this next phase of violence by a series of attacks in France which began last July. To date, they include:

- The July 20 bombing of Israel's Bank Leumi and the

bombing of an import-export firm which handles Israeli accounts;

- The July 21 bomb attempt claimed by an Armenian splinter group, "Orly," and the bombing of the former apartment of French government adviser Regis Debray, himself an international left-wing terrorist controller. The bombing of his apartment was claimed to be the action of a newly surfaced right-wing group, "Les Brigades Internationales";

- The July 23 assassination of Fadl Dani, the second-ranking official of the PLO in Paris;

- The July 24 bombing of the Pub St. Germain by Orly;

- The Aug. 1 machine-gunning of an Israeli diplomat, claimed by Action Directe, whose founder Jean-Marc Rouillan was amnestied from a 20-year jail term when French President and Socialist International leader François Mitterrand was inaugurated;

- The Aug. 9 grenade and machine gun attack on a Jewish restaurant, Jo Goldenberg's, which resulted in six deaths and 22 persons wounded; the attack was claimed by Action Directe;

- The Aug. 11 bombing attack on the Iraqi Embassy, which left six people wounded, and another bomb explosion at a commercial building on the Champs Elysées;

- Separatist violence on the French island of Corsica during the early morning hours of Aug. 20, which included bombings of 70 public buildings and shops owned by "French continentals." The National Front for the Liberation of Corsica (FLNC) claimed responsibility for the bombings. These actions followed by two weeks an international conference held in Corsica of separatist groups the world over, including Armenians, Tyroleans, and Basques.

## Armenian networks identified

Identified by *EIR's Investigative Leads* anti-terror law-enforcement bulletin as a primary coordinating point for the new terrorist activation is the Armenian Secret Army for the Liberation of Armenia (ASALA), the group which claimed responsibility for the Aug. 6, 1982 bombing and guerrilla attack against a crowded terminal at the Ankara international airport in Turkey. Twelve people were killed in that action, and 70 people were wounded during the siege that followed

as the terrorists engaged in a gunbattle with police.

In the communiqué released by ASALA to the Associated Press office in Beirut on Aug. 7, the terrorist group claimed the action was launched to protest Israeli atrocities against Palestinians, and to demand the release of 85 Armenian prisoners being held in the United States, Britain, France, Sweden, and Switzerland. ASALA has also threatened to take actions against Sweden unless it releases jailed members of the so-called Shoemakers League, a primarily Armenian drug-running ring caught smuggling heroin and hashish from Turkey and maintaining connections in Lebanon (see article, page 34). This drug-running circuit is known to be closely interfaced with Israeli mafia networks currently sponsoring the political power drive of Israeli Defense Minister Ariel Sharon, Antiochian and Maronite elements associated with the Falange in Lebanon, and with the "Engelwood Group" intelligence unit of Kissinger associate Clovis Maksoud, head of the Arab League in Washington, D.C.

According to *Investigative Leads*, Armenian terrorist actions are expected to take place shortly in Texas, Los Angeles, and Ottawa. These reports coincide with other intelligence estimates concerning the activities of Arab and Palestinian groups in the United States. A shift of personnel has taken place in Arab and Palestinian information offices in New York, Washington, D.C., San Francisco, Chicago and Dallas; all of the new personnel were sent by way of the Arab League in Tunis, an operation tied to Clovis Maksoud.

The reports indicate that the newly staffed information offices will help to coordinate two kinds of activities in the United States: 1) the escalation of Arab and Palestinian activities there; and 2) the strengthening of "underground" ties to U.S. terrorist organizations including the Weather Underground, Black Liberation Army (BLA), and the FALN. The prime operators now staffing the information offices all maintain links with George Habash, leader of the Popular Front for the Liberation of Palestine, a group implicated in the recent spate of anti-Semitic attacks in France.

*Investigative Leads* has already ascertained that Hatem Hassani, former head of the Palestinian Information Office in Washington, D.C., has been funneling money to the BLA and the National Black United Front, a New York-based group run by Herbert Daughtry which gained notoriety last year when it instigated violent racial incidents at New York construction sites. Daughtry is also an associate of Hassan Rahman, the former Deputy of the PLO mission to the United Nations. The money being collected will reportedly be used to organize demonstrations and terrorist actions in the United States. Convicted terrorist Joanne Chesimard is said to have "donated" \$1 million to these efforts.

Another leading terrorist figure being reactivated is Dr. Mahmoud Mehti, chief recruiter for Black September from 1972 to 1974, who is now busy trying to secure funds from Arab governments for black radical extremists in the United States. Mehti is editor of the newspaper published by Red Crescent, the Palestinian version of the Red Cross. Red Cres-

cent functions as the chief conduit for the top Palestinian terror command's marching orders to its agents in the United States.

All of these organizations operating in the United States are part of the "November 29 Coalition," an umbrella group which represents the public merging of diverse terrorist outfits now organizing a demonstration on Sept. 11 to protest "American and Israeli atrocities" against Palestinians.

## Stopping Kissinger in France

As a first step toward halting Kissinger's new Black September activation, *EIR* has already endorsed the call of French opposition leader Jacques Cheminade to fire French Justice Minister Robert Badinter. Under Badinter's direction, the French government has, despite French President Mitterrand's claims to the contrary, effectively given asylum to avowed international terrorists, while allowing members of Action Directe to conduct their deadly attacks with impunity.

- On Aug. 20, French authorities announced their refusal to investigate the Hyperion Language School of Paris, where Italian magistrates believe that Italy's Red Brigades terrorists hold their operational meetings, and where they plotted the kidnapping of U.S. General James Dozier.

- On the same day, the Mitterrand government refused to extradite a top Italian terrorist from the Prima Linea group.

- Each time French police have conducted raids of the offices and apartments of Action Directe, Italian terrorists have been found in their company, and all French and Italian radicals are then released following an intervention by Justice Minister Badinter.

- French authorities also refused on Aug. 20 to extradite to the United States an Armenian terrorist wanted by the Los Angeles police. Instead they deported the terrorist to the country of his choice, Cyprus. Simultaneously, ASALA issued an ultimatum to the French government that unless Armenian prisoners were released, an "Ankara massacre" might occur at the Paris Orly airport or at a subway station in the capital.

As it stands now, the ongoing "reorganization" of the French anti-terrorist apparatus will serve only to strengthen Badinter's hand. Mitterrand's appointee to coordinate the anti-terrorist task force is Corsican Joseph Francesci, a longtime collaborator of Jacques Soustelle. Soustelle, who for many years has overseen the anthropologist controllers cultivating ethnic separatism, was directly involved in the OAS fascist bombings and the attempted assassinations of President Charles de Gaulle.

*EIR* sources have made it clear that Badinter, the former attorney for the West German-based Baader-Meinhof terrorist ring, is an "intimate friend" of Kissinger. Intelligence estimates from West Germany and elsewhere in Europe are that "Mitterrand is digging his own grave" by allowing Badinter to exercise his pro-terrorist proclivities, and is making enemies both domestically and throughout Western Europe.

# The case of Abu Nidal: how the Nazi International controls terrorism

by Thierry Lalevée, Middle East Editor

As the Lebanese war reaches the end of its first phase by the evacuation from Beirut of the PLO, an international terror wave is expected to hit Europe, the United States, and even the Arab world in the upcoming weeks. The name of the mysterious international terrorist "Abu Nidal" is on all lips. It was Abu Nidal's action on June 4 against Israeli Ambassador Shlomo Argov which was the spark which set the Middle East on fire, followed on Aug. 9 by a massacre of unprecedented dimension in a Jewish restaurant in the city of Paris.

Is Abu Nidal the "mastermind" behind international terrorism as "Carlos" was in his time, or rather a mere pawn used by dozens of various services?

As official mythology has it, Abu Nidal, whose real name is Sabri Khalil Al-Banna, is a former member of Yasser Arafat's Palestinian Fatah military organization, and the Fatah Baghdad correspondent. Then in late 1973, Abu Nidal decided to join the most extreme side of the "rejectionist front" by first attempting to assassinate PLO Chairman Yasser Arafat, who had been judged "too soft" toward the Israelis and the Americans. A few months later Abu Nidal was creating his own organization, "Al Assifa," named after the Fatah's official unit in the late 1960s. Abu Nidal took the leadership of a Baghdad-based "Fatah Revolutionary Council," which in late 1976 gave birth to a shadowy terrorist organization called "Black June," that name being a reference to Syria's military intervention into Lebanon and the subsequent massacre at the Palestinian refugee camp at Tal Zaatar.

From 1976 to the present, Abu Nidal's primary targets are known; these were Said Hammani of the PLO in London, Ezzedin Kallak of the PLO in Paris, Naim Khader of the PLO in Brussels, along with numerous operations inside the Arab world itself. To whose benefit? Up to 1978, it was said that Abu Nidal was Iraq's agent; later, after a short stay in Tripoli, he moved to Damascus to work with Syrian President Assad and Assad's other protégé in Damascus or Beirut, "Carlos."

According to Issam Sartawi and other Palestinian moderates, Abu Nidal's actions were directed primarily by Israel's secret service, the Mossad, which has heavily infiltrated his radical organization by sponsoring fresh recruits from the West Bank occupied territories. In addition, intelligence experts are still arguing whether or not Abu Nidal really did leave Baghdad and some of Abu Nidal's agents may still be there under Iraqi protection.

Then there is the Soviet connection to Abu Nidal. As much as the killing of Palestinian moderates may have pleased the Syrians, the Iraqis, or the Israelis at various points, it is also known that the KGB faction led by Yuri Andropov found in Abu Nidal a useful ally against those Palestinians who may be ready to make a deal with the Americans behind the Soviets' back. Andropov's rise to power may be accompanied by a similar increase of activities by Abu Nidal.

## The Nazi connection

This said, a major clue to understanding how Abu Nidal is able to operate throughout the Middle East and Europe unpunished has been so far overlooked: the Nazi International. This was summarily pointed out in a recent series of articles published by the French daily *Quotidien de Paris* in an investigation on the Rue des Rosiers massacre of Aug. 9. The *Quotidien de Paris* correspondent in Belgium, Hughes Krasner, reported a weeks-long investigation which had shown a direct connection in terms of logistical support between the French "left-wing" terrorist group "Action Directe" and the French and Belgian extreme right wing, which had enabled Action Directe to choose Brussels as a second headquarters outside France. Two primary names were mentioned:

- Jean François Thiriart, formerly of the Paris-based "La Nation Européenne" and later of the "Jeune Europe" group in Belgium, a "Pan-European" nationalist operation in the spirit of Coudenhove-Kalergi and Otto von Hapsburg's Pan European Union which was modeled on the famous

“blue shirts” of the 1930s;

• and François Genoud, the Lausanne-based former banker who was the recipient of Mohammed Khidder’s National Liberation Front (FLN) war chest, and is to this day a personal friend of former Algerian President and Muslim Brotherhood leader Ahmed Ben Bella.

While Krasner highlighted primarily the logistical connection between Abu Nidal, Action Directe, and right-wing groups, and the direct connection between François Genoud and Action Directe via his protégé Bruno Breguet who was arrested in February (see *EIR*, Apr. 20, 1982), we can in fact go a little bit further than he did in presenting the environment in which Abu Nidal is operating.

### Thiriart and Genoud: old Nazis

There is a qualitative difference between Genoud and Thiriart. Thiriart is a renowned fascist whose main source of pride has been his organizing as early as the mid-1960s of the “International Brigade to Liberate Palestine” in which “Pan European nationalists” were sent to be trained militarily in the Middle East. There in Syria or in Iraq in the mid-1960s they could find specific camps, not of the PLO as such but of special units, working under the training command of such former Nazis as Johann Schuller, now in Rome, or Karl van de Put, presently in Belgium. Roger Coudroy, one such “nationalist,” was killed by the Israelis in 1968 in an attempt to infiltrate their territory.

But Thiriart could not have created such an operation without the help of his good friend François Genoud whom he came to know better during Genoud’s short exile in Belgium after World War II. A Swiss, Genoud was during World War II an asset of German military intelligence, the Abwehr. This relationship with the Abwehr was carried out through Genoud’s nightclub in Lausanne the “Oasis,” a relay between Germany and the drug center of Tangiers.

Genoud’s special operation was the Arab world, and this is why you could find him in Cairo in 1953 and 1954 with Otto Skorzeny, Hjalmar Schacht, SS Captain Reichenberg, former General of the Afrika Korps Ramcke, General von Feer, and numerous others. At their meetings was often a guest of first importance, the former Grand Mufti of Jerusalem, al Hussein. Also present were the core group of the later FLN, Ben Bella and others. They were *not* the guest of former Egyptian President Nasser, but special agents sent notably by Allen Dulles to infiltrate the Arab movement in an attempt to reactivate the operations of the old-time British agent, the Mufti.

Genoud’s and his friends’ connections with Dulles, then of the CIA, dated back to mid-1943, when the first contacts and deals were made with the Office of Strategic Services. And as history recalls, though we cannot detail here, they played a significant role in the setup of the political and military crisis which led to the Suez crisis. But from that point on, Genoud created his credibility throughout the region, and was later entrusted with the most important secrets

by the Algerian FLN, though it was also known that Genoud was involved in financing the anti-FLN and anti-de Gaulle OAS. A friend of Mohammed Khidder deposited the FLN war chest in Genoud’s bank, the Arab Commercial Bank. Yet Genoud did not hesitate, according to Spanish writer Gonsales Mata, to play a more than significant role in Khidder’s assassination.

### The Nazi International as connecting point

At this point the Nazi International, of which François Genoud is the *eminence grise*, is the connecting center between Middle East-based terrorism and European-based terrorism. As *EIR* documented last February, Genoud has maintained contact with certain factions inside the PFLP represented by Bruno Breguet, who was arrested in 1970 in Israel for such activities, and was also arrested in Paris in February 1982 while working on behalf of Action Directe as well as the Corsican separatist movement FNLC. Breguet, a protégé of Genoud for years according to numerous magazines in France, was freed from jail in Israel after an international campaign organized and financed by Genoud.

Added to that is the strange relationship uniting Genoud to Ben Bella. In a June 19 interview with the *Tribune de Lausanne*, Ben Bella went on record describing Genoud as his best friend. Indeed, Genoud still finances Ben Bella as well as another Algerian insurgent, Ait Ahmed, the mastermind behind Algeria’s Kabyle revolts in 1980. But Ben Bella presently is primarily a leader of the infamous Muslim Brotherhood together with Said Ramadan in Geneva and Salem Azzam in London, and rumor has it that Ben Bella is planning a celebration next year of the 50th anniversary of Hitler’s rise to power in 1933.

In the fall of 1981, Ben Bella attended an international conference of Muslim Brotherhood leaders in Houston, Texas, at the Rothko Chapel, a known cult center run by Madame Dominique de Menil and the Schlumberger family interests. At the closed-door conference, Ben Bella and two dozen other participants discussed a strategy for fomenting “Islamic Revolution” throughout the Middle East. Ben Bella, who has been designated to serve as a “bridge” between Khomeini and the Saudis, denounced the notion of “secular nationalism” as “un-Islamic.”

It is in this very interesting nexus connecting Genoud to Action Directe and to the Muslim Brotherhood that investigations have to be organized to find out where Abu Nidal’s logistical capabilities are in Europe, and for whom he is really deployed. The issue involved is that of a lasting peace in the Middle East. Neither Abu Nidal, nor the Nazi International represented by Genoud, has anything to do with the Palestinian movement which has been striving for a national homeland as part of a policy of cooperation between an independent Palestinian state and Israel. They represent nothing less than a cancer trying to use the Palestinian movement to perpetuate war. It is thus time that these real connections be exposed.

# Spain's government in jeopardy

*Richard Schulman reports on heightened maneuvers by the Jesuits, the NATO command, and Kissinger's Trilateralists toward left-right chaos.*

Spain was shocked recently when four Catholic bishops in that country's Basque region jointly issued a pastoral letter blaming the Spanish government, not ETA, for Basque terrorism.

According to the reasoning of the four bishops, the government's Regional Autonomy Law (known by its acronym "LOAPA"), by not conceding sufficient powers to the Basque regional government, had provoked ETA's brutal

The Spanish press subsequently noted that the organizer of the bishops' pastoral letter was the "former" Jesuit priest, Xavier Arzallus, S.J., who is the president of the National Basque Party (the PNV), the oldest and largest Basque separatist party. The press revelation provides further substantiation to insiders' insistence that it is the Jesuits themselves who control ETA Basque terrorism (see *EIR*, Jan. 12 and Jan. 19, 1982).

But why did the Jesuits not act with greater circumspection?

Because a major operation is underway, in which a whole bevy of oligarchist assets are being shuttled into and around Spain with the purpose of undermining Spain's ruling Center Democratic Union (UCD), in order to polarize the country between a François Mitterrand-Willy Brandt-Socialist left and a Franz-Josef Strauss-William Buckley right. The Socialist left is to be brought to power in upcoming elections this fall, plunge Spain into the same political and economic chaos Mitterrand is creating in France, then be overthrown by a right-wing fascist coup, on the model of the Pinochet coup which overthrew Socialist President Salvador Allende in Chile in 1973.

As we have emphasized (see *EIR*, Aug. 10), the Socialists are supporters of the most extreme regional autonomy demands, and thus the most avid opponents of centralized governmental power. Their rule would mean fragmentation and economic chaos, setting the stage for a fascist move to "restore order"—a scenario more or less openly acknowledged by Anglo-American operatives within Spain like Antonio

Garrigues Walker of the Trilateral Commission. This is why the autumn elections are such a crucial turning point for the future of Spain.

If King Juan Carlos does not go along with the scenario—as his May 20 speech at Aachen, West Germany on Spain's past and potential future as a leader of European nations indicated that he might not—he will simply be dumped by one means or another.

The bishops' pastoral letter, by resuscitating debate over the controversial Regional Autonomy Law, which the UCD government worked out only with great difficulty, not only seeks to weaken the government but to also give the Spanish Socialists a chance to unctuously assume a mantle of moderation by defending the Law against the provocative bishops.

A similar pattern was to be noted in the July 26-27 visit of a NATO delegation, whose effect was to humiliate the government and boost the reputation of the nominally anti-NATO Socialists.

The NATO delegation visited Spain for the ostensible purpose of discussing that country's integration into the Atlantic military alliance; in fact, it had no intention of talking seriously about anything, highly placed diplomatic sources in Madrid revealed to the press Aug. 1. The delegation, led by British General Nicholls, made it quite clear that NATO considers the present Spanish government a mere caretaker regime devoid of any authority.

The "leak," which appeared throughout the Spanish press, is a signal that NATO expects the current moderate government to fall in the coming general elections. It is also tantamount to an endorsement of the Socialists, who, as things now stand, are best situated to take electoral advantage of the economic crisis that is now pummeling the country.

## **Kissinger's footprints**

Kissinger, an employee of Jesuit-run Georgetown University, himself visited Spain at the end of June, and met with both Socialist Workers Party (PSOE) head Felipe González and with Fraga Iribarne, a reactionary Franco Falangist

and now head of the right-wing Popular Alliance.

Since Kissinger's visit, Fraga's only public statements have stressed that the current Union of Center Democrats (UCD) government is an unmitigated disaster, and that there are only two political figures in Spain: himself and Felipe González.

Meanwhile, as though taking Kissinger ally Fraga at his word, the governing UCD party has been further fragmented, the most significant defection from its ranks being Adolfo Suárez, Spain's former Prime Minister, who has formed a new party, the Social Democratic Center (CDS).

Kissinger's friends have also been in and out of Spain frequently.

Former Secretary of State Alexander Haig was there for six days in early August and planned to return; Franz-Josef Strauss founded a branch of his German Social Christian think tank; the Hans Seidel Stiftung, the same week; and none other than Socialist International head Willy Brandt arrived in Catalonia with a 10-man Socialist delegation.

The NATO leadership under Secretary-General Joseph Luns is moving to destroy Spanish national sovereignty. Since Spain precipitously joined NATO this year, after intense pressure from Britain and the United States, there has been no determination as to what command Spain will be integrated into—an issue being used to manipulate the general population and, in particular, the Spanish military. General Nicholls's delegation refused outright to even consider creating a fourth mandate, for the Mediterranean flank—i.e., a Spanish regional command within the alliance. The only proposal is that Spain be integrated into the existing mandates for the Mediterranean: Naples, Norfolk, or an Iberian command that would include Portugal.

The issue of Gibraltar, which was seized by the British 278 years ago, is being used to show the impotence of the current government.

On Aug. 4, the anniversary of the British taking of Gibraltar, the Spanish press revealed that the British are stockpiling nuclear material there, and are continually violating Spanish air and sea space. The British are refusing to discuss the Gibraltar issue either within or outside the NATO negotiations.

This manipulation of the Gibraltar issue has one long-term purpose: to provoke the right wing into riots at the same time that the Socialists take power.

### Countermoves

The UCD is busy assembling various electoral alliances as possible counters to an eventual victory by the Socialists. However, after the Socialists get through wrecking the nation's economy and institutions, behind-the-scenes deals will be of no avail.

The only way the UCD can save Spain is by turning the process of economic collapse around. Even in the context of a worsening world depression, if the Spanish government were to crack down on rising banking and real estate specu-

lation, and again build up Spain's steel, shipbuilding, and hydroelectric and nuclear industries—the basis of its earlier growth—Spain might have a fighting chance. This will only work, however, if Spain creates the diplomatic environment in which Africa and Latin America can buy Spanish capital goods on long-term, low-interest credits, and if Spain stops merely trying to imitate, two decades late, the technologies of the European Common Market. That means Spain must overcome its anti-scientific, Inquisition heritage, by fostering advanced scientific research and development as the Japanese have done, so that Spain can export the capital goods of the future rather than the past; Spain's "world-class" shipyards, for example, could set about to produce the giant nuclear-powered bulk-carriers and container ships that would be of use in the coming era of underdeveloped-sector industrial development.

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## Canada to become terrorist haven?

*The Piperno case is a step toward opening the borders to terrorists sought by their own governments.*

**F**or the past six months, the Canadian Ministry of Employment and Immigration under Lloyd Axworthy has been carrying on official discussions to change Canadian immigration laws to grant sanctuary to any person who claims that he or she may suffer "political persecution" if returned to their home country.

The utter refusal of Canadian authorities to cooperate with Italian government demands for the extradition of terrorist controller Francesco Piperno, is an initial step in this move to turn Canada into a terrorist haven and center for deployments in North America.

Since the kidnapping and murder of former Prime Minister Aldo Moro in 1978, Italian government and law-enforcement officials and magistrates have fought a pitched battle against the terrorist apparatus in Italy, with a few forays against the supranational terrorist command structure, including recent press revelations about the higher-level role of Henry Kissinger, as well as the role of Piperno, in the Moro case.

But the European oligarchy which funds and deploys international terrorism has moved rapidly to create new national safehouses for one of their key weapons against unsatisfactory governments or leaders. Francesco Piperno was arrested by Canadian authorities when attempting to enter the United States from Montreal's Mirabel Airport last September. At that time, the Italian government had already officially requested his extradi-

tion on 44 charges, including the kidnap-murder of Moro and the murder of five of his bodyguards. But Quebec Provincial Court Judge James K. Hugesson refused to extradite Piperno, on the grounds of "insufficient evidence."

On March 3, the Quebec Superior Court ruled that Piperno should be released on bail while awaiting completion of his hearings.

There was one serious response to the official extradition request by Italian Judge Ferdinando Imposimato, the leading magistrate in the Moro case. At the May 18 hearing, Canadian lawyer Joseph Ness, representing the Italian government, stated that, "The proof [submitted by Imposimato] shows that Valerian Morucci and Adriana Farena participated materially in the kidnapping. . . . Piperno was aware of and participated in this act.

"We are not contending that Piperno actually went to the scene and participated concretely, materially in the kidnapping, that he was actually on the scene and drove one of the cars. The same thing goes for the murder of the bodyguards and the murder of Moro. But the proof will show that to be part of a crime, it is not necessary that the person participate actively," Ness stated.

According to the *Montreal Gazette*, documents of statements about Piperno made by terrorist Antonia Savasta, the leader of the Red Brigades group captured for the kidnapping of U.S. Gen. James Dozier in January, were tabled in court and never brought

into the public record.

Yet, on June 2, Superior Court Justice Paul Martineau rejected all bids to extradite Piperno, because the "evidence, in the forms of statements furnished by witnesses in Italy, did not measure up to standards recognized by the courts in Canada."

In response to the signed statements by Morucci and Farada that they had carried out Piperno's orders, Judge Martineau ruled that "guilt by association is not recognized by our law," and gave Piperno back his passport.

Piperno applied for refugee status in Canada June 18.

His lawyer, Pierre Duquette, reported to the press that Piperno "has applied for refugee status because he would be persecuted in Italy for his political beliefs."

Actually, Piperno may be remaining in Canada because revelations in Italy are coming too close to home. He had attempted to enter that other Socialist International terrorist haven, François Mitterrand's France, on June 11, but was turned back by French police.

This certainly reflects the current political battle within the Mitterrand regime, in which Interior Minister Gaston Defferre has made at least some attempts to enforce French law since Justice Minister Robert Badinter opened the country's borders to the terrorist apparatus of Europe after the Mitterrand election.

But Mitterrand himself is lending at least "moral" support. He has put his name on the petition, now circulating in Montreal, demanding an end to the "permanent judicial harassment against Francesco Piperno." The petition, published in the daily *Le Devoir*, is backed by two terrorist support groups, the League of Rights and Freedom, and the Committee Against Repression in Italy.

## British penetration in the Gulf

*British intelligence is aiming to bring about "behavior changes" which augur badly for U.S. interests.*

**F**rom a growing base of operations in the kingdoms and emirates of the Arab Gulf, Britain's Secret Intelligence Services (SIS) continue to seek to restructure the internal and external political alignments of that region in a manner potentially highly disadvantageous to the United States.

In a recent discussion with *EIR*, a high-level officer in the British armed forces who now directs a leading London strategic institute made the following suggestive admission about the United Kingdom's operational status in the Gulf: "It's not the kind of description that I would want written down, but what in fact has happened is that the British have penetrated very deeply into the day-to-day management levels of the military and diplomatic world of the Gulf. We have to press forward in this regard."

The London-based strategist singled out the activities of the six-member-state Gulf Coordination Council, (GCC) formed soon after the Khomeini destabilization in Iran, as the vehicle through which British dirty tricks are run into wider areas of the Gulf and the Middle East. "The GCC is based on countries banding together out of mutual fear of Iran," he explained. "The GCC intends to be independent of America, especially in the context of the mood of anti-Americanism now existing in the region. In this arrangement, the British play a key advisory role, a role that is not advertised. The idea is to push the Arabs to the forefront and make it appear that it is all their doing."

The operations run through the

GCC and associated networks into Iraq and Iran give the British enormous blackmail capabilities aimed particularly at Saudi Arabia and at the strategic Saudi-American relationship. With enough such pressure, the British hope to engineer into power in Saudi Arabia the faction associated with the radical Crown Prince Abdullah, and to program Saudi Arabia into a "neither-East-nor-West third way" posture and a low-oil-production and slow-growth policy.

Operationally, the British are working inside Saudi Arabia primarily through Abdullah, second in the kingdom and head of the Bedouin-based National Guards and border units. Abdullah advocates reducing oil production to about 3 million barrels a day, from previous levels of 10 million barrels a day, and has grown in influence since the Saudis have been forced by the British-managed world economic crisis and the British oil companies' dumping of oil stocks to lower production to the perilously low levels of 5.5 million bpd.

The story of lowered Saudi oil production may as well have something to do with the "accommodation" to Iran indicated by the above-mentioned British strategist. Sources say the Saudis have been involved in little-publicized behind-the-scenes discussions with Khomeini's Iran, during which agreements have reportedly been reached for lowered Saudi production and raised Iranian production, as well as Saudi payment of war damages to Iran caused by the war with Iraq. One of the individuals re-

sponsible for contacts with Iran in Saudi Arabia is reportedly Maarouf Dawalibi, head of the World Muslim Congress and the Malthusian "Islam and the West" organization for the Arab world. Dawalibi would be of the same pro-British faction inside Saudi Arabia as its Crown Prince Abdullah.

A member of the still-extant British "Arab Bureau" grouping in London put forth the prevailing London viewpoint: "The so-called moderate Arab states are doomed. The seeds of destruction are automatically being sown, as long as they can't bring to bear in an effective way their influence on the United States to do something to stop Israel. Look at the recent 50,000-person anti-American demonstrations in Kuwait. These are the first of such a magnitude since 1956, and look at all the calls for anti-American sanctions, breaks in diplomatic relations with the U.S. and all this crazy stuff! Expect a rise of Libyan-style Arab nationalism throughout the region; I wouldn't be surprised to see a nut-case from the Saudi Air Force topple the regime. Even if regimes are not overthrown, they will have to undergo notable behavior changes to survive."

This is the kind of strategy developed in the heart of British intelligence, the Tavistock Institute for Human Relations. In this case, the British-spread propaganda that the United States is behind the Israeli assault into Lebanon and the ongoing Khomeini threat is being used to force the desired changes in action.

Sir John Wilton, a former British ambassador to Saudi Arabia, told *EIR* recently that he expects to see "drastic action" against the United States from the Gulf states, including "moving capital out of the United States, stopping investments there, and eventually using the oil weapon."



## The economic crisis and the border

*No place is harder hit, with serious political consequences including a revival of "free zone" schemes.*

**E**xcelisior newspaper sent one of its star reporters to Ciudad Juarez on the central U.S.-Mexico border during the third week of August to report on the economic trauma in the region following Mexico's Aug. 5 introduction of a two-tiered exchange rate and the Aug. 12 freeze on dollar accounts. That correspondent is normally dispatched to distant hotspots, Argentina, for instance, during the Malvinas War. This is one indication of how volatile the border situation has become.

On the U.S. side, retail business plummeted as Mexicans no longer had dollars to bring with them on shopping sprees. More serious, the huge speculative real-estate bubble in the Southwest, extending from the border itself up to cities like Houston and San Diego, suddenly had one of its largest props knocked out.

The economic picture on the Mexican side made the U.S. side look healthy. For years the economies of the various sister cities along the border have become so mutually interdependent that a large proportion of basic food and other consumer needs for the population on the Mexican side were satisfied with imports from or purchases in the United States. The unit of currency was the dollar.

With the sharp drop in the peso's value at the beginning of the month, bringing it down toward 90 to the dollar on the free market from the 49 to the dollar, Americans swarmed across the border and bought up everything in sight, including supermarket goods that had originally been imported from the United States. It was a buying bon-

anza that spurred Mexican shopowners' turnover as well. But it left Mexican consumers panicked, with many basic goods simply unobtainable.

Different political groups are already attempting to exploit the situation. The Committee of Public Defense (CPD), a terrorist-tinged Maoist grouping, controlled by exponents of the "theology of liberation," is "capable of something ugly" in a demonstration planned for Aug. 29, say observers in Ciudad Juarez. There may be plans to vandalize stores whose shelves are now bare, I am told. The situation has also proven to be a political bonanza for the opposition National Action Party (PAN). The PAN, whose leadership and ideology trace to fascist European oligarchical circles (see *EIR*, Aug. 10, 1982), has long exploited the border region's sense of isolation from "the center" in Mexico City, as well as its more middle-class economic profile, which means that the population is less integrated into the PRI party, to build its strongest machinery anywhere in the country.

The week of Aug. 15, PAN organizers in Ciudad Juarez in the state of Chihuahua joined with groups in the local Chambers of Commerce to begin a series of street marches against the government's economic measures. In the state of Sonora, on Aug. 22, Hermosillo Archbishop Carlos Quintero Arce unleashed a national furor with a call for an anti-government insurrection. Quintero Arce, who was instrumental in the PAN electoral triumph in Sonora in the national elections July

4, called on the Church "to fight . . . like the Church in Poland" against an "immoral and corrupt system which has lost the confidence of the people."

In a particular play to regionalism and incipient separatism along the border, he assailed "the center" which was "strangling" the outlying areas.

Also making political hay from the crisis is the binational faction attempting to create a free zone along the border, a step toward ultimately slicing that area away from sovereign control by either the United States or Mexico, on behalf of the drug-running and terrorist networks already in place along the border.

In early June, Nuevo Leon governor Alfonso Martínez Domínguez dispatched a large delegation of Monterrey businessmen to San Antonio, at the invitation of San Antonio Mayor Henry Cisneros, to work out a plan to link the two cities in a giant "free zone." Mexico's contribution to the arrangement would be primarily cheap energy and cheap labor—a classic "Hong Kong" scheme that has been repeatedly rejected by the Mexican government.

The San Antonio get-together featured closing remarks from Robert Kreuger, Carter's special liaison for Mexican affairs, and a vocal advocate of a "common market" among Mexico, the United States, and Canada. Kreuger promised the Monterrey visitors that Mexico could replace Japan as America's number-one trade partner provided it devalued the peso further, ended its protectionism, and relaxed restrictions on foreign investment: in short, returned to the status of a colonial enclave.

In the wake of the August economic shocks, there is even not-so-idle talk surfacing in border towns like Laredo of asking to be annexed to the United States.

# International Intelligence

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## ***Thug becomes U.S. envoy to Venezuela***

George Landau, the Kissinger operative who gave U.S. entry visas to the Chileans who murdered former Chilean Finance Minister Orlando Letelier in Washington in 1976, presented his credentials as the new U.S. ambassador to Venezuela in mid-August. Landau was ambassador to Paraguay at the time of the assassination, and was routinely involved in giving logistical support to agents of the Chilean secret police, DINA, and other killers deployed by Kissinger and Gen. Vernon Walters. For his services Landau was awarded the Chilean ambassadorship, and now the choice Caracas post.

Assets at Landau's disposal include goons like Michael Townley, Letelier's murderer, who also worked for Robert Vesco's IOS-Permindex networks, and the Cuban *gusano* terrorists who have long been based in Venezuela.

Venezuela is currently at the forefront of the Ibero-American countries' fight to use the region's \$200 billion foreign debt as a political weapon.

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## ***South Africa continues to destabilize region***

A member of the African National Congress, a nationalist group opposing the apartheid policy of the South African government, was killed by a letter bomb in mid-August in neighboring Mozambique. The chief of South African Security Police denied any South African involvement in the assassination, but said in the same breath that "South Africa is committed to the uncompromising pursuit and destruction of Black African nationalist guerrillas wherever they may be."

Officials of the neighboring countries of Lesotho, Botswana, Swaziland, and Mozambique report that the growing number of refugees fleeing South Africa's policies are causing problems of housing and feeding these refugees, as well as protecting them from South African attack.

Mozambique suspects South Africa of a raid on Namaacha Aug. 22 that left three dead, including one Portuguese citizen working on a Mozambique development project. South Africa is also backing a mercenary tribal band which is attempting to overthrow the Mozambique government.

At the same time Maj. General Charles Lloyd, commander of South African troops in Namibia, said that his forces had advanced at least 175 miles into Angola, and are continuing operations there.

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## ***French Senator dead after challenge to fascism***

On Aug. 11 a French Socialist Senator warned in the pages of *Le Monde* that the irrationalist, anti-industry youth movement nurtured by the Socialist Party was similar to the communal counterculture movement that put Hitler in power; on Aug. 14 the Senator was dead. At age 48, Sen. Philippe Machefer, head of the Foreign Relations and Defense Committee, had committed "suicide," no reasons provided.

The story is a paradigm. Only the elimination of every institution and political machine, including the "old" Socialist one, can open the road for the new fascism required to implement IMF policies.

Machefer's offense was to argue that when the Socialists label right-wingers such as RPR (Gaullist) Party leader Jacque Chirac "fascist" they are distorting the nature of fascism: "The RPR program has nothing in common with the nihilism of the fascists," said Machefer. "Fascism is right here, in the taste for violence, in the call to the vital pulse, in the hatred of culture . . . in the pretended attachment to nature and in the condemnation of the industrial system . . . the hatred of the man of the cities, in the pernicious amalgam of anarchist liberty and attachment to communal life which already marked the first steps of Nazism. Thinking of the frightening contradiction which leads the joyous forest-wandering youth to the conquest of Europe, I can only feel anguish. . . ."

Machefer identified the two most crucial fascist developments of modern French history: the Solidarist movement of the pre-war years, and the fascism of the OAS members who were deployed to eliminate de Gaulle and his policies.

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## ***Vernon Walters plots coup in Brazil***

Roving ambassador Vernon Walters apparently threatened the survival of Brazilian President João Figueiredo and his promises to restore democracy in Brazil during a quick visit to Brasilia, Aug. 23. Figueiredo surprised diplomatic observers by boycotting the dinner at which he was scheduled to meet Walters in the presence of top commanders of the U.S. and Brazilian militaries.

Walters, a bachelor, was thrust into the highest levels of American intelligence by his decades-long service as personal aide to W. Averell Harriman.

Brazilian spokesmen alleged that Walters was merely making "a private visit" to meet the Brazilian generals with whom he had served in the Italy campaign of World War II. An American intelligence source, however, told *EIR* the mission of the former CIA deputy director was to pressure Brazil to twist Argentina's arm to yield to British demands that it renounce sovereignty over the Malvinas Islands.

Walters has made several similar "secret missions" to Brazil in vain attempts to use his World War II buddies to deploy Brazilian armies into the Central American cauldron. Walters and his friend, Henry Kissinger, have not forgiven President Figueiredo for flouting those demands. The U.S. anglophiles are enraged that Brazil's leaders have openly barred Royal Air Force planes from using Brazil as a refueling point on flights to and from the Malvinas Islands.

The Kissinger-Harriman team is also desperate to prevent Brazil from tipping the Ibero-American balance in favor of joint renegotiation of debts. They view with alarm top-level Argentine-Brazilian contacts on the debt question.

U.S. ambassador Anthony Langhorne

Motley signalled such fears in a mid-August cable to the State Department in which he warns, "Brazilian opposition politicians are stirring up discussion of possible renegotiation of the debt" and insinuates the Brazilian government's public opposition to debt renegotiation may not stick, given the world financial crisis. The *Wall Street Journal* reported the cable.

After Walters fought with Figueiredo mentor General Golbery on the Central American issue last year, Golbery was forced out of office in a "cold coup." There are early signs of similar military plots brewing against President Figueiredo himself.

One of the generals Walters conferred with at Ambassador Motley's residence is a champion of political repression and is widely reported to be eager to grab the presidency out from under Figueiredo.

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### *Italy adopts a drastic austerity plan*

A 10-point economic program accepted by Acting Prime Minister Giovanni Spadolini as the basis for the formation of a new Italian government is a concession to the City of London and its supranational government, the International Monetary Fund. The program calls for the most drastic austerity to be imposed in Italy since World War II.

Deep cuts in government spending for labor costs, health insurance, and pensions, aimed at breaking Italy's strong trade unions, are predicted to quickly destabilize the new Spadolini government, to the advantage of Bettino Craxi, the would-be "new Mussolini" who heads the Socialist Party.

In addition to cutbacks in social expenditures, the 10-point plan calls for stiff tax increases to "contain inflation." It also endorses the series of economic decrees that the last Spadolini government pushed through before the crisis, decrees imposing \$30 billion worth of cuts in the national budget. These savage measures have already cost Spadolini the support of Italian workers and their families, especially the trade unionists. The Prime Minister's backing for "reforms" of the cost of living al-

lowances and the unemployment funds, and "containment" of wage increases during upcoming wage negotiations, is guaranteed to produce extreme tension in the factories.

The IMF singled out Italy for a special chapter in its recent annual report. The IMF reported that Italy has the highest ratio of balance of payments deficit to Gross National Product in Europe, and therefore must be made an example of for the rest of the world. What the IMF report failed to mention, however, is that Italy's deficit is a direct result of the extraordinarily high interest rates the country is paying because of the policies of the U.S. Federal Reserve Bank, as well as the Bank of Italy and the IMF itself.

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### *Martial law response to Italian terrorism?*

The Wiesbaden and Rome offices of *EIR* sent a telegram to Italian President Sandro Pertini Aug. 23, urging him to respond to the terrorist "state of war against the Italian state," by taking the following steps:

"Declare a state of war against the foreign enemy force known as international terrorism; treat all terrorists from today forward according to martial law; transport and isolate the terrorists in special prisons located on islands and controlled by the army; repress any attempts at riots and escape according to the rules of a state of war; arrest and try for high treason all Italian citizens who express sympathy for the terrorists; arrest and keep under custody foreign individuals and groups living on Italian territory who express sympathy for the terrorists, until the surrender of international terrorism; break diplomatic relations with those governments that sympathize with the terrorists."

Fiorella Operto, Secretary General of the Partito Operaio Europeo (POE) immediately endorsed the *EIR* initiative. She informed President Pertini that the POE is making available all its capabilities to contribute to the success of the operation. Earlier in August Operto filed a documented legal brief to the court in Rome to request that Henry Kissinger testify about his alleged involvement in the murder of Aldo Moro in 1978.

## Briefly

● **THE LATIN AMERICAN** Parliament in Bogotá issued a political declaration Aug. 25 resolving to create a Latin American Community of Nations at the December heads of state conference to be held in Cartagena. Its proposed tasks: defining common policy initiatives and establishing the mechanisms for carrying them out; restructuring the Organization of American States to better represent Latin American concerns; and reconstructing a hemispheric-security instrument to replace the Rio Treaty.

● **CARLOS ANDRES PEREZ**, the former President of Venezuela, and the architect of its nationalist industrialization programs, has publicly called for the investigation of the Banco Ambrosiano in its connections to Venezuela, as it "involves some personalities of our nation." Perez's declaration, prominently covered in the Venezuelan press, is a political blast aimed at former President Rafael Caldera, who is running for a second term and is involved in the case.

● **NUOVA SOLIDARIETA** announced Aug. 22 a new series of articles that is expected to create a considerable stir around the world. The product of several years' investigation, these articles will appear under the title: "Is Italian Freemasonry Run by a Homosexual Cult?"

● **EGYPT** is expected to return to the International Monetary Fund (IMF) sometime late this year for the first time since 1977. The IMF economic program for Egypt emphasizes cash-crop export, and labor-intensive agriculture. Egypt is now the 10th largest debtor in the developing sector. Its economy faces a short-term cash-flow squeeze.

● **'JUST RHETORIC'** is how a State Department official characterized newly elected Colombian President Betancur's pledge to end his country's role as a "satellite of the United States" on Aug. 26.

## George Shultz: a profile in economic sabotage

by Richard Cohen, Washington Bureau Chief

For over 10 years, a Mutt-and-Jeff team—Henry Kissinger and George Shultz—has acted to put the United States in its present mess. Kissinger is the thug who politically destroyed or physically eliminated foreign leaders who would not submit to the monetary reorganization “technocrat” George Shultz co-engineered since 1971: that is how the game still works today. Kissinger and Shultz have been deployed in tandem since the 1950s, when Kissinger was at Harvard, Shultz at its sister institution, MIT.

Shultz, the ostensible businessman and hard-headed economist, by his own testimony spent the 1971-76 period working with Kissinger on policies that (as their British designers intended) would undercut the dollar and the U.S. economy. In his 1977 book *Economic Policy Behind the Headlines*, co-authored by his current Deputy Secretary-designate, Kenneth Dam, Shultz traces how he and Kissinger implemented the Aug. 15, 1971 dollar devaluation and unilateral abolition of the gold standard, and the subsequent reorganization of the Bretton Woods monetary system.

Though he subsequently left the government in May 1974, while Kissinger stayed on to run the Ford administration, Shultz was called in during the 1975 fight over *EIR* founder Lyndon LaRouche's International Development Bank proposal and the momentum for a New World Economic Order.

As Shultz reports in his book, “In 1975 Giscard proposed a summit meeting on economic matters, a suggestion viewed with considerable skepticism in U.S. government circles. In September 1975, President Ford asked if I would meet with Chancellor Schmidt and President Giscard, as well as British Prime Minister Harold Wilson, to find out what they had in mind. . . .” Shultz continued, “I met first with Helmut Schmidt. After conversations we both felt that a summit

could be quite constructive. . . . Schmidt suggested that he come to Paris after my scheduled meeting with Giscard. When I advised Wilson of this plan, he was eager to be informed of the outcome. . . . and arranged for Sir John Hunt, his cabinet secretary, to join me for breakfast the morning before I would leave for Washington. As discussions proceeded, the breakfast group [which met after the meeting with Schmidt and Giscard in Paris] extended to include Schmidt's key monetary representative Karl-Otto Poehl [now head of the West German central bank] and Raymond Barre, later French Prime Minister.

These deliberations resulted in the Rambouillet summit in 1975; according to Shultz, the deliberations also prescribed the parameters around which U.S. Treasury Undersecretary Ed Yeo and French Finance Minister Jacques de Larosière, now executive director of the IMF, prepared for the conference, countering the effort by Japanese Prime Minister Takeo Miki to pursue Third World debt reorganization and North-South technology transfer. Rambouillet in turn ultimately resulted in a final agreement in January 1976 at Jamaica. According to Shultz the Jamaica summit finalized his cherished goal of reducing the role of gold, and guaranteed a U.S. veto over potential wishes of the other industrialized countries to return to fixed exchange rates.

### The 1971 crisis

During his tenure in the federal government from 1969 to 1974, Shultz and his close associates had engineered a radical reorganization of U.S. and Western policy along the lines prescribed by the Anglo-Swiss bankers who seek a feudal “post-industrial” world. Shultz's role at the State Department, where, as this journal has documented, he is reassem-

bling key Kissinger people into positions within the executive branch and as outside advisers to State and the national security apparatus, is to finish the job.

As Shultz tells the story in his book, the dramatic Aug. 15, 1971, Nixon decision to “close the gold window” and “end the Bretton Woods fixed exchange system” was an “inescapable decision” that “had been long-delayed.” In fact, since 1965-66 Shultz had joined with fellow Chicago School operatives, most notably Herbert Stein and Milton Friedman, in promoting a demotion of gold and a “floating dollar” to deal with what Shultz described as the problem of a “vastly overvalued dollar.”

Shultz had become dean of the Graduate School of Business of the University of Chicago in 1962, replacing one of his closest friends and mentors, W. Alan Wallis. Recently appointed by Shultz as Undersecretary of State for Economic Affairs at the age of 70, Wallis had been the dean of the Graduate School of Business at Chicago since 1956. Wallis submitted a paper to the infamous 1932 Eugenics Conference at the New York Museum of Natural History, in which he used his favorite subject—statistics—to attempt to prove the racial superiority of “the Nordic stock.”

In 1966, Shultz, Friedman, and others from the Chicago School lambasted the Johnson administration and insisted that the only viable alternative for reducing the U.S. trade deficit was “stringent anti-inflationary fiscal and monetary measures,” and/or “a dollar devaluation.” This Chicago School campaign escalated when Shultz and company opposed last-ditch Nixon efforts aimed at curtailing U.S. trade deficits, including the beefing up of the Export-Import Bank.

After being named to the position of Secretary of Labor in 1968 at the insistence of his longtime friend and economic confidant Arthur Burns, Shultz conspired with members of the Commission on the Executive Branch, initiated in 1969 and headed by Nixon intimate Roy Ash, then head of the West Coast-based Litton Industries. They successfully promoted the most decisive reorganization of executive-branch economic policy-making machinery in the post-war period. In 1970, the all-powerful Office of Management and Budget (OMB) was created, and George Shultz became its first director. Shultz appointed as his deputy director Caspar Weinberger, then Director of the State of California budget under Gov. Ronald Reagan. OMB was designed by Shultz and others to break traditional lines of constituency influence and thus create an environment within which “stringent fiscal decisions could be more easily made.”

Due to the earlier Anglo-American policies, as Shultz reports, by 1971 three times as many dollars were in the hands of foreigners than the U.S. gold equivalent at Fort Knox. Thus, one week prior to the infamous Aug. 15 Camp David decisions, the British government, acting on cue, terrified the already brainwashed President by requesting \$3 billion in gold from the United States in exchange for U.K. dollar holdings. A Shultz co-conspirator at the time, Treasury Undersecretary for Monetary Affairs Paul A. Volcker, warned

the President that a full-scale run on U. S. gold reserves might be imminent, and urged emergency action.

Shultz lays out in full how the decisions of Aug. 15 were only the first step in what would evolve into full-scale “monetary reform,” through Shultz-directed “negotiations” with the Europeans and the Japanese. He boasts how the 10 percent surcharge on imports, part of the Aug. 15 package, were simply a “bargaining chip” to be sold for future European concessions, and chuckles when he identifies how “big bad” John Connally, then Treasury Secretary, conveyed obnoxious threats of further imminent U. S. autarchic moves.

On Dec. 18, 1971, at the Smithsonian Institution in Washington, D.C., an “interim agreement” was reached between the United States, Western Europe, and Japan, in which the dollar was effectively devalued by 7.9 percent, all to the great satisfaction of Shultz. He remarks that the “redoubtable” National Security Adviser and respected friend Henry A. Kissinger had by that time been openly brought into the act. Shultz reports, “Kissinger learned after August 1971 that he could not ignore international monetary matters.” Thus, only five days prior to the Smithsonian meeting, Kissinger met privately with French President Georges Pompidou, in what Shultz described as “an action-forcing event.” The action forced was an agreement from Pompidou that he would support a dollar devaluation and the revaluation of some European currencies; in exchange, according to Shultz, Kissinger “eased” the requested size of devaluation. Shultz reports that Kissinger could always tell the Europeans that they must go along with him or, if not, have to face the “harder line” of Connally, Herb Stein of the Council of Economic Advisers, and Shultz himself.

In early 1972 Shultz was appointed the new Secretary of the Treasury. Shultz reports that over a series of months he directed secret meetings with then-Secretary of State William Rogers, Federal Reserve Chairman Arthur Burns, CEA Chairman Herbert Stein, and presidential economic adviser Peter Flanigan, to develop U.S. policy, while staff work at Treasury was directed by his Undersecretary, Paul Volcker. The expansion of the hot-money offshore Euromarkets, the further demise of U.S. leadership for growth, and the ascendancy of the International Monetary Fund were the results of their efforts.

### **Shultz as ‘Schmidt-handler’**

In a future installment of this profile, we will reveal the British-agent history of the Shultz family, and the molding of young George into a top-level “brainwasher” and operative for the British-based Tavistock Institute.

Shultz prides himself on his manipulative abilities, as a veteran of the days when Britain’s skilled Tavistock Institute psychological warriors enhanced his training at MIT. In his own words, “Helmut Schmidt of West Germany has worked hard at developing good personal relations with his [U.S.] counterpart, first as Minister of Defense and then as Minister of Finance. Schmidt became Minister of Finance shortly after

I assumed the roughly comparable post of Secretary of the Treasury. We met first in 1972 in my new office at the Treasury. We had a lengthy talk about the world's economic problems. . . . We developed a strong friendship starting with this first meeting and carrying through innumerable meetings of finance ministers. In part through Schmidt's good offices a small group (dubbed 'the Group of Five' by the press) was formed involving Schmidt, myself, Valéry Giscard d'Estaing, the French finance minister, and Anthony Barber, British Chancellor of the Exchequer, and later joined by Kiichi Aichi, and subsequently Takeo Fukuda, Japanese minister of finance. This group met for a day in April 1973 when all were in Washington for larger monetary meetings. This and subsequent gatherings of the Group of Five played a crucial role in the international monetary reform discussions then underway."

The first Group of Five meeting took place in September 1972, and was followed a half year later by a U.S. decision to further devalue the dollar. In February 1973 Shultz authored a 10 percent dollar devaluation. The U.S. decision inspired radical currency instabilities. Concerted central-bank intervention was arranged in March to maintain "orderly markets," but not to defend particular exchange rates.

Final and decisive economic pressure was brought to bear at the end of 1973 and the beginning of 1974, with the drastic increase in the price of world petroleum, the goal of the Kissinger-orchestrated 1973 Arab-Israeli war. Prior to the outbreak of war, with Nixon totally consumed by Watergate, Shultz was promoted to the new cabinet-level position of Assistant to the President for Economic Policy, enjoying formal full control over U.S. domestic and international economic policy. (Shultz immediately appointed Dam as his deputy.) Meanwhile, Kissinger had assumed virtual complete control over U.S. foreign policy.

### The balance sheet

The destructive monetary reform proposed by the Chicago School in 1965-66, imposed on a brainwashed Nixon in 1971, and rammed through in a global agreement in Jamaica in 1976, guaranteed the demise of the U.S. dollar, the constriction of European trade and investment, and a savage economic assault on the developing sector. It is no accident that immediately before Shultz became Secretary of State, he was about to join the Committee on the Year 2000, an organization which promotes a reduction of the world's population by 2 billion people by the turn of the century.

It is also no accident that this year, acting privately on behalf of the Reagan administration, Shultz orchestrated the June Versailles economic summit, at which the leading industrialized nations took no action whatever to avert the global depression. And finally it is no accident that after approximately one month in office, the most destructive attack on a U.S. ally in many years occurred with the all-out IMF blitz against Mexico. As history attests, there are no accidents in this case.

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## Interview: Debra Freeman

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# Democratic candidate: 'rebuild Baltimore'

*Debra Freeman is running against incumbent Barbara Mikulski in the Democratic primary on Sept. 14 for the U.S. congressional nomination in the 3rd District of Baltimore, Maryland. Mrs. Freeman, who is known throughout Baltimore for her leading role in the National Anti-Drug Coalition and her advocacy of industrial expansion, was interviewed by EIR's Mary McCourt on Aug. 26. She has won the support of the National Democratic Policy Committee.*

**EIR:** What exactly is the "Renaissance" being proposed for Baltimore under the present depression conditions, and what is your campaign opposing Barbara Mikulski in the 3rd District offering as an alternative?

**Freeman:** There is a very detailed post-industrial plan for the city of Baltimore, which has been developed and discussed over the past two years with tremendous intensity. The basic policy is that the steel plant, the port, all these things are ridiculous "fixations" because they have "no future" in American society. Baltimore's role is to be one pole in a proposed "Baltimore-Washington corridor."

The planners call this a "high-technology" corridor, but it's not high technology, it's the Silicon Valley kind of concept, that Baltimore could become a leader in the new communications age. This is where the PLATO plan came from. PLATO is a computer teaching system that trains students to do little more than respond to meaningless commands on a computer screen. It can train students for little more than post-industrial, free-enterprise-zone jobs—certainly not for anything demanding the ability to think.

The plan is to build Baltimore as a convention city. The Convention Center, the harbor "renewal" are being touted as booming successes. There are plans in the works for seven new luxury hotels in addition to the four now in the city. This is coupled with a just-written proposal, that has not yet been released to the public, by East Baltimore State Delegate John Douglas, which is a proposal for legalized gambling, in the new "downtown" zone. Local legislation was passed just a year ago to re-do Baltimore's red light district—they put in new, quaint cobblestone streets and gaslights—but the pornography businesses have not been touched.

**EIR:** Has your campaign been able to identify just who is responsible for these policies being proposed for Baltimore?

**Freeman:** You have the Metro Center, run out of Johns Hopkins University. You have also the Baltimore-Washington Common Market, which City Council head Walter Orlinsky and Sen. Charles Mathias [a Republican] are involved in. This is a local version of the World Futures group. They are trying to push Baltimore into the “post-industrial age.”

I’m glad to say that the post-industrial crowd is having a tough time. The city itself is not just some city that contains heavy industry. It is a city whose identity is as an industrial center.

The black population of Baltimore did not come as lumpy ghetto residents. They came from the rural South just prior to World War I, to work at Sparrows Point Steel plant, which is the largest tidewater steel plant in the world.

They didn’t come to work in textile mills or some kind of slave-labor industry. Unlike other cities, where blacks have the worst possible jobs in the coke ovens, and the highly skilled jobs are held by white workers, you have a very highly skilled black population, and one which has located its identity very consciously in that fact.

The people who live in South and Southeast Baltimore, which is a white-ethnic area, are enraged by particularly the Harborplace operation. They see it as a major real-estate boondoggle. People who live in this area, up to the recent period, owned homes valued between \$12,000 to \$16,000. But as a result of the renewal project, their homes are being sold, “refurbished,” for anywhere from \$80,000 to \$125,000—and these are old, narrow row houses. Last year, these people’s homes were assessed at \$8,000; now they are assessed at \$60,000. Many of these people are elderly, or about to retire—they cannot afford the increase in taxes, and are being forced out of their homes.

Young people cannot afford to buy houses in the city. If they want to have children, they can’t rent: some 60 percent of Baltimore rental housing forbids children. They have no choice.

Some are moving to these new, synthetic communities in the “corridor” area, hoping that the promised post industrial renaissance will happen; others are leaving altogether, going down to the Sunbelt looking for work.

**EIR:** How is the population of the city responding to your program and historical perspective?

**Freeman:** People remember that even in the 1960s, you had a real industrial boom here. There were tremendous industrial breakthroughs going on. Ten years ago, an entire steel plant and electrical generating plant were prefabricated here and floated out of the harbor on barges piece by piece to be assembled in Turkey. This is what people saw as the future of Baltimore, and they were very excited about it. Baltimore was a real leader in this field; that kind of prefabrication of entire plants for the Third World wasn’t going on anywhere else in the United States. There are very few East Coast cities with both the port and industrial capability of Baltimore.

Baltimore has gotten a \$225 million Navy contract for

Bethlehem Steel Shipyards. But for the now-long-term unemployed shipyard workers to return to work, they had to sign a no-strike clause, and accept an austerity agreement from Bethlehem Steel, cutbacks in sanitation and other safety measures.

When I talk about doing what Franklin Roosevelt did, building our way out of this depression, people get excited.

**EIR:** What has been the response to the Great Enterprises project, outlined by *EIR* founder Lyndon LaRouche, which you have made part of your program?

**Freeman:** The *EIR* is going to be holding a seminar in Baltimore in September, on the Great Enterprises proposal. The response has been remarkable, not just from local businessmen, but from the workers in the city of Baltimore who have been drawn into my campaign. These are highly skilled workers who are now unemployed, or barely employed at 15 hours a week.

People in Baltimore really understand the difference between my proposals for industrial rebuilding, and the fact that other politicians, including Mikulski, are just attempting to blame our horrible situation on dumping of foreign steel.

**EIR:** What is your perspective on the primary?

**Freeman:** I would say, that in the blue-collar areas of Baltimore, I am running way ahead of Mikulski. And that is where you are going to get a heavy voter turnout. We have overwhelming support in those areas.

Here is where I have been getting the best response to my media campaign. One of my radio ads features a “statement”—barnyard noises, as the only thing Barbara Mikulski has to say in a primary in a depression year, followed by a statement of my program. The ad received national publicity in an Associated Press release, and six radio stations, the *Baltimore Sun*, and WBAL all interviewed me as a result of the impact of the ad. A WBAL television newsclip said that the ad did not “cloud the issues”; rather, it brought them to light.

The *Baltimore News American* came out Aug. 25 and endorsed Mikulski. They said the most notable thing about Debra Freeman was her “poor taste” in airing this commercial. The district is split down the middle. The working class of Baltimore, including the engineers, support my program and my media campaign.

Mikulski’s new district was set up on the basis of her own public relations image as “blue-collar Barbara.” It was based on the idea that she would take the liberal areas, and maintain her so-called strangle-hold on the blue-collar areas. That was a total miscalculation; that is what my campaign has totally disrupted, because Baltimore workers want my program.

We also have incredible support among senior citizens. Global 2000 [the policy of depopulation and de-industrialization] is the bottom line for these people. I have successfully made this a big, big issue in the campaign; as a result, I have 200 people going door to door campaigning for me.

# Volcker opponent Melcher faces 'supply-side' advocate in Senate race

by Susan Kokinda, Washington Correspondent

The 1982 Montana Senate race features one of the very few Democratic Senators—John Melcher—who has bucked the Paul Volcker fan club in the Democratic Party hierarchy to make the fight against the Federal Reserve Board's usurious policies the keystone of his legislative program for the past two years. His Republican opponent is investment counselor and commodities trader Larry Williams, whose 1982 book, *How to Profit from the Coming Good Years*, predicts the success of Reaganomics. In now-standard Jack Kemp supply-side fashion, Williams currently also attacks Volcker and high interest rates (a departure from his previous position), but his economics, as elaborated in the book, are pure Adam Smith voodoo. If the race stays focused on the issue of the kind of baseline economic competency which Melcher has manifested, versus the astrology advocated by Williams, Melcher should win the November election handily.

## Issues clouded

But the campaign has been complicated, and potentially sidetracked, by the activities of the National Conservative Political Action Committee (NCPAC) in Montana. Before Williams even entered the race, NCPAC had poured \$200,000-worth of anti-Melcher advertising into the 700,000-person state. One ad portrayed Melcher as pro-abortion when, in fact, he has a 100 percent Right-to-Life rating. Television and radio stations refused to run another ad which charged that Melcher voted against the Reagan program in 1981, which he had supported. Nonetheless, with a quarter-of-a-million dollars of anti-Melcher advertising blanketing the state, Williams announced that he would accept no out-of-state campaign contributions, and has attacked Melcher for receiving big money from out-of-state organizations and Political Action Committees (PACs). Despite the fact that Williams has urged NCPAC to quit the state, Melcher sees Williams and NCPAC as one anti-Melcher effort and argues that he must accept out-of-state contributions to combat it. This threatens to become the main issue of the Montana campaign. It also serves to highlight the role NCPAC plays nationally—seldom actually injuring its Democratic targets, but diverting campaigns into the pit of "perception" and media politics.

It has been this author's observation, after six years in Washington, D.C., that very few elected officials survive the

thuggery, blackmail, or enticements of the Pamela Harrimans or Henry Kissingers of this city with even the tiniest portion of their souls intact. Sen. John Melcher was not the only Democrat to see that Paul Volcker was killing the economy, or that Sen. Harrison Williams was being railroaded in the Abscam frame-up, or that the AWACs sales to Saudi Arabia were in the national interest. But he was the only one to stand up to the threat of skulduggery of the Democratic Party leadership on all three issues and act on the basis of his conscience.

## Economics and morality

It is that quality which defines Melcher's "prairie populist" economics. Very early in 1981, when Senate Minority Leader Robert Byrd and Democratic National Committee Chairman Charles Manatt were busily protecting Paul Volcker and then blaming Volcker's recession on Reaganomics, Melcher took the Federal Reserve Board head-on with SJ Resolution 104, which mandated the President to sit down with Paul Volcker and lower interest rates. Melcher's gut-level understanding of the impact of high interest rates on the productive base of the economy is reflected in a generally healthy attitude to economics generally. On farm policy, Melcher introduced the closest approximation to a parity farm bill to emerge from the 1981 session of Congress. On infrastructure development, he has an historically solid record, especially on water development. He has consistently opposed trucking and banking deregulation. Coming from a coal-producing state, Melcher has fallen into the coal-versus-nuclear trap, and his record on pro-nuclear issues is less than 50 percent (in the National Democratic Policy Committee rating). He voted for the Clinch River Breeder Reactor in its most recent Senate floor test, however.

On foreign policy, Melcher's instincts (and the influence of his political mentor, former Sen. Mike Mansfield), led him to support such follies as U.S. troop and defense reductions in Europe and Japan. But at least Melcher is probably voting what he, and not Pamela Harriman, believes.

## Astrology and hedonism

Challenger Larry Williams's campaign literature carves out standard "supply-side" territory—attacking the Federal



Reserve Board, advocating tax cuts, a balanced-budget amendment and a gold-standard for the dollar, and advocating a general "pro-growth" stance. But, thus far, because of Melcher's early campaign against the Fed and his 1981 votes for Reagan's economic program, the only issue on which Williams has made any headway is the "out-of-state" campaign contribution issue.

It is generally perceived that Williams is playing "me-too" on economic policy. But William's book *How to Profit from the Coming Good Years*, shows his own orientation. It is a study in the hedonistic calculus of Jeremy Bentham which asserts that free enterprise is the pain (having to work) or pleasure (so to have money) principle operating in the market place. Williams calls it "greed and fear" and grounds his "economics" on the same Physiocratic notion as did Adam Smith and their followers: that wealth comes only from land (mining and farming). This denies the Constitution's premise that the productive powers of man can create new kinds of wealth through a comprehension of and intervention into a lawful universe. Williams even boasts on page 62 that he was "the first one to announce that it appeared that there was some type of relationship between new moons and full moons and the price of silver."

*How To* is a manual for making a fortune in those areas the financial oligarchy happens to be favoring at a particular moment. Real-estate and commodity speculation, Resorts International, video games, the "entertainment" industry, health and food cults, are topics of Williams investment strategy.

It is thus safe to predict that, even with good intentions, Williams would be a moral basket case and a tool of the financial oligarchy within weeks of hitting Washington, D.C.

## Larry Williams leans toward a trade blackmail policy

*From an Aug. 26 interview with Larry Williams:*

**EIR:** Where did you learn your economics?

**Williams:** You're going to hate me for this answer but really the school of hard knocks. I have a degree in journalism and of course have done a lot of studying and reading and as an investment advisor you really get keyed into a lot of people who are involved in different levels of the economy. Like everyone, I at one point many years ago assumed the Federal Reserve was part of the government. Of course, we now know that it isn't. They have too much power vested in one person.

**EIR:** . . . You said in your book that you did not think an "apocalyptic collapse" is imminent.

**Williams:** Suddenly since the publication of that book the

U.S. dollar has become a strong dollar, gold has become weak, interest rates have come down, which was forecast. We forecast higher stock prices; suddenly we have the largest gain in the history of the New York Stock Exchange. Those predictions by and large are coming true. . . . My economic work suggests that we have probably turned the corner. . . .

**EIR:** In your book, you mention a variety of investments that would be high-yielding but are not necessarily industrial investments. How do you see ensuring that there would be adequate investment in the kinds of industry that are necessary?

**Williams:** It is not the function of government to ensure investment. It's the function of the free-enterprise system to be so attractive that people say, "Hey, there's growth there," so they willingly invest those dollars.

**EIR:** What do we do then without the steel industry?

**Williams:** If there's an economic need for the steel industry, it'll stay around; if there isn't it won't.

**EIR:** What about an industry that's just starting that requires a lot of investment before it begins to really yield much in return?

**Williams:** Everybody's got to stand on their own two legs. If it's a good deal, people will come to it, if it's not they'll stay away from it.

**EIR:** What is your recommendation for investment in other countries?

**Williams:** I don't recommend that. There is plenty of opportunity in this country for investors, and I would much rather see that people I advise keep their dollars here. . . .

**EIR:** Do you believe this type of free-market situation or the environment for entrepreneurship would provide the necessary living standards and employment?

**Williams:** Not totally on its own, no. My comments are on natural resources, and the parity approach to agriculture. High tech does not create new wealth, it shuffles it around. The creation comes from the ground, from the seas, from agriculture, and we have to have the creation of new wealth from those natural resources. The high tech enables us to speed up those processes, and to enjoy leisure time, and so some other things more fully. But the creation of wealth has got to come from a parity approach to natural resources. Especially when we have other countries who are dumping things here and not letting us sell our things there. . . . I believe in free trade, but if people are not trading with us on a free basis, then I have to go to fair trade. . . . We have to fight fire with fire; we're going to become Yankee traders again, get tough in our international trading policies.

**EIR:** What would become of our mining, our farming?

**Williams:** They need our products. I think we would be able to make some negotiations.

## A top NASA official discusses the imperative of a manned space program

*Philip E. Culbertson is Associate Deputy Administrator of the National Aeronautics and Space Administration. He is responsible, on special assignment to the administrator, for the development of NASA's next-step Earth-orbiting space station.*

*Culbertson was interviewed in his Washington, D.C. office by EIR Science and Technology Editor Marsha Freeman on July 12, several days after the July 4 space policy speech by President Reagan. In his statement the President alluded to a "permanent manned presence in space," which is described in this interview as the necessary next step in NASA's manned space program.*

**EIR:** What is your reaction to, and evaluation of, the President's speech on space on July 4?

**Culbertson:** I feel that it was as strong an endorsement as we had any reason to expect and, therefore, we were very pleased that he referred to a permanent presence [in space] at all. . . . We know that he was extremely enthusiastic about the day [the Shuttle landing] and that he is enthusiastic about space, but he has a very difficult economic problem to solve, and where they conflict, things will probably go in favor of the economic program. But I am satisfied that to the degree that his overall program can stand the expenditures of a strengthened space program we will continue to get very good support from the President.

**EIR:** How much leeway does his support for a "permanent presence in space" give NASA in terms of continuing the study of a space station, and going into the fiscal year 1984 budget negotiations, with support from the White House?

**Culbertson:** It gives us all the leeway we want. We will certainly continue to carry out the studies and analyses that have been going on within the agency, which have been focused at a high-level intensity effort for the last four to five months. I am satisfied now that we can go to the President and say, "Mr. President, we believe that this is the next way for the program to go" and it is consistent with the position that he made at the landing.

**EIR:** Do you think the design for a space station has evolved

to the point where you could say, "This is what we would like to build"?

**Culbertson:** In the sequence of developing a deeper understanding of what the space station is all about, we probably have another year to year and a half before we can go to him with a configuration of what we think we ought to build. I believe that we can, within the next six months, go to him and say, "Mr. President, this is the capability which we believe the system should have"—the system which we will further define from an engineering standpoint over the next year and come forth with as a hardware proposal, rather than a capability proposal. But we are not and cannot be in a position in the next four to five months of giving a detailed drawing of what we want to build.

**EIR:** Why is NASA making this space-station initiative the most important aspect for the future of the manned space program?

**Culbertson:** We believe that by the year 1990, the Space Shuttle having flown then for nine years, that we will need the capability both to stay on orbit with man and the capability to use low-Earth orbit space to get more efficiently to the higher, geosynchronous orbit, than the Shuttle will provide. There is nothing magic about being ready in 1990 or 1989 or 1991, but for a number of reasons we think that's the right time—we shouldn't delay any longer. The idea of a space station, besides being very old, was very solid in 1970 when we started the detailed work on the Space Shuttle. The Space Shuttle and the space station were considered a matched pair.

There was a big debate about which one we should proceed with first, and in retrospect, it appears to me that the Russians were asking themselves the same question. We decided to start with the logistics and they decided to start with the space station. They used their proven and in-existence logistics system and have, therefore, had a very significant program with their Salyut system and have a lot more manned experience to date than we have.

I don't think that means that they took the right approach. As a matter of fact, I am convinced that in the long term we selected the right approach. But now we are trying to add that other crown jewel and think that it's time. If the United States

intends to maintain a manned space flight program at all, or the capability to develop manned systems, then we have to decide that there is something to use our present capability for, or else that will dry up and we'd need to re-establish it at some later date. Our development team for the Space Shuttle is the only manned space-flight development team currently in existence in this country. That team is rapidly working itself out of business [as Shuttle development is completed]. We are trying to get people off the Shuttle development program so we can make its overall operation as economical as possible and that means you've either got to fire people or put them to work.

A delay of a year for the initiation of the program and, therefore, a delay of its first flight, wouldn't be all that bad, but a year's hiatus in activity keeps operations costs up or requires us to displace an awful lot of people. So there is benefit in the continuity of the program. . . .

We believe that manned space flight is clearly mandated, not as a foregone conclusion but in trying to understand the nature of this nation's role in the world and the nature of the contribution that space can make to the well-being of man. NASA believes that there is a strong role for the human being in space. It seems to us that the President has said in simple and fundamental terms that he agrees.

**EIR:** What would it indicate to you if this society actually made the decision that there is no real role for manned space?

**Culbertson:** The reasons that I don't feel the least bit discouraged and feel that a philosophic debate would not bother us that much is that we see all around us, in the developing and developed world, a rapidly growing interest and involvement in space. And I can't believe that it is all going to be unmanned, in any sense, at all.

We used to think we were competing with the Soviet Union in what we called the space race. Now it is much broader than just the Soviet Union. The Japanese are extremely interested in what we're doing, and not in space alone, but in manned space. They've never had a manned space program in the past but their growth in space activity indicates to me that it won't be long before they are either going to participate in a program with somebody else or they will have their own manned space program.

The Europeans are aggressive competitors with us right now in other areas which we used to consider our own domain in space. Many other countries are becoming involved in communications satellites.

You cannot reverse the direction and the role that space is playing in society. From the standpoint of human beings in space, today everything that the United States is doing is similar to the explorers of the past—we come and we look and then we go back home again, and it will remain that way—without true exploitation until we can stay for a while.

That's what happened when the first colonists first came to this country. There was not a lot of exploitation until people had the audacity to build a log cabin and stay a while.

**EIR:** On the economic aspect, it has always struck me as a twisted sense of logic to state that because of the economic situation we may not be able to fund certain NASA programs while it is proven, scientifically and historically, that what has led to economic growth and the introduction of new technology and increased productivity has been the federal government investment in NASA and in other research and development capabilities.

**Culbertson:** I agree with you or I wouldn't be able to live with myself, having been in advanced technology all my life. I am convinced that a high percentage of problems this society faces can be either solved or assisted by the applications of the things that come out of the technological world. We lead the government in general, both in that the work that we carry out is advanced, and in the level of expenditure. There are good arguments for saying that the NASA investment in research is extremely beneficial to this country and has a high return.

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*We believe that manned space flight is clearly mandated. If man stops asking fundamental questions about his relationship to the universe, then civilizations soon die. The concern I have is the degree to which our economy ignores the problems of ten or twenty years from now. What other program can you name that affects all of our lives and the lives of those yet to come the way the space program does?*

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**EIR:** In looking into the history of the "space program" going back to Leonardo da Vinci, Kepler, and John Milton, it has seemed to me that you are dealing with something unique in the space effort, in the sense that a society's view of itself and its future has always been very much reflected in the way it looked at the rest of the Solar System and the universe.

**Culbertson:** I think that is absolutely right. And I think that is the first or second reason why there ought to be a strong NASA.

To the degree that man has the ability to think, then he must ask himself questions and seek answers to those questions, and NASA is very effective in searching for answers

to some very profound and fundamental question that man has asked himself for longer than he has asked any other questions. The quest for man's relationship to the rest of his universe has to be one of the earliest questions that man has been able to ask, beyond "How do I survive today?"

You can look at civilizations in the past that clearly show that if man stops asking those fundamental questions about his relationship to both the universe, the Earth and the Solar System, then I think civilizations soon die. . . .

I mentioned another direction that I wanted to follow up a little bit more. You were talking about the fact that NASA is not the only agency, but is one of the principal agencies, in advanced technology; and one of the things about working in the frontiers of engineering and scientific knowledge is that the results of that fundamental growth in knowledge, in the designing new systems, does not solve today's problems—they are directed at longer-term, sometimes more fundamental problems.

The concern that I have is the degree to which our economy is focused on the solution of tomorrow's problems and ignores the problems of ten or twenty years from now. It would be tragic if a preoccupation with tomorrow's problems drove out any consideration of basic problems that we will face twenty years from now. We can't predict all of those problems—we can predict some. It seems to me that that is the area the advanced technology really takes on. . . .

The contribution that space can make to understanding more about how food is produced and the degree to which pollution of the waters and the air affect the growth of food and the potential of the world to grow food; the degree to which space can alert us to impending natural disasters; the extent to which knowledge from space can contribute to our understanding of plate tectonics so that we can better understand the possibility of earthquakes; the extent to which observations from space can help us reap and harvest protein of the ocean, start the list of the ways we are using space today to contribute to dealing with the problems of the last few years of this century, and we will continue to build man's knowledge of those fundamental things we were talking about earlier. What other program can you name that affects all of our lives, and our children's lives, and the lives of those who are yet to come in the way that the space program does?

**EIR:** The most frustrating thing in preparing testimony for Congress, for example, is to try to make clear all these aspects of the space effort. No one understands economics in this country. Spending more money on the NASA program in FY84 does *not* contribute to the nation's economic problems—it helps solve them.

**Culbertson:** If you want to get down to the straight economic returns to the government, a good case can be built using the best example we've got which is the use of communications satellites.

NASA has looked into what has probably been spent on communications as a direct result of communications satel-

lites—whether in space or ground elements—what it has done to the industry. Our figure is that we have spent about \$8 billion total in the industry. The federal investment was very, very small.

There was an article in the *Washington Post* yesterday which said that by the year 2000 there will have been an additional \$100 billion spent, by the world, in communications. If you must look at the effect that this industry in this country has had on direct return to the federal government in taxes, it more than pays for the investment the federal government made in space communications, by quite a bit.

This is aside from the employment it has afforded and the effect that it has on several levels—jobs, employment rather than unemployment, and there are a lot of other numbers than a direct return-on-taxes basis.

That is the example that is most dramatic, but if you consider what has already happened in the way of natural disaster warning from weather and what that has meant directly to the national economy and to the federal government in the way of avoidance of disasters and crop production, then I would guess that that piece of the program has paid handsome rewards in a direct dollar-for-dollar relationship. If it were possible to sit down and do all those studies, you would find that the space program has much more than paid for itself, in very direct and real dollars, let alone the advances in technology that have been provided by the fact that the government demanded the advance in technology.

I don't know how important national prestige and the relationship we have with other countries in a political sense, how important that is. I would think it would be of significant importance. If you look back at this country over the last 15 to 20 years and ask a group of one hundred people to name 10 good things that had been going on in this country, I doubt that any one would miss the space program. They want to be proud of the country and it is one of the outstanding accomplishments of the country.

**EIR:** Oct. 4 is the 25th anniversary of the Space Age, as it would be called here. In the Soviet Union it is the 25th anniversary of the launch of Sputnik. The July 7 *London Times* had an article speculating on what the Soviets may do to celebrate that anniversary. What do you think they might do?

**Culbertson:** I would prefer not to speculate. The Soviets have not disappointed us in the past. They have normally enjoyed celebrating their anniversary of Sputnik, which also happens to be the 55th anniversary of the [Russian] revolution. I believe that it has been written that the launch of Sputnik was coincident with the 40th anniversary of their revolution. I think it's reasonable to believe that they will plan something to show their position in the world of space.

It is not unreasonable to believe they may have in mind some other kind of spectacular thing in the way of a planetary or even lunar mission of some sort. But I expect something very interesting to be done on the fourth of October.

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# How soap opera was designed to undercut America's morality

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by Christina Nelson Huth, Features Editor

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“One of the regrets I hear often expressed among my college students concerns facing up to the pursuit of employment. It’s equated with a time that will interfere with their soap viewing. They hate the thought of having to wean themselves away from the soaps.”

This report, which comes from a professor at a small East Coast college, should send chills down the spine of any American who is concerned about the future of his country. More so, because it is precisely accurate: A substantial portion of America’s housewives, a growing number of female adolescents, and even working fathers, are today addicted to soap-opera viewing. A just-released study by the Pennsylvania-based Annenberg School of Communications shows up this trend as an inverse relationship between teenage drug abuse and soap-opera viewing. “Some kids turn to drugs to escape,” said a researcher of the study’s findings. “Others turn to soaps, which serve the same narcotic function.”

The average American family member watches television six hours a day, and, in 1982, the majority of programming that he is offered consists of soap operas (see box). Based on the principles of mass brainwashing and social control developed at the London Tavistock Institute branch of British intelligence during the 1930s, the modern television soap opera is a powerful weapon in the hands of those forces who would seek to destroy the United States by degenerating and destroying this nation’s culture. Fed to audiences intellectually and morally weakened by the stream of violence, banality, and vulgarity that is the rest of television programming, the soap opera is designed to draw viewers into the encapsulated universe of the private lives of its leading characters, affirming for viewers with the transmission of each daily episode that no world exists outside of the individual’s own inner psychological needs.

As one of the architects of this entertainment genre will tell us in his own words, the isolated fantasy world of soap opera was created to destroy the last shreds of America’s traditional republican value that this nation has a moral purpose in the world. Its orientation to world history and events gone, the U.S. population would be rendered a passive, docile collection of sheep in the face of whatever economic or foreign policy atrocities are imposed by the European oligarchy, which uses the Tavistock Institute and similar think tanks as its psychological warfare divisions. Not by accident,

one of the most popular radio soap operas of the 1930s *Our Gal Sunday* was about an uneducated American girl from a Colorado mining town who marries England’s wealthiest, most handsome titled lord.

Tavistock’s soap-opera format had saturated U.S. radio programming by no later than the mid-1930s, deluging a Depression-wracked U.S. population with spoken pulp fiction. By the early part of the next decade, with America’s entry into World War II, attention shifted to the problem of applying the same principles which had made radio soap-opera programming so successful a means of social control, to the emerging mass medium of television. In this process, Theodor Adorno, the Frankfurt School for Social Research-trained social-control expert who relocated to the United States during the Nazi period, played the leading role, along with his collaborators at the Columbia University Radio Research Project under Paul Lazarsfeld.

Adorno’s association with the Frankfurt School, which was founded in the early part of this century by several of Germany’s oldest oligarchical families, provided him with a broad base of operations for his early-career studies of how populations are manipulated through the mass media’s control of culture. One of Adorno’s enthusiasms in the 1930s was Josef Goebbels, overseer of the Nazi mass propaganda machine during the Third Reich: Adorno was a promoter of Goebbels’s magazine *Das Reich*.

During the late 1930s and 1940s, relocated first to England and then to the United States, Adorno studied and directed the destruction of western musical culture through the promotion of atonal music, and the popular music forms which led to today’s punk and acid rock. He was the major promoter of Schönberg’s 12-tone system of musical composition, which he introduced during his wartime stay in California into the Hollywood circles that to this day compose the music for the U.S. movie industry.

Adorno’s writing on the subject of popular music was his most prolific. His first piece written in America after his arrival here in 1937, titled “The Fetish Character of Music and the Regression of Hearing,” examined how new forms of popular music, such as the jazz and Depression “swing era” output of Tommy Dorsey and Benny Goodman, degraded the cultural powers of the listening audience. Subjection to these inferior forms of music, said Adorno, forced the

mass audience to regress in its psychological—and even its physiological—capacity to hear and enjoy actual music. Jazz and swing produced an infantile state in the listener, who, like a child demanding only food which it had enjoyed in the past, was rendered increasingly passive, docile, and afraid of anything new. Thus reduced in cultural capacities, said Adorno, the mass audience will fetishize the style and coloristic effects of popular musical forms, and forget about content. It will demand repeat performance after repeat performance, preferably by a media staff it has also come to fetishize.

In one of his most cynical comments on the degraded American musical culture of the late 1940s, Adorno noted that the American youth of the time had adopted the name “jitterbug” for their popular dance form. Enraged at their impotence to control their future and their culture, he said, they had turned themselves into jitterbuggers—“become transformed into insects”—like Franz Kafka’s unfortunate who woke up one morning and discovered that he was no longer a man, but a cockroach. It was into this degraded popular culture that the U.S. GIs who had seen the world and committed themselves to a national moral purpose during World War II, were encouraged to immerse themselves upon returning home.

### Adorno at the Radio Research Project

Adorno’s collaboration with the Rockefeller Foundation-funded Radio Research Project, which extended from 1938 to 1941, included extensive profiling and analysis of how radio broadcasting could be used to further degenerate popular musical taste. Adorno concluded that the radio medium would hasten the breakdown of a shared popular appreciation of the great classical masters, since audiences would no longer gather together to hear concerts of Bach, Mozart, and Beethoven, but would be atomized at home next to their radio sets. Additionally, he stressed that cults of personality had great power to distract listeners from the content of music, and could as easily be created around conductors and performers of classical music as around pop musicians. NBC radio network used this insight to create the first national personality cult of a classical musician around Arturo Toscanini, who was contracted to conduct NBC’s Symphony Orchestra in 1938. The experiment was repeated with the 1954-58 classical music series conducted by up-and-coming media star Leonard Bernstein on CBS-TV.

Several things should be said about Adorno’s collaborators at the Radio Research Project. Paul Lazarsfeld worked with a group of sociologists led by Robert Merton to develop statistical profiles of virtually every single hour of commercial radio programming broadcast in the United States during the 1930s and early 1940s. Lazarsfeld and his crew may be most well known for their profiling of the October 1938 “War of the Worlds” panic, the famous incident in which radio star Orson Wells, playing the role of a news broadcaster, threw dozens of American towns and cities into mass hysteria by announcing the landing of an invasionary force from the

planet Mars in New York City. When their studies of this hoax were completed, the sociologists at the Radio Research Project had vastly sharpened their understanding of how and to what extent radio could be used for mass manipulation of the U.S. population.

Lazarsfeld’s other projects included the first systematic studies of the effects of the mass media on voting patterns, and the training of a cadre force of media experts that was put to work for UNESCO, the U.S. Information Agency, and the U.S. State Department in spreading the Cold War through the developing sector and Western Europe. In the early 1950s, in fact, Adorno’s Frankfurt School was collaborating with Lazarsfeld-trained U.S. Information Agency personnel in studies to assess the effectiveness of Voice of America propaganda broadcasts in occupied Germany.

Frank Stanton, who also made a name for himself profiling media-consumer response at the Radio Research Project, went on to become programming czar and then president of the CBS television network. Under Stanton, CBS was the pioneer of daytime soap-opera programming in the early 1950s, and became the pioneer of night-time soap operas with the premiere of *Dallas* in 1978.

### Television: the ultimate control

Adorno’s post-war career was devoted to exploring the potentials of television to further erode popular culture, and to shape mass social movements through television programming of populations.

In the early 1950s, by then back at the Frankfurt Institute, Adorno spent much of his time on studies of television, which he characterized as “a medium of undreamed-of psychological control.” To this effort Adorno applied his experience in directing the destruction of musical culture, describing his studies as a systematic investigation of the “socio-psychological stimuli typical of televised material on both the descriptive and psychodynamic levels, to analyze their presuppositions, as well as their total pattern, and to evaluate the effect they are likely to produce.” This Adorno hoped, would “ultimately bring forth a number of recommendations on how to deal with these stimuli to produce the most desirable effect.”

By the mid-1950s, Adorno had determined to his satisfaction that properly programmed television could be used to produce social reactions on a mass scale. In fact, as early as 1956 Adorno predicted the mass social movements which shattered the American political system more than a decade later, and specified that the upsurge of political action at the grass-roots level during the 1960s would be followed by the social withdrawal and passivity that now characterizes the average American soap-opera fare.

In a 1956 essay published in the *Quarterly of Film, Radio, and Television* under the headline “Television and Patterns of Mass Culture,” Adorno asserted that the 1960s would be gripped by women’s rights, environmentalist, and gay rights movements—all of which he said were to be rooted in the

television programming of the children of the 1950s. Situation comedies that ridiculed a strong role for the father in family life, like *My Little Margie*, Adorno elaborated, would give rise to the feminist and lesbian rights movement. Situation comedies designed to emphasize "quality of life" over material and scientific progress—such as the *Our Miss Brooks* show that pitted an underpaid but cheerful and witty teacher in a never-ending struggle with her boss for the weekly paycheck—would result in a popularly-based environmentalist movement.

The romance drama, Adorno's catch-all term for soap operas and related television formats, was to serve as the keystone to this brainwashing-by-media plan. Even an audience which possesses a fundamental morality which recog-

nizes personal and national moral purpose—called "inner-directed" in Adorno's doublespeak—could, under saturation-level influence of soap opera, be conditioned into passive acceptance of destructive and genocidal oligarchical policies in the real world which it has rejected. Thus, Adorno predicted that the post-war "baby boom" generation, reared on television, and maturing in the mid-to-late 1960s, would contain a higher percentage of "other-directed personalities," who answered first not to an internal standard established in reference to a universal moral truth, but "to outside stimuli, such as the opinions of the other kids in school, or on the block." The "others" directing the new "other-directed personality," Adorno noted, would also be guided by television.

## The soaps take over U.S. television programming

The soap opera has been a mainstay of entertainment industry programming policy since the 1930s, when "family dramas" saturated morning, afternoon, and evening radio listening hours. Four soap operas that were premiered during the early 1950s are still running today, up to 31 years later: CBS's *Search for Tomorrow*, which premiered in 1951; CBS's *As the World Turns*, which premiered in 1956, and CBS's *Edge of Night*, which premiered in 1956.

A 1976 survey by a Cornell University English and communications professor showed that of the 90 major network daytime viewing hours between 11 a.m. and 5 p.m. on weekdays, 42.4 percent were booked with soap operas. By early 1982, this proportion has risen from 47 percent to just over 61 percent. There is *nothing else but* soap opera on ABC, CBS, and NBC between 12:30 and 4 p.m. every weekday. The few hours not occupied with soaps are taken up by game shows and reruns of sitcoms recently retired from evening prime-time viewing hours. These sitcoms, the largest number of which were produced by the Detroit-mafia-linked Norman Lear, peddle the same mindless hedonism as the soaps.

Another trend is clearly visible: the move of the soap-opera format into evening prime-time viewing hours. The trend-setter here, as was the case with daytime soap programming, is Radio Research Project-trained Frank Stanton's CBS. CBS premiered the prime-time soap opera *Dallas* in 1978, and it soon hit the top of the ratings charts. *Dallas*, now syndicated in 85 foreign countries, was followed by the CBS spinoff *Knot's Landing* and this past

fall season CBS also premiered *Falcon Crest*, the saga of a California family squabbling over vineyard real estate starring Ronald Reagan's former wife Jane Wyman. The other two networks have aped this successful CBS format with hour-long evening soaps of their own. A full five of the 10 hours of weekday evening programming time between 9 p.m. and 11 p.m., considered by the networks to be the most prime adult viewing hours, are currently occupied by soap operas.

Daytime or night, the content of soap operas is the same. Since the 1950s and 1960s, divorce, unemployment, terminal illness, adultery—that is, every trial and tribulation that might befall a favorite soap-opera character in his or her own private world—have been standard soap opera fare. With the rise of the counterculture in the post-Watergate era, soap-opera themes have become increasingly degraded. Now, homosexuality, incest, child prostitution, abortion, unwed motherhood, cohabitation, rape, and drug addiction have been added to the soap-opera copywriter's lexicon.

At the same time, the positive side of family life represented by the nuclear family, functioning to prepare children for a positive role in the outside world, has been expunged from soap opera. One recent survey of the soaps counted 127 adult speaking roles—and less than half a dozen children who ever uttered a word. When children are introduced into the plots, they are invariably the occasion for some disaster befalling their parents: death of the mother in childbirth, saddling the family with an expensive childhood disease; trouble for a shaky marriage, etc. Marriage itself is disappearing, in favor of cohabitation, adultery, and homosexual relationships.

In the 1975 soap-opera season, 9 out of 10 pregnancies ended in abortion or still birth. The children who made it into the world—of which only one was born to its married, natural, mother and father, who were pleased to welcome it—brought unhappiness with them.

# National News

## Clinch River breeder site preparation approved

The Nuclear Regulatory Commission approved in a three-to-one decision Aug. 5, a Department of Energy request to begin early site preparation work at the Oak Ridge, Tennessee location of the long-delayed Clinch River Breeder Reactor. This reversed the NRC's decision on the same request four months previously. The go-ahead allows only non-nuclear-related site preparation to proceed at this time, which includes construction of roads, railroad spurs, parking lots, water-storage ponds, and electric power cables. In all, over two million cubic yards of soil and rock will be excavated during this site preparation phase on the 290 acres at Clinch River.

This small step forward is the first positive motion in the construction of the 350 MWe breeder reactor, the nation's first prototype of this size, since Jimmy Carter halted all construction work on the plant in 1977.

## Kraft leaves NASA an era ends

Dr. Christopher Columbus Kraft, Jr. stepped down on Aug. 7 as the director of the Johnson Space Center in Houston. Dr. Kraft had led the manned space flight work for the National Aeronautics and Space Administration in Houston since 1972, and has been involved in the manned space effort since its beginning in 1958.

Upon leaving Kraft stated that he hoped that the Reagan administration would be "reawakened" to the need for space and all advanced technology in the nation. "I frankly believe that there needs to be more emphasis on technology," the veteran space leader stated.

Kraft was flight director for the early Mercury program and for much of the two-man Gemini effort which preceded the historic Apollo flights to the Moon. He spent much of his early space career defending the need for man in space against those who argued that sophisticated unmanned machines could do space exploration.

In 1963 as the Apollo effort was just getting underway, Kraft commented, that, "man is the deciding element. As long as man is able to alter the decision of the machine, we will have a spacecraft that can perform under any human condition, and that can probe into the unknown for new knowledge."

## Kissinger team dominates Schultz seminar

Henry Kissinger's re-emergence in power in the U.S. government has reached the point that Secretary of State George Schultz could openly convene a reunion of the old Kissinger policy team for a five-hour seminar on Soviet policy Aug. 21 in Washington. Among those in attendance were Helmut Sonnenfeldt and William Hyland, Kissinger's former policy aides on Soviet and East Bloc affairs; Brent Scowcroft, his former National Security Council deputy and currently president of Kissinger Associates, Inc.; Rear Admiral Jonathan Howe, his former military assistant at the NSC; and Peter Peterson, his former Nixon administration associate as Secretary of Commerce.

Besides some other Reagan administration officials, the only cabinet member in attendance besides Schultz was Defense Secretary Caspar Weinberger, also a Nixon cabinet member and former deputy to Schultz at the Nixon Office of Management and Budget.

## Packwood blackmailing GOP candidates?

Conservatives have been wondering why Kissingerian liberal Republican Sen. Bob Packwood (R-Ore.) is still tolerated as head of the Republican Senatorial Campaign Committee (RSCC), a post from which he controls funds to be channeled to Republican candidates for the U.S. Senate. Although from this same position two years ago Packwood toed the line and acted as a loyal Republican, he is now following pro-

file and using his power to help his style of Republican candidate at the expense of traditional conservatives.

This journal has learned that there have been recent attempts to unseat Packwood; Packwood countered with blackmail. It seems he threatened to expose certain things about the use of the so-called "combo account," a special fund created by the RSCC out of campaign contributions which the Committee gives to Republican senators to supplement their general office accounts. Since each Senator avows that he is using this money for "official purposes" and not for his re-election effort, the use of this money is not subject to Federal Election Commission scrutiny—a big plus for any politician.

The FSCC staff is sensitive to questions about the use of this money, and the Democratic Senatorial Campaign Committee does not mind raising questions, since they do not have enough money to even consider creating such a combo account.

Our sources indicate that the Packwood blackmail is not based on his knowledge of any actual illegalities. Rather, he has threatened that he will reveal matters that could be made "to have the appearance of impropriety"—and with the general weakness in Republican Party leadership in this election year, no one has dared to call his bluff.

## Club of Life effort launched in Los Angeles

An international symposium held in Los Angeles Aug. 21 launched the Committee Against Genocide of the Club of Life, proposed by European Labor Party Chairman Helga-Zepp-LaRouche in January of this year as an international counterpole to the genocidal, cultural pessimism promoted since 1968 by the Club of Rome.

The symposium, initiated by the Club of Life founders against the upsurge of racist, genocidal policies within the Democratic Party in particular, drew approximately 40 participants. The symposium was endorsed by 20 area representatives of right-to-life groups, the National Democratic Policy Committee, and the Baptists Ministers' Conference of southern California.



The conference was addressed by *EIR* Contributing Editor Nancy Spannaus, the U.S. coordinator of the Club of Life, who stated that a new institution is necessary at this time because the fundamental conception of the Judeo-Christian tradition, man's goal of mastering nature, is being destroyed by deliberate promotion of genocidal policies. Spannaus was followed by Mexican Labor Party Executive member Cecilia Estévez, who discussed the current political crisis in Mexico as the next phase of International Monetary Fund policy—to demand the depopulation of the most rapidly developing Third World nations.

The later session of the symposium featured former Democratic senatorial candidate William Wertz describing how the Averell Harriman eugenicist wing of the Democratic Party took control in California in the early 20th century, and spread their policies from this base throughout the nation. Wertz was followed by National Democratic Policy Committee Fact-Finding Division West Coast Coordinator Khushro Ghandhi presenting the proposal of great enterprises as the means for reversing the current global economic and population collapse.

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## Genocide lobby attacks Constitution

The Global 2000 lobby has publicly endorsed the destruction of the American Constitution, the only national constitution based on the natural law conception of human development.

Dr. Gerald Barney, co-author of the *Global 2000 Report*, which advocates the reduction of world population by 2 billion persons by the year 2000, held a press conference on Aug. 25 to present law professor Arthur Miller as the featured speaker at the Woodlands Conference on Sustainable Societies, to be held in Woodlands, Texas Nov. 7-10. Barney is Executive Director of the conference.

Professor Miller first came into public prominence as chief consultant to Sen. Sam Ervin's Watergate Committee in the 1970s. Watergate, following the assassination of President Kennedy, was a total assault on the institution of the powerful, centralized

American presidency, one of the fundamental features of the U.S. Constitution. Miller called the Constitution "obsolete" and expressed agreement with Lloyd Cutler, the former Carter adviser and Secretary of State George Shultz's legal counsel, who has praised the Confederate Constitution and called for such a parliamentary system for the entire country. Miller then stated, "I would change the presidency itself. Why have one person head of state and of government? That's why it was so hard to impeach Nixon. Let's have a ceremonial head of state and a parliamentary system."

Interestingly, the previous privately acknowledged acceptance of Vice-President Bush to be keynote speaker at the Woodlands Conference, has been reversed, as Barney noted at the press conference. *EIR* contributing editor Nancy Spannaus had sent a letter to President Reagan demanding that Bush not be allowed to attend this pro-genocide conference. But, the White House will allow a special assistant to the president, Ralph Bledsoe, to address the meeting.

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## Manatt cries 'conspiracy' over interest rate fall

Prominent Los Angeles banker and current Chairman of the Democratic Party Charles Manatt implied that the administration and the Federal Reserve are behind the recent drop in interest rates, during a meeting with reporters on Aug. 25. "Far be it from me [to charge collusion]," said Manatt, "but the timing was interesting. They [the Fed] want to do it now rather than in October, when it would be more obvious" that they were acting with political motivations.

Democratic Party members familiar with recent party positions on the economy and with Mr. Manatt's own record on such matters suspect that Manatt's concern is actually GOP-Fed collusion or its effect on the November elections. "Manatt never complained about the collusion to keep interest rates high," one well-informed conservative Democrat commented.

These suspicions were confirmed when Manatt asserted that the only real factor in elections is fundraising. "Money alone can buy 10 to 12 seats," said the chairman.

## Briefly

● **BRUCE W. WEINROD** has just been hired as a new head of the Heritage Foundation's national security division. Weinrod will fit in well at this British-run penetration operation in Washington, where, as a Capitol Hill insider put it, "everyone is awfully close to David Rockefeller." Weinrod comes to Heritage from the office of liberal Sen. John Heinz (R-Pa.), after a legal career with Chase Manhattan Bank and membership in the high-level British think tank, the International Institute for Strategic Studies. His published articles include "Curing the English Disease"; were he serious about this, he will have his hands full at Heritage.

● **ALEXANDER HAIG** has accepted positions with the Hudson Institute for Policy Research and with Princeton University. At Princeton, the former Secretary of State will lecture alongside Richard Falk, the supporter of the Muslim Brotherhood who helped bring the Khomeini regime to power in Iran.

● **JOHN HUGHES**, who speaks with a heavy British accent, has been named the new official Spokesman of the U.S. Department of State in a move that at least could be applauded for truth in packaging. A native of Wales, Hughes comes to State after a brief stint heading the Voice of America. He worked for many years for the Eastern liberal *Christian Science Monitor*, serving as its editor and manager from 1976 to 1979. His previous experience as a journalist included posts in the Far East (he's a "lifetime member" of the Hong Kong Foreign Correspondents Association and author of a book about the 1965 coup in Indonesia) and South Africa, where he was bureau chief of the local *Natal Mercury* paper, and reported for the London *Daily Mirror* and Reuters. While his South Africa connection helped make him marketable to the right wing as Reagan's VOA chief, his establishment background—he was also president of the American Society of Newspaper Editors—and British orientation should make him an appropriate spokesman for the new Secretary of State.

# What kind of democrat is Pat Moynihan?

Daniel Patrick Moynihan, the senior U.S. Senator from New York, has often proclaimed himself a champion of democracy. As U.N. ambassador, Moynihan melodramatically posed as one of the last defenders of the "free world," ready to challenge godless totalitarians and uncivilized developing-sector leaders on their undemocratic practices. Moynihan has let it be known in print that during his tenure as Ambassador to India, home of one of the world's oldest and most highly developed civilizations, he found the government of "Nehru's daughter," as he referred to Prime Minister Indira Gandhi, not up to his high democratic standards. At the time, Acting President Henry Kissinger was out to overthrow Gandhi; Moynihan was proceeding on those rather undemocratic orders, and, at his U.S. post, continued to pursue Kissinger's policy of making "population control" a goal of U.S. policy at home and abroad, whether those populations in question wished Kissinger's interventions or not.

But Moynihan maintains his ultra-democratic posture, to this day. Last month, he inserted into the *Congressional Record* a *New York Times* column by William Safire, lauding the proposed creation of an "Institute for Democracy," to disseminate around the globe, with a special emphasis on Eastern Europe, the virtues of democratic government.

But during the ongoing Democratic Party primary election campaign, in the course of which the Democratic voters of New York ought to determine whether incumbent Moynihan or his opponent Mel Klenetsky receives the party's nomination for Senator, Moynihan's concern for democratic deliberation and free choice has not been overwhelmingly in evidence. In point of fact, the Moynihan crew has campaigned as if Josef Goebbels were calling their shots. Moynihan's lieutenants have mounted a strenuous Big Lie effort respecting Klenetsky, labeling him an anti-Semite and a white racist. Drawing on the

financial and other resources of William Buckley's East Side Conservative Club, they have mustered all the tricks in the book to muscle Klenetsky off the ballot, trying to use what are probably the most complicated and difficult petitioning qualification laws of any state in the Union to block a challenge on the issues.

On Aug. 27, the State Board of Elections certified Klenetsky's petitions as valid and placed him on the ballot. Moynihan's crowd has reacted by expressing the intention to drain the campaign's resources to the utmost by continuing repeated court actions to try to reverse the Board's decision. Meanwhile, Moynihan's aides' estimates of the size of Klenetsky's vote should they fail to keep the voters from a choice on primary day Sept. 23 have grown by 50 percent and they indicate the Moynihan "fear and smear" drive will be escalated.

Why such a frenzied effort to prevent opposition in the primary? He has assignments he wants to carry out quietly. As a protégé of W. Averell Harriman, whose family backed the racial hygiene movement, and whose banks placed Hitler into power, it is not surprising that Moynihan has talked of the necessity to "deal with" a "permanent underclass" in the cities of the United States, nor that he has illustrated how he thinks this should be done with such comments as "People don't want housing in the South Bronx—if they did, they wouldn't burn it down," nor his proposals for slave-labor workfare programs for racial minorities, designed when he served under Nixon.

It would be one thing if Moynihan were a rogue elephant in U.S. political life, whose current thuggery against a challenger were merely the product of his fear of losing his job. The record suggests that this is not the case. Few Senators own themselves at this point. Moynihan is owned by the Harrimans and, as we have documented in this issue of *EIR*, his owners' profound hostility to democratic government is a persistent one.

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