

EIR

Executive Intelligence Review

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EIR

From the Managing Editor

In December 1982, Kerstin and Clifford Gaddy of *EIR*'s Stockholm bureau spent a week in Warsaw in a round of discussions with Polish financial and economic officials on the subject of the international financial crisis and Poland's potential role in finding a constructive solution to its own and world problems. The process leading to the Warsaw visit began in October, when *EIR* founder Lyndon H. LaRouche, Jr. issued a public recommendation that Poland follow the momentum of Ibero-American nations, and use its foreign debt as a weapon to fight for a new world monetary system, *rather than submitting to the International Monetary Fund*. Polish circles by that time were already aware of the developments in Ibero-America and of LaRouche's "Operation Juárez" proposal for low-interest debt reorganization and reindustrialization. Widely circulated articles in the Polish press were speaking openly of the need to reschedule the debt over a period of 15 to 20 years.

It was not surprising, therefore, that the LaRouche recommendation for Poland was received with careful attention and was quickly dubbed "Operation Kosciuszko"—substituting the name of the Polish national hero for that of Mexico's Benito Juárez. An invitation was extended to LaRouche representatives for discussions in Warsaw. Our Special Report, filed by the Gaddys after their return from Warsaw, also looks at the possibility of rebuilding Polish-American relations on the basis of each nation's republican heritage; this is the alternative for the shameful policies of self-styled "friends of Poland" like the AFL-CIO's Lane Kirkland, who says Poland should be driven into default on its debt, and Lawrence Eagleburger of George Shultz's State Department, who has said that "jazz and jeans" should be the measure of freedom in Eastern Europe.

Susan Johnson

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The bailout that would bankrupt the United States

by Laurent Murawiec and David Goldman

When leaders of the six major industrial nations meet at Williamsburg, Virginia for their regular "economic summit" discussions in May they will—following the present drift of world policy—face a world banking system in shambles and national economies in a depression worse than that of the 1930s. At this point, they will sign away national sovereignty over basic economic policy to the International Monetary Fund and Bank for International Settlements.

This, at least, is the explicit viewpoint of the old European *fondi* based in London, Zürich, Venice and other centers. As the world remains on a monetary razor's edge, tilting towards the worst monetary crisis since the 14th century, the design is no longer secret; it is to be read in the *Montreal Bank Credit Analyst*, the *London Economist*, the *Economic Review* of London's Morgan Grenfell bank, and similar outlets.

There is a special irony, therefore, in the meeting of Group of 10 finance ministers in Paris Jan. 19, which agreed to cough up \$20 billion for an emergency financial fire-fighting fund, plus upwards of \$30 billion for the International Monetary Fund. The bailout, as various well-informed European cynics emphasize, is no bailout at all, no more than would be the more grandiose financial reorganization schemes offered by private bankers like Felix Rohatyn of Lazard Frères, or Rimmer de Vries of Morgan Guaranty Trust. Rather, it is a means to persuade the United States to commit its national credit to the defense of the indefensible, \$2 trillion Eurodollar market; and further, to force the United States to accept the equivalent of a Chapter 11 bankruptcy before the world court of the International Monetary Fund by no later than the Wil-

liamsburg summit meeting. Spurred by former Morgan Guaranty Director George Shultz, now Secretary of State, the tendency of Reagan administration policy is to swallow the hook.

The dragon's teeth

Roads leading in and out of Switzerland are guarded by a nasty brand of tank-trap, the underground "dragon's teeth" that will rip up out of the roadbed through hydraulic means at an instant's warning. The developing nations' debt crisis is of the same order. Each day, the major New York commercial banks perform a slapstick routine in order to close the accounts of Brazilian banks and other Brazilian borrowing entities. The accounts of the latter at the New York clearing house must clear at 5:00 p.m. each day, a difficult chore, since Brazil has had no cash whatever since last November; Brazil's entire short-term overhang must be refinanced each day.

Venezuela, Argentina, Chile, Peru, and Bolivia, to cite only the Ibero-American problem cases, might be called into default at any moment by a couple of telephone calls out of Zürich; the only uncertainty about Mexico is whether a domestic political revolt against the International Monetary Fund or a drop in the oil price will explode the Mexican debt first.

All this is taken into account in London, Zürich, and Venice, as we shall report at more length. If the United States affirms its commitment to a Eurodollar bailout at the Feb. 10-11 meeting of the International Monetary Fund's Interim Committee, and the Congress confirms this by approving the package, the United States will stand surety for the entire

mess. If so, the relevant telexes will be sent out from Zürich, London, and Venice at some point between March and early May, dumping the mess onto the summit at Williamsburg.

The view from San Marco

In operational terms, the ground-level planning of America's bankruptcy occurs through such institutions as the Brandt Commission, the Commonwealth Secretariat in London, the United Nations Council on Trade and Development (UNCTAD) in Geneva, and the ultra-elite think tanks of the old Venetian oligarchy, the Cini Foundation and Ipalmo Institute of Venice. In an interview in Venice in late January, the director-general of the Ipalmo Institute remarked:

"To solve the world debt problem, a general strategy is required; this is the slightly provocative proposal put out by [chairman of the board of Olivetti Corporation] Carlo De Benedetti, that of a general debt moratorium. [In December, de Benedetti shocked the financial world with an interview in the daily *La Repubblica* warning that \$1 trillion of Euro-dollar debt would have to be written off.] There is a clash between banks and industry. Banks have hegemonized the world economy. U.S. banks exert exorbitant, outrageous power of life and death over nations—Third World nations should find new allies with the progressive industries in the developed nations to break up the power of the U.S. banks."

Ipalmo has a task force under the direction of Professor Leon of the St. Mark's University in Venice, preparing papers on this view of Armageddon, working closely with the supposed advocate of the Third World in the United Nations bureaucracy, UNCTAD. In practical terms, UNCTAD is the principal conduit for Soviet policy influence in economic policy matters affecting developing nations.

According to deputy UNCTAD chief Jan Pronck, who succeeded Gerasimos Arsenis when the latter moved to the socialist government of Greece, UNCTAD is promoting "large-scale debt moratoria. We at UNCTAD and I personally favor that strongly," Pronck said in a discussion in Geneva the third week in January. Pronck adds that UNCTAD is working closely with the Commonwealth Secretariat, the revamped Colonial Division of the British Foreign Office, which seeks to steer the policies of the former British colonies in the Third World.

A debtors' cartel?

"The conditions we have imposed on these countries in Latin America are very severe, too severe to be realistic or tenable. A few months down the line, either they face a revolution, or they will set up their debtors' cartel," commented a senior official of the Bank for International Settlements, the ultra-secret "central bank for central banks" in Basel. As an institution above governments, the BIS will become the crisis manager for the depression of the 1980s, in the Anglo-Swiss view. Morgan's Rimmer de Vries told congressional hearings Jan. 19 that the United States must join the BIS, after 52 years of refusal to associate directly

with an institution whose status under international law is so dubious.

All eyes are on the March summit of Third World nations in New Delhi, where the central agenda item will be a coordinated stance on the Third World debt. Of course, no such general summit will produce a "debtors' cartel," to use the banks' fearful terminology, but the summit context might yield a set of alliances between the Ibero-American nations now on the firing line and other, especially Asian, nations, prepared to collaborate with them in a real fight.

Venezuela, Argentina, Chile, Peru, and Bolivia might be called into default at any moment by a couple of telephone calls out of Zürich. The only uncertainty about Mexico is what will explode its debt first. If the U.S. Congress approves an IMF bailout package, the U.S. will stand surety for the entire mess. The Jan. 19 meeting of the Group of 10 finance ministers, which agreed to cough up \$50 billion, was part of the effort to persuade Washington to commit its national credit to the defense of the Eurodollar market.

Therefore the IMF, the BIS, UNCTAD, and the would-be inheritors of a bankrupt dollar monetary system must be cautious. UNCTAD and the Commonwealth Secretariat have not opposed the debtors' rebellion as such; they have merely told national governments to be cautious, to do nothing at New Delhi in March, and to wait for the UNCTAD ministerial meeting in June to take action on the debt issue. By this time, however, no developing nation may be in a position to negotiate with the governments of the West; the United States in particular will, by that time, no longer have sovereign authority over its own economic decisions. All such questions would then be referred to the IMF. British Commonwealth sources emphasize that they want debtors' action against the banks, but emphatically not against the IMF and its sister institution, the World Bank. UNCTAD's Pronck adds that "[former IMF chief] Johannes Witteveen and I favor the creation of a lender of last resort for the banks, if only that means that the International Monetary Fund gains control over the banks' operations."

The Treasury rollover

Federal Reserve Chairman Paul Volcker's warning Jan. 20 that continued attempts by the Federal Reserve to pump liquidity into the world banking system would "lead to perverse effects," namely rising interest rates, brought to world attention what elite European financial circles have considered for some time: as Richard Coughlin, deputy editor of the *Montreal Bank Credit Analyst*, emphasizes, the U.S. Treasury must issue \$15 billion in debt-securities per week, including \$6 billion of new money and \$9 billion of rollover. Coughlin evaluates the Treasury's rollover position as parallel to that of Brazil. A snap rise in interest rates, a run against the dollar, a drop in oil prices, or simply the continued weight of the American depression could bring the American credit markets down.

The problem is unpleasantly simple: the Treasury must borrow about \$300 billion of new money this year, while the American economy will generate little over \$200 billion in savings. The balance must be absorbed either through foreign buyers of Treasury securities, or through the Fed's printing presses.

Strictly speaking, the American banks cannot go bankrupt so long as the Federal Reserve can print money. Chase Manhattan Bank Senior Vice-President Francis Mason, in charge of the bank's risk analysis division, argues, "We know there are people in Europe who want to get us. We've known this for a year and more. But tell me, do they control the dollar printing press? If they don't control the dollar printing press, who are they to say who goes bankrupt and who doesn't?"

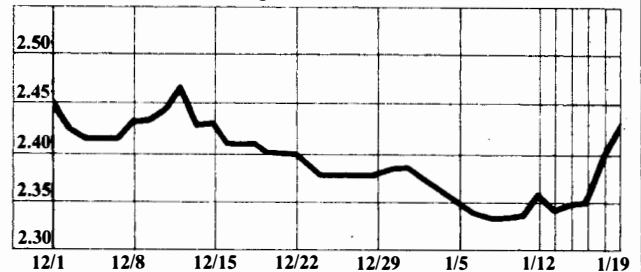
Mason's point is well taken: the argument is made frequently, if privately, by New York bank economists, that because the U.S. banks are the primary originators of dollar deposits, and have primary access to the discount window of the Federal Reserve, the European banks stand to take it on the nose. On this ground alone, Chase and Citibank are following Morgan Guaranty's pied piper, Rimmer de Vries, into a "creditors' cartel," the Ditchley Group which met in Washington Jan. 14, which wants enhanced powers for the IMF. Such powers will, as the Venetians insist, appear over the corpses of New York banks.

This was the subject of the OECD staff papers which dominated the just-concluded Group of 10 meeting; with a \$45 billion current-account U.S. deficit foreseen this year, the dollar may collapse, and the Treasury debt market with it. The IMF will conduct a private seminar in March to review procedures for such an eventuality: at this point a central bankers' consortium will be organized through the IMF to handle America's Treasury debt problems. The IMF will offer Special Drawing Rights in return for unwanted excess dollars held by the central banks, and obtain virtual right of veto over American budget policy. American banks will lend at the behest of the IMF only, and the United States Constitution's clauses regarding credit will cease to hold effect.

Currency Rates

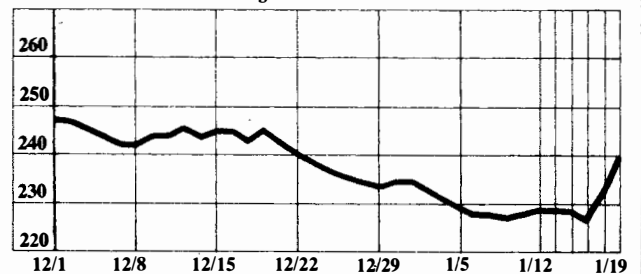
The dollar in deutschmarks

New York late afternoon fixing



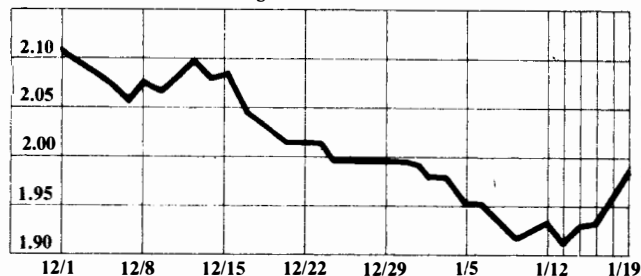
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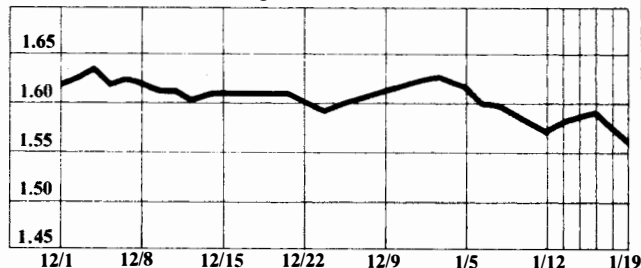
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The British pound in dollars

New York late afternoon fixing



The effort to merchandise a 'New Bretton Woods' system

by Kathy Burdman

Led by British Chancellor of the Exchequer Sir Geoffrey Howe and his aides-de-camp, U.S. Secretary of State George Shultz and Treasury Secretary Donald Regan, the Group of Ten (G-10) industrial nations formally called on their congresses and parliaments Jan. 18 to pay a \$50-\$60 billion dollar expansion of funds to the International Monetary Fund (IMF). Meeting in Paris, the Group of Ten, nominally chaired by French Finance Minister Jacques Delors but run firmly by the British Lord Chancellor, established an "emergency fund" of \$19 billion at the IMF, replacing the old General Agreement to borrow and expanding its lending powers to handle Third World debt crises. The G-10 also called for a \$35-\$45 billion increase in nations' quotas to the IMF. Dropping the usual two-year lead time for a quota increase, the Group of Ten demanded national governments ratify all of the new funds and powers for the IMF by the end of the year.

The IMF cash expansion plan is the first step in a strategic humiliation of the United States and other national governments, which is presently scheduled to climax later this year in the establishment of a "new Bretton Woods" monetary system, run by the IMF as a supra-national government. Just after EIR Founding Editor Lyndon H. LaRouche, Jr. warned Washington officials of the scheme, spokesmen for the British and Swiss banking families demanded before the Senate Foreign Relations Committee Jan. 18-19 that the IMF be turned into a "world central bank" to control the entire world debt structure and impose "conditionalities" everywhere.

The IMF itself announced that an emergency meeting of its Interim Committee, chaired by British Chancellor Howe, was being scheduled for Feb. 10-11 in Washington to ratify the plans for IMF cash expansion post haste. The IMF's Interim Committee meeting was moved up from its usual late April-May date because of the world debt crisis, IMF officials told EIR.

IMF officials in Washington claimed Jan. 20 that the \$60 billion IMF quota expansion, the first step in the new IMF world order, is already in the bag. "So much progress has been made on negotiations to vote new quotas from various governments for the IMF that we feel confident and justified in calling a meeting at this time," said an IMF spokesman.

With their IMF caper, the British and Swiss gnomes are setting up the United States to foot the bill for a world banking crash and a new fascist world order, LaRouche told Washington.

Setting up the stampede

The IMF's demand for a new \$60 billion cash quota increase is only the first step on the road to IMF dictatorship, according to the gnomes' scenario, he said. If the Reagan administration and the U.S. Congress are stupid enough to vote up the IMF quota increase this spring, he added, then the United States will have already politically capitulated to the IMF. If that happens, the Anglo-Swiss gnomes next plan to pull the plug on some major Third World country and set up an international banking crash, he said. The U.S. Treasury would be expected to try to bail out the banks with U.S. dollars.

By the time the heads of governments of the principal OECD nations meet for their annual economic summit in Williamsburg, Va. this May or June, according to the British-Swiss scenario they will be "stampeded" into rubber stamping the plan for a world IMF dictatorship.

As we reported last week, the new IMF blueprint is being circulated by former British Chancellor Lord Harold Lever—to revamp the International Monetary Fund as a "world central bank," which will lead to the re-chartering of the IMF with supra-national powers. The Lever Plan is being pushed in America by the Ditchley Group, the "creditors' cartel" of 36 British, Swiss, and U.S. commercial banks which has cut off all lending to the Third World.

"Not only have the banks set up a cartel which is controlling international lending, but it is a cartel run by the IMF," Richard Dale of the Brookings Institution told EIR. "It's too ad hoc, and has to be formalized. . . . The role of the IMF must take a more dirigist approach to the entire world economy."

The British scheme has already been introduced at the U.S. Cabinet task force on international economic policy Jan. 12 by Vice President George Bush, who runs the group, Treasury Secretary Donald Regan, who chairs the group, and

his idea-man, George Shultz. It is being coordinated directly with the British government, Congressional sources said. The Bush-Shultz-Regan group wants President Reagan to propose the IMF rechartering as a joint British-U.S. proposal to other leaders at the Williamsburg summit.

Brainwashing the U.S. Congress

In the Congress, resistance to the first step, expansion of the IMF quotas, has all but evaporated, and the brainwashing of Congress on the need for a broader new Bretton Woods system has begun. The audacity of the brainwashers has startled Washington observers. President Reagan's open surrender of U.S. monetary powers to the IMF and the Basel-based Bank for International Settlements (BIS) was demanded during the U.S. Senate Foreign Relations Committee hearings on world debt held Jan. 18-19 by Senator Charles Mathias (R-Md.)

Speaking for the Ditchley Group bank creditors' cartel, Rimmer de Vries, the chief economist for Morgan Guaranty, told the hearings that the U.S. "should consider becoming a member of the Bank for International Settlements," the Swiss-based central bank for central banks which controls the IMF, as the only way out of the world debt crisis. "There should be a reconsidering of the U.S. hesitancy manifest over the past 50 years," he stated.

Never since 1930, when Senate Banking Committee Chairman McFadden charged that the foundation of the BIS was a Swiss-Morgan plot to control American finances and prevented the United States from joining the Swiss bank, has this issue been raised in the U.S. Congress. De Vries said that with the BIS's help, the Ditchley creditors' cartel would "come together with the IMF and the BIS central banks" and try to manage the crisis.

De Vries added that the first step toward the new IMF-BIS world order is for Congress to immediately pass the IMF quota and emergency fund expansions.

Felix Rohatyn of Lazard Freres, the New York City banking house controlled out of its London and Paris headquarters by the oligarchy, echoed de Vries in demanding the IMF quota and emergency fund expansions as a first step by reorganizing the entire world debt structure under the IMF, the BIS and the World Bank.

There must be no more free market in world lending, Rohatyn said. "We should question whether private banks should be in the business of making long-term loans to governments," he said, and added that all future lending to the Third World must be controlled by "the international financial institutions, governments, and insurance companies."

Rohatyn went on to tell the Senate committee, "If we look realistically at the \$500 billion in non-OPEC LDC debt, we must recognize that that can only be paid back over a long time. We should stretch it out over 25 to 30 years, at a lower interest rate. In particular, \$300 billion of this should be converted into 25 year bonds at 6 percent, and the remainder rescheduled and stretched out."

This is what sources close to Rohatyn have previously identified as a plan for a "Global Big MAC" which would loot the world economy just as the Rohatyn pilot project called the Municipal Assistance Corporation destroyed the city of New York. It should be the "IMF, World Bank, or a new institution" (such as that called for by former World Bank boss Robert "Body Count" McNamara) which should "take over the debts and give the banks long-term, low-interest bonds," Rohatyn said.

Either the United States supports the IMF-bankers creditors' cartel, or American banks will be blown up by Third World debt moratoria, threatened Rohatyn. "I see the dangers as unilateral repudiation of external debt that is brought about by countries which have been radicalized by depression and IMF conditionalities," he told the Senators. "I can see the average Mexican thinking that it is the fault of the IMF or foreign bankers who have imposed austerity on his country."

William Cline of the Morgan Guaranty-Marshall Fund-run Institute for International Economics in Washington warned that unless the IMF expansion is done rapidly, "Brazil, Mexico, and other countries will repudiate their debts."

Swiss gnomes pull the strings

"The IMF knows how to coordinate world credit flows," a BIS official in Basel told *EIR*. The Swiss-based Bank for International Settlements, which is owned by the private Venetian and Swiss family funds of Europe, will control policy.

A possible first step in the New Bretton Woods system would be to expand the BIS, under a plan authored by Shultz and Fed Chairman Volcker conduited through Treasury Secretary Donald Regan, to deal with "emergencies."

The BIS plans to take up a kitty of cash from the U.S. Fed and other central banks, and set up a fund from which it will handle three- to six-month emergency bridge loans like those just made by the BIS to Mexico and Brazil.

The idea is to ride roughshod over Congressional opposition to the IMF expansion, by forcing through the BIS expansion as a first step, the BIS source said.

"We need some new mechanisms right now, and the IMF expansion, depending on the details of what is proposed, could take a while to get through Congress. The BIS can handle things as it wants, without worrying about the U.S. Congress," he said. "The BIS is a central bankers' club, very quiet, very private, no public hoopla."

There is also planned a private market pool, under BIS supervision, modeled on the Bank of England's "Lifeboat" for the British private banks, the source said. This he called a "private bankers' Eurodollar market credit net" to forestall panics.

"It will also be much easier to sell the BIS as a private sector approach in the short term, in Donald Regan's thinking," he added. "Some people still complain the IMF expansion would add another layer of government bureaucracy, or take over the power of nations."

U.S. debt bomb is about to explode

by Richard Freeman

Any American banker who foolishly repeats the line of the Ditchley group bankers, that further credit to heavily indebted Third World nations must be cut off, is bringing on his own downfall. The rottenest debt structure in the world belongs not to a Third World country, but to the United States. A U.S. credit cut-off to the Third World now will set off a chain-reaction of financial catastrophes causing either a collapse of the U.S. dollar, or of the U.S. banking system. The U.S. economy is so massively indebted that it could not survive either crisis.

Particularly since *Time* magazine finally followed *EIR*'s six-month lead and printed the story of the potential Third World debt bomb Jan. 10, the huge developing sector debt to the IMF and U.S. and European private banks has become a widely known fact. But the Brazilian foreign debt of \$83 billion, the Mexican debt of \$80 billion, or the East bloc debt of \$80 to \$100 billion are minor when compared to the internal U.S. debt of \$5.3 trillion.

Although the size of this U.S. debt bomb is known in the

banking community, to date only *EIR* has published it, and reported what would happen if Citibank, Chase Manhattan et al. imposed Ditchley's credit cutoff across the board.

To appreciate the size of the U.S. debt, compare current levels to those of 12 years ago. In 1970, as **Figure 1** shows, government (federal, state, and local) debt was \$502 billion; household debt \$502 billion; and business debt \$690 billion. At the end of 1982, the same totals had jumped to \$1,535 billion, \$1,649 billion, and \$2,113 billion. Combined U.S. debt was \$1,694 billion in 1972; it had more than tripled, to \$5,297 billion by the end of 1982.

This debt increase was not the natural outcome of economic growth. Far from it. U.S. debt first jumped after the two oil shocks, in 1973-74 and 1978-79, both triggered from the city of London and with the aid of the New York Council on Foreign Relations. The oil shocks created a higher energy bill that had to be passed through the economy, as consumers and industry went into debt to maintain energy use. The oil shocks which twice weakened the economy were part of the Council on Foreign Relations' "1980's project," to force "controlled disintegration" of the world economy.

Then, starting in October 1979, CFR operative Paul Volcker at the Federal Reserve sent interest rates skyrocketing. The mass of debt was multiplied a second time by the 15 to 20 percent interest rate multiple each year.

There are a few ways to measure the size of the debt. At \$5.3 trillion, the U.S. internal debt is three times larger than the entire \$1.7 trillion Eurodollar market, out of which all the Third World debt of the entire world is financed. In 1972, per capita debt for every man, woman, and child in the United States was \$8,312; at the end of 1982, that amount was \$23,232.

FIGURE 1
U.S. Public and Private Debt Increased
11 Times Faster than Production from 1970-82

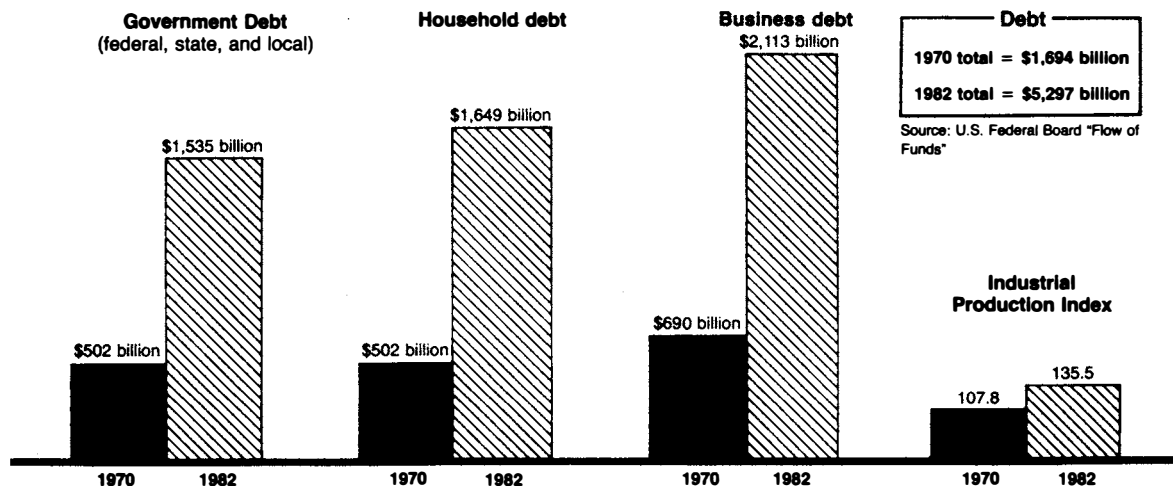


FIGURE 2

Government Budget Revenue

(in billions of \$)

Fiscal Year	Total Rev.	Indiv. Inc. Tax	Corp. Inc. Tax	Soc. Ins. Tax	Other
1981	599	286	61	183	69
1982	618	298	49	201	70
1983e	633	298	47	218	70
1984e	692	315	64	240	73

Government Budget Expenditures

(in billions of \$)

Fiscal Year	Total	Defense	Health & Inc. Sec.	Interest	Other
1981	657	160	292	83	122
1982	728	187	323	101	117
1983e	788	216	349	115	108
1984e	844	245	372	132	95

e = estimated by Congressional Budget Office

But the most meaningful measure of U.S. debt is that between 1970 and 1982, total debt rose 11 times faster than the industrial production index as measured by the Federal Reserve Board. That out of control debt increase, along with the cancerous expansion of the unregulated Eurodollar market, was the real generator of inflation.

That debt is now a huge parasite on the real economy. Industrial production is contracting, while debt, fed by the Volcker-led high interest rates of the Federal Reserve, proliferates. The image of an animal eating its own offspring is appropriate. One way or another, this process is bound to come to an abrupt halt.

The Treasury financing

On top of this the U.S. government must finance the fiscal year 1983 budget deficit. The U.S. budget is subjected to the same problems as the general economy: high interest rates and collapsing production, meaning collapsing revenues.

Figure 2 shows the loss of U.S. tax revenues. Corporate income taxes plunged from a level of \$61 billion in fiscal year 1981 to \$49 billion in fiscal year 1982. The Congressional Budget Office estimated that in 1983 there would be a 3.6 percent real Gross National Product increase, and a 3.5 percent increase the following year. Yet, despite that, corporate income taxes were forecast to rise to barely 1981 levels by the end of 1984. Individual income tax revenues, although benefiting from the tax cut, will tend to stagnate, because of the collapse of the production economy and increased unemployment.

On the expenditure side of the ledger, the collapse has led to increased expenditures for unemployment benefits, welfare benefits (for those no longer able to collect unem-

ployment insurance), food stamps, and so forth. It has also led to decidedly higher interest payments on the public debt.

The problem confronting President Reagan as he prepares his January State of the Union and budget messages is that the U.S. budget deficit for fiscal year 1983 will be at least \$155 billion, according to the figures prepared in the above chart by the Congressional Budget Office. But the CBO plans to soon release new figures showing that the real GNP will be considerably below the robust 3.6 percent growth it predicted for 1983 and therefore revenues will fall. CBO is now predicting a \$190 billion budget deficit for fiscal 1983. Reagan has slashed about as much as he can from the non-defense, non-Social Security sections of the budget (see "Other" in Figure 2).

Short of major tax increases—which if effected would kill any pathetic "recovery" that could occur in housing or auto by eating up people's earnings—President Reagan will confront a \$190 billion "on-budget" deficit. And the off-budget deficit, for operations such as the Farm Credit Administration, will run another \$17 billion. There is also \$90 billion in government or semi-government agencies, whose paper the government guarantees. Thus, total U.S. government borrowing needs for 1983 will be \$297 billion.

Normally \$400 billion of new credit is created each year above the previous year's levels, from savings, foreign investment in the United States, and other sources. On the present trade the U.S. government is about to absorb three-quarters of all U.S. new credit supplies. To have credit available to roll over interest payments on outstanding corporate and household debt, by conservative estimates, the United States would need new credit supplies of \$580 billion, or 40 percent above all previous historic levels, to meet the minimal credit requirements of the U.S. economy this year. This would definitely not provide any credit for a U.S. economic recovery, but only a modest increase in housing and auto sales. There are not enough funds around to meet these credit needs, and thus the Federal Reserve Board would have to decide to monetize between \$50 and \$80 billion worth of debt. That is a decision that the Fed already seems to have made.

But to finance the U.S. budget deficit and supply debt refinancing needs of the U.S. economy, plus provide the \$50 billion or \$100 billion to bail out foreign debtors demanded by the Ditchley Group, the Fed would have to print money faster than was done during the 1921-23 German Weimar Republic hyperinflation, when inflation rose over 10,000 percent. Even the attempt to finance the U.S. budget deficit could trigger the U.S. debt bomb, or force a further sharp drop in U.S. industrial production as the Treasury crowds everyone else out of the market.

There is only one way out of this crisis: the debt reorganization proposals of Lyndon LaRouche to finance a New World Economic Order. In that context, the U.S. debt problem can be solved easily. Without it, the U.S. debt bomb is going to go off.

The solution to the Social Security mess

by Leif Johnson

Nothing but the bankruptcy of the federal Treasury itself could warn Americans more powerfully that the economy is approaching anarchy than does the imminent collapse of the Social Security System. With the Jan. 17 promulgation of emergency recommendations by the President's National Commission on Social Security, it is necessary to look at why there is a crisis in the fund and what must be done. As the system is faced with an ever-increasing gap between income and payments, the political and economic decision must be made by the nation whether it will maintain the generation now retiring from productive work, or whether it will descend to the outright savagery of killing older Americans to "balance" the federal budget.

The stakes are high. Thirty-six million Americans draw monthly checks from the fund into which they and their employers have contributed a flat rate payroll tax that began in 1935. These 36 million Americans derive an estimated 78 percent of their total incomes from that monthly check. Under present economic policy, the short-term palliative for the system which the National Commission has proposed—all bad—will only lead to collapse once again sometime in 1984, forcing a new national debate on Social Security. Each Social Security panel that has convened since 1978, when Congress realized that something was wrong, have made increasingly harsh recommendations, undoubtedly believing they were responding to "reality" as will those who ultimately ask for a "final solution" to the problem.

The Commission has recommended a mixture of benefit cuts and tax increases. The major items: taxation of benefits going to those earning \$20,000 or more, delaying the payment cost of living increases (which permanently depresses the amount of benefits), increasing the self-employed tax to equal the combined employee/employer rate (a \$20 billion tax increase alone), moving the tax increase of 1985 up to 1984, and giving various income tax rebates in return for increased OSDI tax payments (a form of subsidy to Social Security from income tax revenues). The general thrust of the recommendations is to take the first step in chiseling benefits, and to transfer taxation from companies to the individual employee or self-employed person.

The immediate purpose of the Social Security debate is

the drubbing of President Reagan. The liberals, including the Socialist International-controlled senior citizen organizations, are set to condemn the President as being more interested in war preparations than in the lives of senior citizens.

The "privatization" of Social Security, by dissolving the Government System and giving the contributions to private insurance companies or banks, would facilitate the looting of these funds. Under government control, the tax revenues are put into the Social Security Fund in the Treasury. Under private control, they could be invested in off-shore securities, as are an increasing portion of private pension funds, and subsequently looted by manipulating those securities. Or the private institutions receiving the pension tax receipts could go bankrupt.

One asks whether any pension fund can work which is designed to pay constant or even slowly increasing benefits to a population whose longevity is increasing.

Any good pension system—and all individual company schemes are inherently unsound—must be based on two assumptions: that the real product of that economy is expanding at a reasonable rate for an industrial country, and that the demographic growth of the nation is normal. Obviously if there is a severe, prolonged depression, the system will collapse, or if one generation has very few children, at some point in the future there will be insufficient tax revenues to support payments to the Social Security recipients.

Both these calamities have befallen the American Social Security system. This can be seen if we project expected revenues and pay-outs from 1945, the year production and employment were close to their natural full levels.

If industrial growth had been 8 percent per year, a reasonable, if low, potential growth rate which is close to the Japanese post-war rate, and if we assume a 2 percent per annum population growth, a rate below that of 19th-century America but equal to that of the first, second, and sixth decades of the 20th century, we would find that the present debate would center on whether benefits be increased, or the tax rate reduced, or both. It would have been found that the original 6 percent tax rate was too high and could have been gradually cut to about 4.5 percent.

Instead the nation suffered serious demographic twists such that it is entering a period of heavy payout to beneficiaries with a declining workforce from whom to collect Social Security taxes. This demographic rollercoaster was caused by the painful boom-bust cycles of the post-war economy as it progressively succumbed to the ravages of oligarchic financial manipulation and depletion.

There is no cure for Social Security but the revival of the U.S. economy. As for the question of immediate funding for the Social Security System, there are some creative answers. Why not tax speculative investments at higher rates than productive investment, tax off-shore accounts, flight capital, real estate speculation, gambling casinos, movie houses, and money market funds, and the quasi-banks like American Express?

U.S. farmers' debt: how will it be paid?

by Cynthia Parsons

U.S. Agriculture Secretary John Block, it was reported on ABC-TV's Good Morning America show Jan. 17, has made explicit what most farmers had already come to fear: that the Reagan administration "strongly opposes a blanket moratorium" on farmers' \$25 billion debt owed to the federal government. But America's farmers, carrying well over \$200 billion of total farm debt will not be able to refinance that amount in fiscal year 1984. This is bad news for all Americans, and puts the already endangered U.S. food supply in even more serious jeopardy.

Both the Federal Reserve and the Department of Agriculture are putting the blame for the huge debt buildup on "bad management" by farmers. (This is similar to the line peddled about Third World nations.) Neither the Fed, nor the administration nor Congress is being honest about the origin of the debt, nor are they able to explain just who will pick up the tab. Given that Block has flatly stated the administration's opposition to a reorganization of the debt through moratoria, and is even hinting that a freeze on target prices is in the works, since this will save the government \$2 billion, let us look closely at another option, further extensions of credit.

Farm income is falling for the second successive year; it was \$19 billion in 1981 and will be lower for 1982. Farm prices are also falling, with no end in sight. It appears safe to say that 1983 will not improve farm income.

It would be reasonable to assume that the farm sector as a whole needs approximately \$25-30 billion of new credit for 1983, just to make it through the year. In 1979, the year of the drought, farm debt increased \$24.5 billion. Taking into account a decline in inflation and possibly reduced production expenses, a \$25-30 billion figure makes sense.

Farmers borrow essentially from five major sources—two government and three commercial—for both real estate and non-real estate loans.

The largest debt load is carried by the Cooperative Farm Credit System (FCS), composed of the Federal Land Banks (FLBs), the Farm Credit Administration and the Bank for Cooperatives. In total, the Farm Credit System is carrying \$81.5 billion of outstanding debt. During 1982 the FCS reported that its growth rate in new loans was very slow and in December announced that its renewal rate for FCA debt had reached 32.8 percent of the total loans made in the eight months prior to September 1982, compared to 29.3 percent in 1981.

The FLBs have had to turn to refinancing short-term debt

to meet demand, now at 16.7 percent of volume. The FLBs report that producers have been reducing their payments by converting short-term debt to mortgages, or by liquidating portions of their assets to reduce debt load.

In short, high interest rates bit into the banks' loan operation, slowing down business and holding down savings. How much more debt can these institutions afford to roll over without going out of business themselves?

There are about 14,000 agricultural commercial banks holding about \$45.5 billion in farm debt. This debt has increased by over \$4 billion in 1982, doubled the rate of increase from 1980 to 1981. In 1981-82, banks reported that repayment rates were at the lowest level ever and that banks had discontinued a larger share of borrowers than during the previous year. Loan demand was very weak, especially to finance machinery, equipment, and real estate investment. While new loans declined, refinancing in 1982 increased by 26 percent, loan delinquencies doubled, and losses increased 40 percent. The commercial banks are fully aware that they have almost as big a credit crunch as the farmer. "There are no hard and fast answers," said an American Bankers Association spokesman.

Life insurance companies carry over \$12 billion of debt, mostly mortgages, which have decreased drastically since 1980. If interest rates continue high, and land values fall, farmers, as a group already behind in their mortgage payments, will not be likely to obtain new ones.

The Farmers Home Administration is the major government lending institution, primarily to those who cannot obtain funds from other institutions. It lends to 270,209 farmers and is holding \$26 billion in outstanding debt. FmHA debt has doubled since 1979; it is now 11 percent of all farm debt. During the same period, the period of the Volcker interest rate explosion, FmHA picked up most of the debt in the form of disaster loans and production loans. As FmHA "emergency" debt ballooned, government budget cuts curtailed many of its programs for farm development or purchases. Still FmHA could not satisfy loan demand. So FmHA was told to unload as many customers as possible onto the commercial banks. In 1981, FmHA lent at limit to 6,000 borrowers; in 1982, it lent to 30,000 borrowers in cooperation with the commercial banks. This is why they were able to maintain 97 percent of their borrowers during the year.

Although the government has been slowly extracting itself from financing agriculture, it increased FmHA's budget for 1983 to \$4.5 billion from \$4.1 billion. In 1981 FmHA total debt expenditure was \$8 billion, \$5 billion going into disaster emergency loans. This special category of loan has an open-end limit on total spending but has now been "tightened up," and a ceiling of \$500,000 per farmer is in effect.

Since 1980, the government has been the lender of last resort for farm debt, but it is clear that farmers will experience a worsening credit squeeze that can only accelerate the already crisis-magnitude rate of bankruptcies, foreclosures, and farmers driven out of production and off the land.

Edmond Safra's secret pessimism

The implications for the price of gold after the merger of American Express and Safra's financial empire.

Close friends of the Lebanese financier Mr. Edmond Safra tell me that the aspect of his recent negotiations with American Express that interested them the most was the fact that Mr. Safra has chosen to keep the Republic National Bank of New York in his portfolio.

Although a considerable portion of Safra's capabilities in the world gold market accrue to American Express through the sale of the Trade Development Bank, nonetheless Republic National Bank remains the largest entity in the Safra group for the trading of physical gold; along with Mocatta Metals of New York and London, it is the predominant influence in the American physical gold market.

Like most latter-day financiers from the pool of families that emerged from the vagaries of banking in the Ottoman Empire—another name that comes to mind is the Recanati of Israel Discount Bank and Bank Leumi—the Safras are motivated by “the ideal of usury,” as one close friend expresses the problem.

Mr. Safra's banking practice comes as close to risk-free undertakings as possible; he tolerates virtually no medium-term exposure in his portfolio; he lends short-term and, often, at very high interest rates, concentrating on those sectors of the market where this is possible. His fortune was made lending short-term at interest rates of two and three digits in Brazil.

He also believes that gold is the means by which clever families survive the dissolution of national cur-

rencies. The well-known financial consultant Dr. Franz Pick, a friend of Safra “since we met when we were both smuggling gold and cigarettes in Marseilles,” says, “Edmond believes the same thing that I do: that the world is in a disaster and one must buy gold.”

Safra's mode of banking is, of course, one that might place a special reliance on gold: he has a hand in the traffic in gold jewelry and bullion that flourishes between Iran, Turkey, and Italy, via Bulgaria and Yugoslavia; at least 100 tons of the metal moved through this route after the Iranian revolution. Safra is the purveyor of safe and secret media for transferring of money par excellence, and his professional credentials may prejudice him in a certain direction.

Nonetheless, the fact that this secretive, relatively obscure individual, whose personal fortune is worth triple that of David Rockefeller, might come into effective control of America's most powerful financial combination, adds another dimension to the story.

As the American banking system lost its old regulated definition, American Express was held up to public comment as the exemplar of things to come: an entity with virtually no financial risk, able to draw commissions from the facilitation of all forms of financial activity. The American financial future is apparently under Swiss-Lebanese ownership, and staked to a type of pessimism that would terrify most Americans.

Americans do not understand the

outlook of Mr. Safra. An acquaintance who passes his time at the University of Venice commented to me recently, “Mr. Felix Rohatyn of Lazard Frères wants to solve the Third World debt problem by issuing \$300 billion of bonds. That is a very liberal proposal, indeed; it reminds me of the bonds of Imperial Russia. The problem is that such things do not work.”

As I have emphasized before in these pages, the same pessimism is to be found among the managers of Europe's old *fondi*, who control the largest compact share of mined gold in the world, and is to be heard from the elite publications they read, e.g. the *Bank Credit Analyst* of Montreal or the *Economic Review* of Morgan Grenfell in London. They smile cynically over the apparent inability of the United States to deal with its economic crisis, and refer, in particular, to the \$15 billion *per week* in Treasury bonds coming to market. They anticipate a crisis of the American government debt not much different from the crisis of the Spanish debt at the end of the 16th century. They view the attempts of “mere governments” to patch the world debt situation together with some contempt. In various ways, they plan to take advantage of the American failure they anticipate.

This is not to say that the price of gold will necessarily rise sharply in the near future; on the contrary, a reverse in the liquidity position of the world banking system might well force a general liquidation of gold holdings at extremely low prices. Gold as an investment has the same character as J. P. Morgan's yacht; if one must ask how much it costs, Morgan reportedly said, one cannot afford it. Edmond Safra made his career by seeking not to buy low and sell high, but to make sure that he was the last player left in the game.

A topological shock-wave model of the generation of elementary particles

by Jonathan Tennenbaum

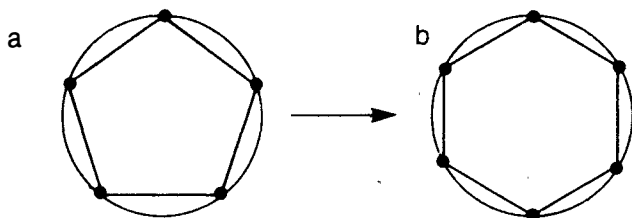
Dr. Tennenbaum is a mathematician currently editor of the European, German-language edition of the scientific journal Fusion. The following paper was submitted on Dec. 22, originally intended to serve as a preliminary report on the feasibility of part of a research-project proposed by LaRouche-Riemann model international task-force leader Lyndon H. LaRouche Jr. Although the paper is technical, the subject is of such importance and practical relevance to various areas of ongoing research, we have chosen to publish this preliminary paper here as an aid to accelerating participation in this important exploration.

My adopted task is to synthesize a simple geometrical model, combining the notions of shockwave and harmonic ordering of space.¹ This paper outlines the initial choice of approach being taken at the present time.

The harmonic ordering of space effectively translates into terms of quantities of the modes of appearance of the universe. Illustrative of this is Kepler's classical argument, that the possible orbits of planets are limited to a discrete set of possibilities. The shock-wave must then correspond to the "quantum of action" by means of which the universe moves from one harmonic ordering to another.

The simplest form of harmonic ordering is that defined by the division of the circle's circumference by means of inscribed regular polygons. In those terms of reference, for example, how could a shock-wave be seen as characteristic of the process of transformation of a pentagon into a hexagon (Figure 1).

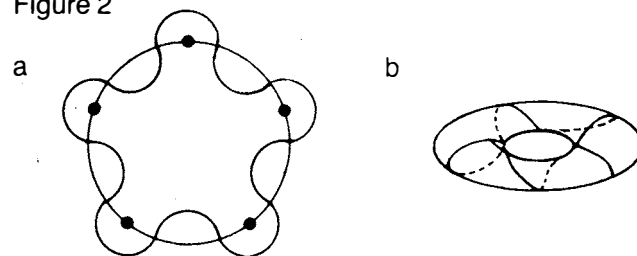
Figure 1



To deal with this initial choice of statement of the problem, I first consider the divisions of the circumference of the circle as a problem in topology. Namely, I think of these divisions of the circumference as being generated by a "wave" on that circumference.

This is equivalent to considering closed curves on a torus (Figure 2). From the standpoint of topology, the closed curves

Figure 2



on a torus are quantized by their winding-number: the number of times they wind around the torus in a single, completed cycle. That number, then, corresponds to the number of divisions of the circumference of the corresponding circle, to the number of completed cycles of the wave in each completed orbit. Any two curves with the same winding-number are topologically equivalent, in the sense that each can be continuously deformed into the other.

From this standpoint of reference, look again at the problem implied by proposing to transform a pentagon into a hexagon. How might we conceive of a shock-wave which would accomplish the *discontinuous* transformation required to change a given curve into one of a higher (or, lower) winding-number?

For illustration, consider a simple case. Consider the equivalent case, of a flexible curve on the exterior of a cylinder (Figure 3a). Imagine this flexible curve to be a rubber band first placed along the surface along a line parallel to the cylinder's central axis. Then, think of stretching this rubber band, to convey the idea of a deformable curve. In the first approximation (Figure 3a), this deformable curve has a

Figure 3

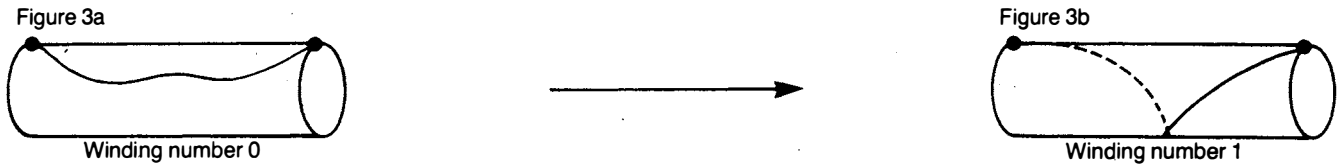
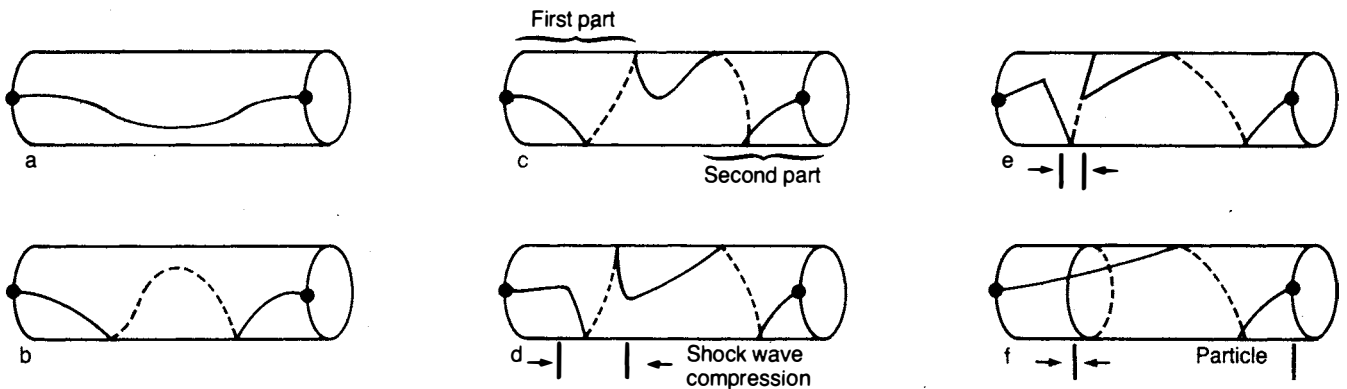


Figure 4



winding-number of the value "0." The problem implied, of transforming a pentagonal into a hexagonal division of the circumference of the circle, is therefore to be seen as of the form of transforming **Figure 3a** into **Figure 3b**, whose curve has a winding number of value "1."

In the simplest illustrative case, we require a "shock-wave transformation" which transforms the "zero division"—the case of winding number = 0—into a curve which encircles the cylinder a single time.

I propose the following process: we deform the curve into a path which first goes around once in a clockwise direction, and then doubles back, to go around once in the opposite direction. The winding number remains zero. Then, we imagine a *shock-wave-like process*, by which the first part of the curve is "compressed," until, with formation of the shock-front, this part is "fused" into a closed circle intersecting the remainder of the curve (**Figures 4-a, 4-b, 4-c, 4-d, 4-e, and 4-f**).

As a result (**Figure 4-f**), we have a particle, represented by the circle, which is a determined, localized singularity on the axis of the cylinder, and we have also a curve which encircles the cylinder once in the counterclockwise direction. We could think of this latter as the field associated with this determination of the particle—as, in that sense, "generated" by the particle. The projection of this complex-number wave process onto a plane parallel to the axis of the cylinder can

now be described (**Figures 5-a through 5-f**). I identify the intersecting line in **Figure 5-f** as corresponding to Leibniz's "delta."

The general repetition of this process yields an arbitrary winding-number, accompanied by a number of particles corresponding to that winding-number.

If a particle is "untied," the winding-number drops back by 1. A similar process can be used to decrease the winding-number of a curve, by creating "anti-particles" as compressed loops running in the opposite direction. Or, we may begin with any winding-number, and create a "pair" (mathematically analogous to the electron-positron pair-production actually observed) of opposite-signed singularities, but leaving the overall winding-number unchanged.

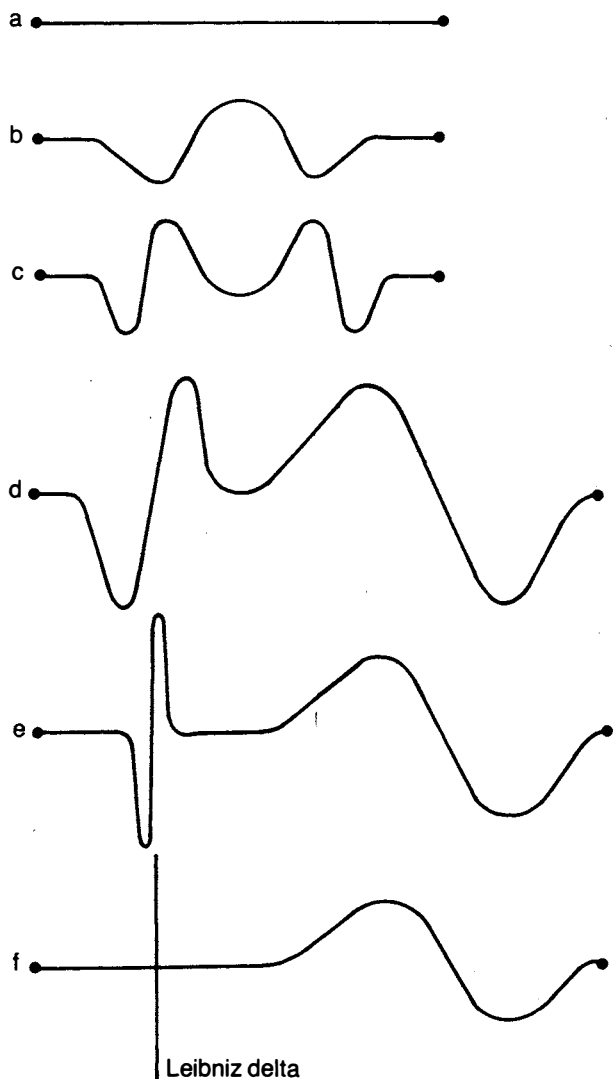
In this way, we can roughly model some of the typical characteristics of quantum phenomena (**Figures 6-a through 6-f**).

Remarks on this construction

1) In identifying the notion of a *compression* with a shock wave, one must think of the way in which the originally smooth form of the front of a pre-shock-wave is compressed to a point during the course of shock-wave formation (**Figure 7**).

I refer to the construction of the "ruled surface model" of acoustical shock-wave generation published in the Dec. 7,

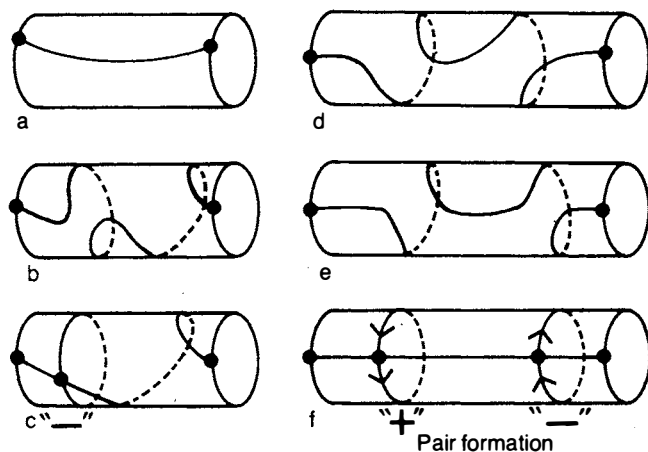
Figure 5



1982 *EIR* [LaRouche, "What is an Economic Shock-Wave?"]. It is easy matter to modify that version of the acoustical shock-wave principle, to obtain a process by which a wave-form: (a) would be (Figure 8) continuously compressed into a singularity; (b) this process would have to be expressed in terms of complex-valued waves, and must be defined so that only the sharply curved loops of a certain type would be compressed, and others maintained. More must be written later on this particular point. It is interesting to note the similarity between the sorts of singularities created by compression in this indicated manner, and the "delta-functions" introduced by Dirac in the mathematical formulation of quantum mechanics.

2) It might be objected, against this way of looking at quantum processes, that the transformation described above

Figure 6



still involves a kind of continuous deformation, whereas real quantum phenomena are presumed to jump from one harmonic configuration to another, with nothing in between. It might also be objected, that in the process of formation of the compression, the form of the wave is distorted, away from the regular form corresponding to a regular polygon. The premises for such objections are undermined once we view the process from a relativistic standpoint.

Assume that the picture of the process, as given above, corresponds to the point of view of an observer "outside" the (visual) universe. This observer sees a continuous deformation and compression of a loop into a circle-singularity. Another observer, viewing the same process from the "inside," sees the matter differently, *insofar as the inside observer depends on the wave itself to define his visual metric.*

We restate the point just made by aid of a simplified example. (Figure 9). An "outside observer" might see the polygon inscribed in a circle as in Figure 9a, whereas the "inside observer" whose vision is determined such that lines bounded by vertices are straight and of equal length, will "see" the same construction as in Figure 9b.

Figure 7

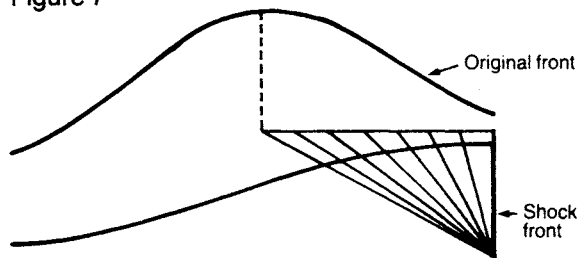


Figure 8

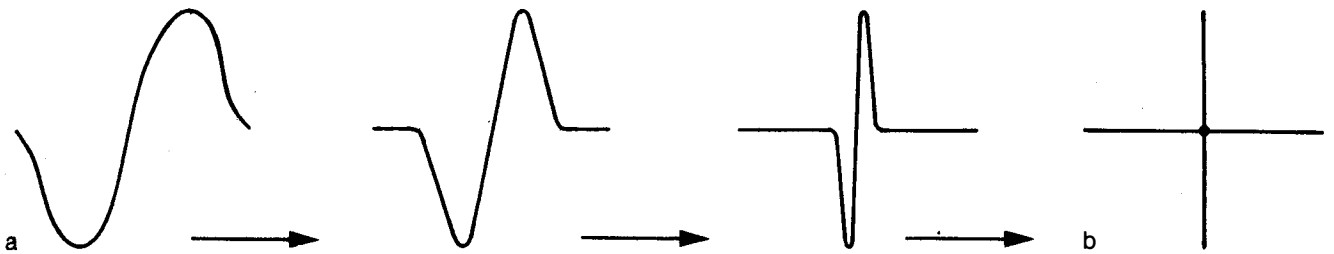
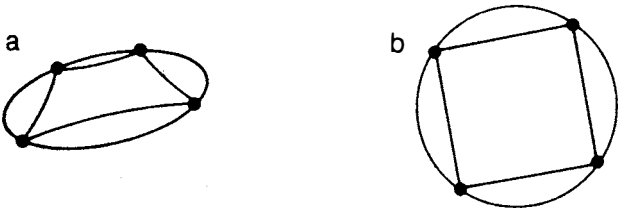


Figure 9



In this illustrative case, the observer on the inside will “see” a completely discontinuous jump from a sine-curve of N oscillations to one of $N + 1$ oscillations, with nothing in between. Only at the moment of formation of the singularity does the observer on the inside observe a change in terms of *his* metric. The dynamic of the change belongs to a manifold not immediately observable in terms of the inside observer’s adopted metric. (The relationship to the Leibniz “delta” may be noted.)

In the body of this report, I show how the basic elements of special relativity theory can be derived from constructions in terms of waves and interference of waves. This, I show, can be accomplished without appeal to an a priori notion of “rigid body,” “moving coordinate system,” or “clocks.” The waves themselves are used to define the “visual” metric in the manifold.

3) The use of *complex* waves in the above construction is crucial. In the terms of real-valued waves, there is no obstacle to continuously deforming a real wave of N cycles into one of $N + 1$ cycles. The consideration of helical curves, which are complex-wave functions, on a cylinder or torus, on the other hand, brings out an intrinsic topological principle leading to the needed quantization. This is key to the essential way in which complex numbers appear in both the Schrödinger and all other known formulations of quantum mechanics.

4) In the simplest physical case, the hydrogen atom, the de Broglie wavelength of an electron at energy-level E is given by

$$\lambda = \frac{h}{p} = \frac{nh^2}{2\pi m_e e^2}$$

Where M_e is the rest-mass of an electron, and e is the charge. Since the corresponding circumference of the N th orbit is

$$2\pi p_n = 2\pi \left(\frac{n^2 h^2}{4\pi^2 m_e e^2} \right)$$

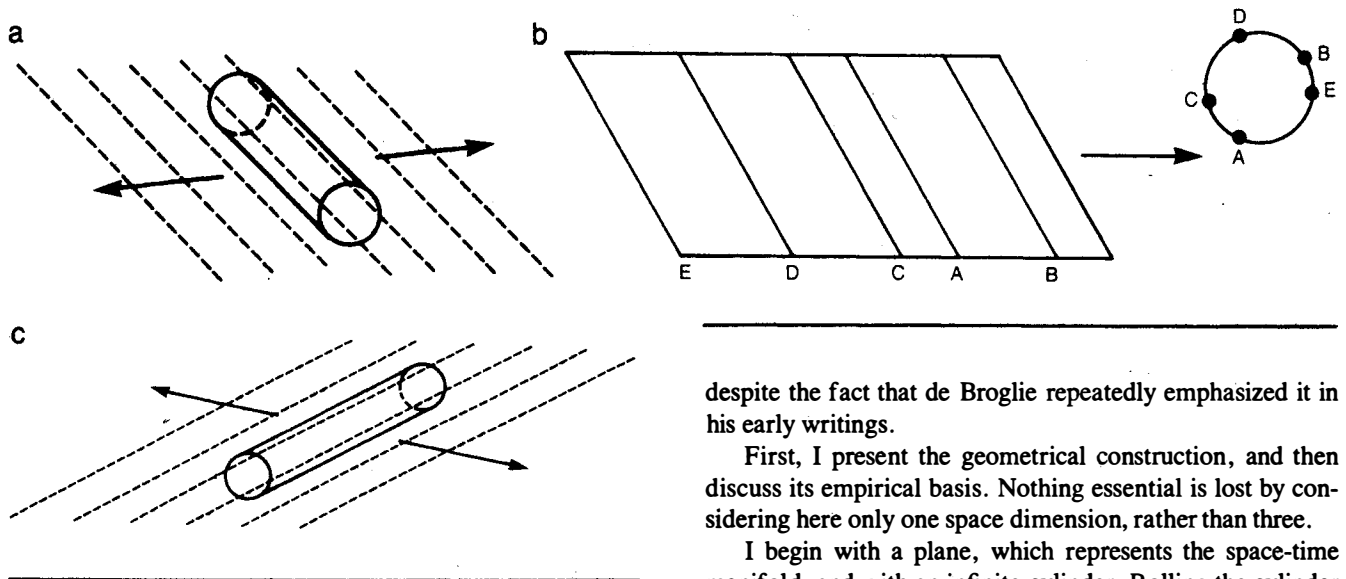
the de Broglie wave divides the orbit circle into N equal parts, i.e., has the winding-number N . In this sense, the quantized energy levels of hydrogen correspond to the regular-polygon divisions of the circle’s circumference. We may think of the shock-wave as the action of incoming light on the hydrogen atom, and of the particle accompanying the jump, from level N to $N + 1$, as representing a captured photon. When the atom jumps back to a lower level, the captured photons are “untied,” and re-emitted.

A synthetic-geometrical construction for special relativity theory

Minkowski’s formulation of special relativity theory in terms of a hyperbolic metric for 4-space, reduces relativity theory to a simple and beautiful geometrical principle. However, this formulation suffers one characteristic flaw, a flaw which appears mathematically trivial, but which is of fundamental conceptual significance. Although the physical content of special relativity is based on the coherence of all physical phenomena with the propagation of light-waves, Minkowski does not begin with the notion of a wave. Instead of choosing the notion of a wave as the root of his formulation, he constructs his argument from the starting-point of assuming the axiomatic existence of an abstract point in space. That embedded assumption imposes a wave-particle paradox from the start.

In the task-force Lyndon H. LaRouche, Jr. has assembled for elaboration of his analytical method of economic forecasting, the LaRouche-Riemann method, it has become habitual to follow his policy of rejecting any construction which depends upon the hereditary assumption of axiomatic geometry. LaRouche, Uwe von Parpart, et al. have insisted upon the building of all mathematical constructions from the premises of strictest adherence to the method associated with

Figure 10



Jacob Steiner's synthetic geometry.² The practical object of this has been to avoid precisely the class of ontological fallacies typified by the cited case from Minkowski.

As Nicholas of Cusa, Steiner, and others have shown, mathematical points and straight lines have no independent, axiomatic existence in fact, but, rather, they are geometrical existences properly derived from the only truly primitive existence in plane geometry, the circle, as the circle is defined by the well-known, elementary topological theorem. Through deriving, and defining the "straight line" and the point from the standpoint of the circle, a pervasive class of formal fallacies is uprooted from mathematical constructions. So, here, I have undertaken a fresh examination of the Minkowski problem from the same standpoint of rigor.

I propose to reconstruct Minkowski space, using the notion of *the wave as elementary*. Interferences of waves, corresponding to folding and intersecting circles, define the world-lines and space-like hyperplanes. The oscillations or "frequency" of the waves determine the metric of time, their wavelengths the metric in space.

As the following, condensed outline of my constructions should indicate, this idea leads to a very simple derivation of the main features of special relativity. This avoids the massive mystification of the subject introduced from the side of Bertrand Russell et al. In this approach, the de Broglie relations, connecting the energy and momentum of a particle with the frequency and wave-length of a corresponding "material wave," come out as an immediate consequence of the construction. This is a happy result, insofar as de Broglie based his original prediction of matter-waves on a simple consideration in relativity theory. This connection, which is stressed in my own approach, has been largely overlooked,

despite the fact that de Broglie repeatedly emphasized it in his early writings.

First, I present the geometrical construction, and then discuss its empirical basis. Nothing essential is lost by considering here only one space dimension, rather than three.

I begin with a plane, which represents the space-time manifold, and with an infinite cylinder. Rolling the cylinder over the plane, I define a complex, standing wave. In this way, to each plane locus corresponds a position on a circle, namely, the point at which a circle-of-reference, drawn on the cylinder, touches the plane at the moment the cylinder passed over the locus in question (See Figure 10, a,b,c)

In other words, it is the rotation, or complex number, required to rotate the cylinder from a given orientation of reference to the orientation which the cylinder has when passing over the locus. The lines on which the cylinder touches the plane as it rolls are the wave "fronts," the lines of equal phase.

Next, introduce another cylinder, and roll this over the plane in a different direction, generating so a second standing complex wave in spacetime. This defines a second set of parallel wavefronts, which make a constant angle with the lines defined by the first wave.

We proceed as follows to define two sets of loci, the "world-lines" and the space-like lines. The first, the world-lines, are defined as the loci of the intersection of lines of equal phase, as defined by the two cylinders as they roll forward from a given initial position (Figure 11, a and b).

The second, the space-like lines, are defined as the loci of intersection of the lines of equal phase, defined by the two cylinders, as one rolls forward, the other backward—or vice versa—from any given initial positions (Figure 12).

In such a construction, the world-lines correspond to re-enforcement of the two waves, whereas the space-like lines correspond to their cancellation.

The two waves, which coincide along the world-lines, define "time" for those lines. One *oscillation*, corresponding to one rotation of the cylinders, *shall be the unit of time*. On the spacelike lines, *one oscillation* of either of the waves, which have opposite phase along those lines, *defines the unit of length*. Look (Figure 13) at an "elementary paral-

Figure 11

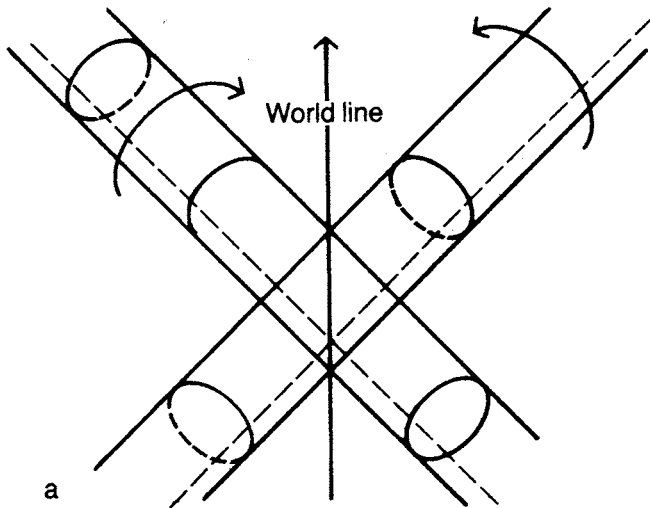


Figure 12

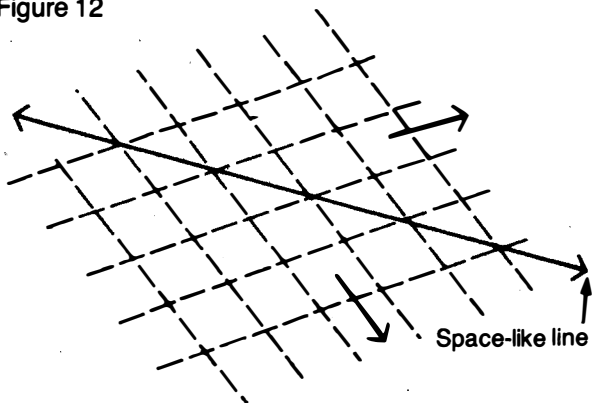
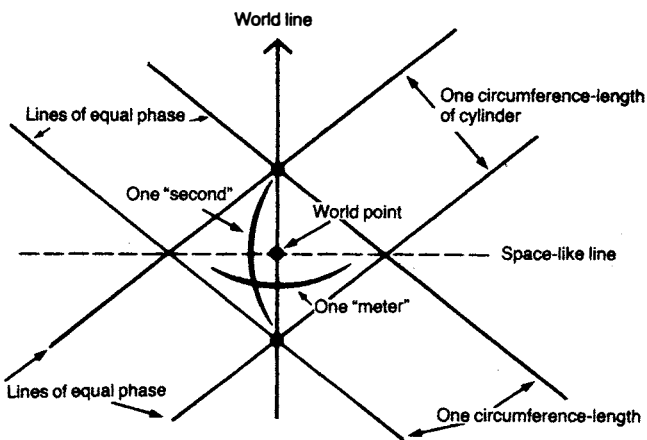


Figure 13



lelogram" defined by rolling each cylinder one turn forward from given positions.

Of the two diagonals, one is a world-line and the other a space-like line. Their intersection defines a world-point, an event at a determined point in space and time. The space-like line corresponds to the world-points regarded as simultaneous with the intersection-point, and the world-line corresponds to the future and past for the "place" defined by the world-point.

Following all the world-points on the space-like line together, i.e., translating that space-line in the direction of the world-line, we find that the two waves propagate along the space-like line in the opposite direction, with frequency 1 and wave-length 1 (Figure 14).

So far, we have defined everything in terms of the two initial waves. Next, we take two other cylinders. The sizes of these additional cylinders are determined so that the cir-

Figure 14

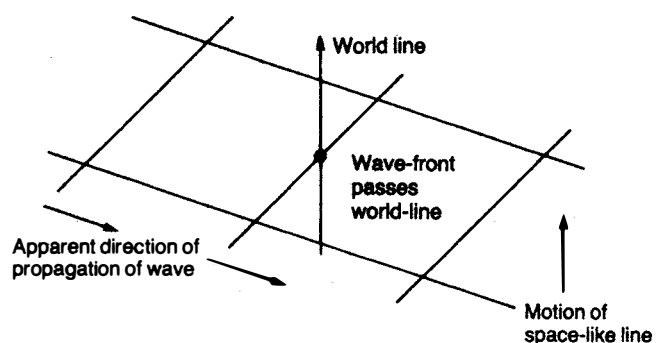
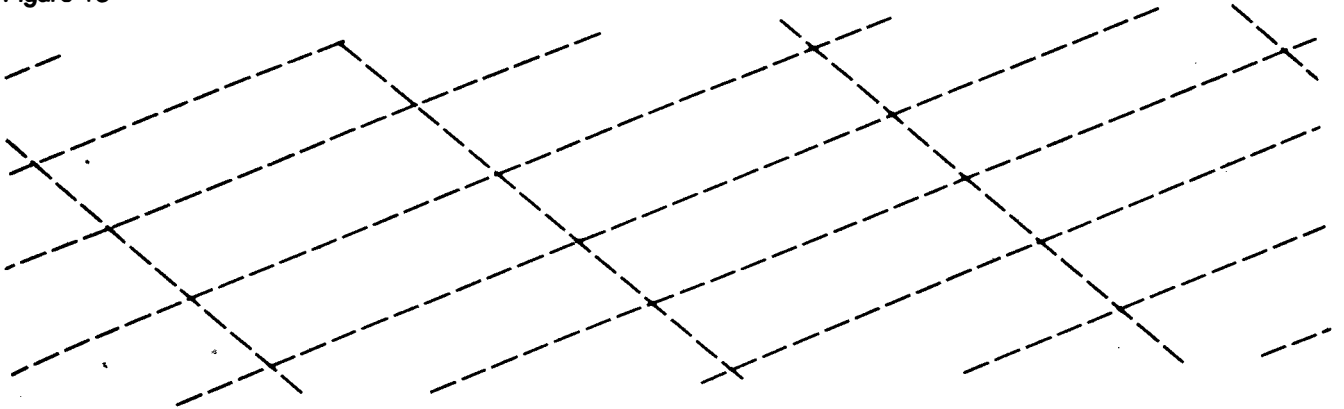


Figure 15



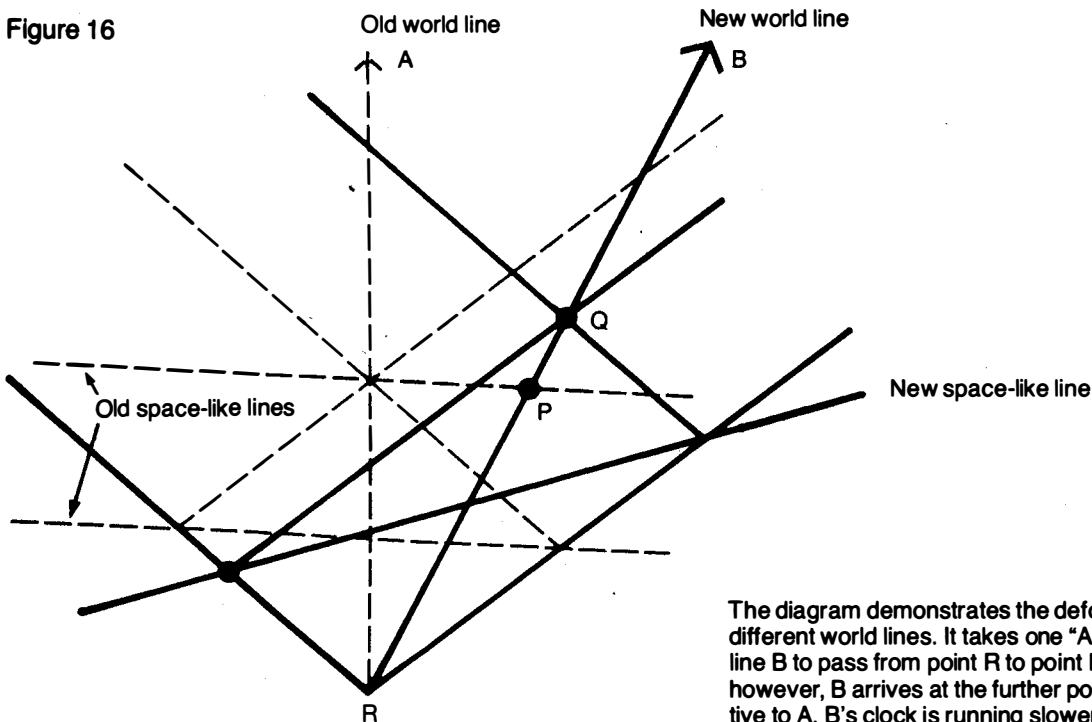
cumference of the first new cylinder is smaller (or, respectively, larger) than the first of the old pair of cylinders in the same proportion that the circumference of the second old cylinder is smaller (or, respectively larger) than that of the second new cylinder. In other words, the sizes of the new cylinders are proportioned such that the product of their circumferences is equal to the product of the circumferences of the old cylinders. In other words, the areas of the new elementary parallelogram generated with the new cylinders will be equal to the area of the elementary parallelogram generated by the old.

We repeat the previous constructions with the new cylinders, rolling them in the same directions as the old. We obtain in this way new complex waves, whose fronts are parallel with the old, *but in this new case the wave-lengths are changed (Figure 15)*.

The new waves generate a new set of world-lines and space-like lines, with space and time metrics so defined that the new waves have frequency and wave-length values of "one" in the new system.

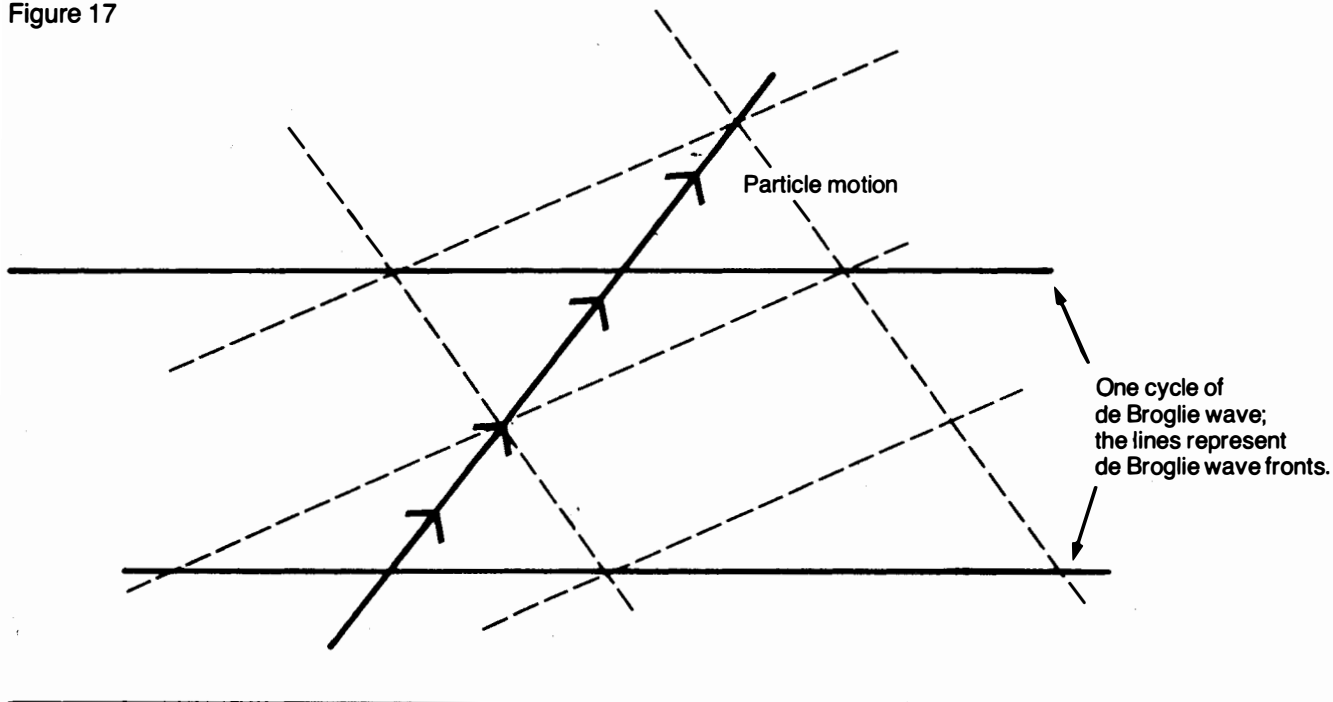
It is now a simple matter to compare these two systems, the new and the old, to the effect of obtaining the familiar

Figure 16



The diagram demonstrates the deformation of time for different world lines. It takes one "A-second" for world line A to pass from point R to point P; in a "B-second," however, B arrives at the further point Q. Hence, relative to A, B's clock is running slower.

Figure 17



Lorentz transformation, Doppler effect, and so forth. Visualize this with aid of the two elementary parallelograms (Figure 16).

This diagram demonstrates the deformation of time for different world-lines. One "A-second" is required for world-line B to pass from point R to point P. However, in a "B-second," B arrives at the further point Q. Hence, relative to A, B's clock is running slower.

De Broglie's wave-particle correspondence is a simple matter to define in these terms of reference.

If world-line B, above, represents the motion of a particle of normalized mass 1, then the corresponding system of space-like lines represents the wave-fronts of de Broglie's wave for that particle. The frequency and wave-length of the de Broglie wave along any arbitrary world-line and space-like line are determined by the prescription that the de Broglie wave has frequency 1 along the world-line of the particle (Figure 17).

This was de Broglie's original idea. The particle is thought of as a localized oscillatory phenomenon, and the de Broglie wave is chosen to be constantly in phase with the particle-oscillator.

In empirical terms of reference, the foregoing construction can be restated as follows.

Given two light-waves of arbitrary frequency, propagating along a line in opposite directions, the corresponding world-line is defined by the motion of an observer for whom the waves appear to have the same color. Assume this color were yellow, for example. In shifting to the new set of

waves, the observer sees a shift in one direction toward red, in the other direction toward blue.

The new observer, defining the new world-lines, must move relative to the old observer in such a manner as to see again equal colors. For reason of the proportioning of frequencies we prescribed by our construction above, the equal color must be yellow.

The light vibrations themselves define the "clocks" for these observers. The apparent wave-lengths of the light, as determined by interference measurements made by the observers, define their "measuring rods." *The constancy of the speed of light is not a law of the universe, but is a product of the manner in which the metric is defined.*

How much is mathematical tautology, and how much empirical fact? It is true of all oscillating systems, and especially so of limited systems which return periodically to their initial configuration, that these systems remain "in tune" with the light-clock. It is the case, that all rigid bodies, such as crystals, behave as if their spacings were determined by interference patterns of light. This is equivalent to stating, that all physical systems cohere with the harmonic ordering of space-time, and that the harmonic ordering of space-time is expressed by the propagation of light.

¹Lyndon H. LaRouche, Jr., "What Is An Economic Shock-Wave," *EIR*, Vol. 9 Nos. 47-48, Dec. 7, 14, 1982.

²See, for example, Jacob Steiner, *Geometrical Constructions with a Ruler Given a Fixed Circle with its Center*, Scripta Mathematica, Yeshiva University, New York, 1950.

Business Briefs

Trade

U.S. continues trade war threats against EC

The United States has fired another volley in the threatened trade war with the European Community. The U.S. has agreed to sell 1 million tons of wheat flour to Egypt and thereby undercut the EC's traditional market. The U.S. has not sold wheat flour to the Egyptians on a commercial basis for 10 years. Egypt receives wheat and some flour from the U.S. under PL 480.

This brazen move by the United States coincides with the EC-U.S. talks in Washington in January to discuss American allegations that the EC is "illegally" subsidizing farm commodities. Europe is rightly afraid that this deal might effectively shut Europe out of the Egyptian wheat flour market, its chief outlet.

The United States is trying to soften the attack by saying that this sale was a political concession to the farm industry, and a move to boost falling exports.

Domestic Economy

Steel companies move to starve U.S. economy

The major American steel companies, controlled by Morgan Guaranty, have initiated legal action to enforce the rapidly growing steel shortage in the American economy.

Last December the American Iron and Steel Institute, the trade association of the steel manufacturers, filed suit under the 1974 Trade Act to "reduce steel shipments to the U.S. from Japan, by way of compensation for past harm, in the amount of 1.75 million metric tons in each of the next four years" and to impose a 25 percent import levy on Japanese steel and abolish the Japan-European Community agreement on steel.

If the steel company suit were successful, U.S. imports from Japan would be reduced to zero by the end of the third year. According to AISI figures, Japan shipped only 4.6 million metric tons to the United States in 1982, a drop of 38 percent from

7.59 million metric tons in 1977.

A shut-off of Japanese imports, coupled with the very low level of U.S. output—currently at 43 percent of capacity—would starve American industry for steel.

It is unclear from the AISI suit why the U.S. industry is claiming compensation for "damages" caused by the Japan-EC steel agreement and why it is blaming the "undervaluation" of the Japanese yen on Japanese steel producers, this being the basis for the 25 percent import duty demand.

Agriculture

Economist predicts more costly food

Excess production will continue to keep prices for edible commodities under pressure in the coming year, predicts the British *Economist* Intelligence Unit, in their World Commodity Outlook 1983 report.

Any price rises, says the report, will depend on the success of U.S. efforts to substantially reduce the 1983 crop. Crop failures elsewhere could also help raise prices.

Commenting on the U.S. Farmer Owned Reserve and the PIK program to lessen the reserves, the report says that because they are at such high levels, this puts a low limit on any wheat price rise.

Wheat stocks held in the main exporting countries are expected to rise from 51 million to 64 million tons during the season, in spite of another poor Soviet harvest and the Australian drought. "Only drought or altogether unexpected acreage reductions will cut that surplus before the end of 1984 and prices will likely remain in the lower half of the \$90-\$129-a-ton range."

Banking

Morgan sells Japan on Brazil bailout

The Japanese ambassador to Brasilia was awakened by a phone call in the wee hours of Jan. 13. The voice at the other end threat-

ened that if Japan continued to balk on participating in the four-point \$27.2 billion debt roll-over package being negotiated with Brazil, the Japanese would be publicly blamed for the failure of the bailout package and Brazilian-Japanese relations ruined as a result. The voice was not that of a Brazilian official, but the voice of one of the four New York banks coordinating the bailout.

There were further pressures from the House of Morgan to induce President Reagan to ask visiting Japanese Prime Minister Nakasone to ensure Japanese bank cooperation. *EIR* has no indication that Reagan acceded to the request.

Japan's Finance Ministry and central bank responded by battering their banks into agreement with the refinancing package. Thus, when the New York branch of Banco do Brasil reportedly was desperate to "close a position" and avoid default Jan. 14, it was Japanese banks that came to the rescue.

The public position of Japanese bankers is that they think they are being asked to provide an "inequitable" share of the total package. A much more profound objection is lodged, however, by the Japanese forces which believe that only through abundant credit can the world's economic crisis be solved. Officials of MITI (the Ministry of Trade and Industry), for example, favor large-scale development projects in Brazil.

IMF Policy

Treasury Secretary Regan accepts SDR plan

In a major concession to the supranational authority of the International Monetary Fund, Treasury Secretary Donald Regan indicated that the U.S. has abandoned its previous opposition to new issues of the International Monetary Fund's phony money, the "Special Drawing Right." The IMF currency is designed to replace national currencies and give the IMF dictatorial central bank powers over national governments and central banks.

Regan did not promise that the U.S. would support the proposals of the IMF staff and the Brandt Commission to issue more SDRs, but said that the United States no longer opposes it and would discuss the mat-

ter positively at next September's IMF meeting.

Meanwhile, in the tunnels of the IMF, preparations are in the works for wheeling out this supranational currency in the context of a major crisis for the U.S. dollar. Anticipating a dollar crisis, the IMF will hear plans to "substitute" SDRs for foreign central banks' existing reserves of U.S. dollars, at a private seminar at the IMF in March. The seminar will hear papers prepared by the Group of 30 and other bodies.

According to Group of 30 sources, the idea is to use the dollar crisis expected for later this year to force an agreement on "currency stabilization" at the Williamsburg summit meeting of world leaders in June. This would give the IMF powers to dictate economic policy to governments on the pretext of enforcing sound currency management, and replace national currencies with SDRs.

Friedmanism

Israeli debt service soars to 40 percent of budget

The Israeli budget approved in early January by Menachem Begin's cabinet allots 40 percent of the entire budget to debt service. This includes both internal payments and foreign debt service. The 40 percent figure compares to 30 percent in 1982 and 20 percent in 1981. At the same time, inflation is running at a 130 to 140 percent annual rate.

Due to the world trade depression, Israeli exports fell 5 percent in 1982, making it even harder for Israel to service its \$21 billion in foreign debt, the highest per capita debt level in the world. Meanwhile, the Friedmanite economic policy carried out by Begin has lowered Israel's capital investment to 20 percent below its 1973-75 peak levels, and reduced labor productivity to zero growth. In 1982, for the first time since the 1950s, Israel's Gross National Produce registered zero growth. Industrial production also failed to grow. This has left Israel without the surplus to pay its debt.

So far Israel's economy has survived mainly on the basis of foreign aid. The latter allowed Israel to run a trade deficit equal in

real terms to almost 25 percent of GNP. If the foreign aid and contributions from world Jewry slow, Israel faces catastrophe.

Business Press

French weekly attacks creditors' cartel

The editorial in the Jan. 17 issue of *La Vie Française*, the French business weekly with a circulation of 100,000, may cause a few heart attacks in international banking circles.

Under the title "The Law of Force," editor-in-chief Bruno Berthez writes that "The world financial crash is the only thing that matters as the new year is dawning. The world is bankrupt. Two main alternatives appear: either politicians condone the crash, and all fictitious assets collapse . . . or politicians recoil from the disaster and create even more fictitious assets to postpone the inevitable. . . ."

In a devastating attack against "liberalism," the editor lets the free-marketeers speak: "More solidarity! More cooperation! More cartels!" He quotes them ironically, and adds, "To the law of the market, the apologists of free market economics are presently busy substituting a generalized cartelization. The establishment last week of the Institute for International Finance [the 'Ditchley Group'] is nothing but the setting up of a gigantic creditors' cartel aimed at preventing the laws of the market from cutting to zero the value of world claims. There are two rules and two fates, the rule of force always sets the rule of the game. Is this vulgar anti-Americanism?" Berthez asks—"No, for the people of America and the American nation must not be confused with the financial powers. . . . Those who take the decisions are the representatives of the major international oligarchies. . . ."

"It is sadly the case that these attempts at cartelizing are launched within the framework of a global plan of crisis management, the ultimate element of which is general austerity. . . . social regression, . . . and, finally, adventure," Berthez concludes.

The same issue of *La Vie Française* devotes another article to documenting the Ditchley Cartel "the entente between the world's banks—the creditors' cartel."

Briefly

● **RAILWAY CLERK** Interchange, the monthly magazine of the Brotherhood of Railway Clerks claims that 92 percent of its members in Conrail, the remains of the Penn Central Railroad, want to buy the railroad when it comes up for sale in June.

● **JAPAN'S EXPORTS** fell 8.7 percent in 1982, the first year-to-year fall in dollar terms since 1952. Japanese imports fell 7.9 percent. Regarding the U.S. alone, Japanese exports fell 5.9 percent and imports dropped 4.5 percent.

● **THE FEDERAL RESERVE** Board is working on scenarios for a new Bretton Woods monetary system, a Washington consultant told *EIR* Jan. 21, including the possibility that the Soviet Union might join such a new system. "Volcker's people are studying the responses of overseas governments to such an idea, including the Soviet response," he said.

● **THE ATLANTIC COUNCIL**, NATO's thinktank, is completing a study on the linkage between a new Bretton Woods monetary system and a New Yalta arms control pact between the U.S. and the Soviet Union, Council executive Francis Wilcos told *EIR*. "Arms Control, Defense, and Economic Policy" will explore the idea of bringing an arms control deal into the Heads of State Economic Summit this June.

● **MOTOR VEHICLE** Manufacturers Association president V. J. Adduci said, in a Jan. 14 press release that "it now seems appropriate to ask the Japanese government to revise its restraint program so it is more likely to accomplish its original objective and at the same time thwart U.S. protectionist legislation." Adduci blamed soaring interest rates, general recession, and a distorted yen-dollar rate as the reason for poor U.S. auto company performance. Adduci did not explain why the Japanese should take the rap for Volcker.

Poland's hope for the future lies in global debt fight

by Clifford Gaddy, Stockholm Bureau Chief

To judge by *EIR*'s conversations with officials in Polish government, economic and banking circles held in December, a list of foreign-literature best-sellers in Warsaw would be topped by two works: *The Crash of '79*—Paul Erdman's fictional scenario for an international financial collapse, and *Operation Juárez*—Lyndon H. LaRouche Jr.'s far-from-fictional outline of measures for avoiding such a disaster.

Since Kerstin Tegin-Gaddy and I were in Warsaw specifically to discuss the future of the Polish economy and the world economy, it is perhaps not surprising to have heard repeated references to these accounts of the global debt crisis. By the end of a week of talks with officials at all levels, however, it was clear to us that precisely these two writings sum up the two attitudes that Poles have toward the international financial crisis and their own situation: on the one hand, a feeling of hopeless resignation in the face of the inevitable collapse and, on the other hand, a constructive approach to reorganization of the monetary system for a new era of growth.

We were invited to Poland by strong advocates of the latter approach, but we took the opportunity to talk with a broad range of Polish citizens as well. What we saw and heard differed greatly in many respects from the image of Poland conveyed by the established Western media. We left Warsaw with a sense that Poland is not only a nation with an extremely strong will to survive, but one which nourishes a dream—kept hidden for the moment—of finding a way to regain the ambitious course of industrial development upon which it had embarked in the 1970s.

National reconciliation

Our visit coincided with a refocusing of international attention on Poland around the Dec. 13 anniversary of the imposition of martial law in 1981. Western media teams again were descending on Warsaw, and the international press was rife with rumors about the lifting of all martial law regulations and a hoped-for return to the 1980-81 heyday of mass protests and demonstrations. We found, however, that this enthusiasm for a replay of the earlier events were pretty well



Polish soldiers distribute food a year ago in the flooded region of Plock. The potential for national unity is asserting itself; the United States has a chance to aid, not sabotage, recovery.

confined to the hangouts of British and American journalists—the café of the International Press Center and the lobby of the incongruously luxurious Victoria Hotel nearby. Ordinary Poles seemed to have had enough of the frustration of the past. Their concern was for the economy and its bleak prospects in the period ahead. And not a single person we spoke to could honestly offer a revival of the Solidarnosc union movement as a solution to those programs.

Quite the contrary. Nineteen eighty-two could be described as a year of sobering up for most Poles. By the end of the year discussion was almost universally based on the realization that the precondition for overcoming Poland's economic crisis is national unity and reconciliation. This is the background to the all-important dialogue that has been successfully conducted—to the fury of ideologues in both the communist party and the Catholic Church—between Prime Minister Gen. Wojciech Jaruzelski and Cardinal Jozef Glemp.

So far, the principal obstacle to achieving such unity has been the lack of an acceptable *institutional form* for a true national movement. Whatever the Solidarnosc movement may have represented for various people at an earlier stage, it is now dead.

On the other hand, not even die-hard Polish communists believe the party can become the sort of mass-based institution required for a national movement. As for the Church, it has traditionally declined to serve as a vehicle for direct political action. The only solution, therefore, would be to create a new institution, which is what the present government, with the support of the Roman Catholic Church, is trying to do in the form of the newly created so-called Patriot-

ic Movement of National Rebirth (PRON).

Although the PRON has predictably been labeled a “communist front” by self-styled Poland experts in the West, the fact is that Cardinal Glemp has given his de facto endorsement to the attempt by encouraging Catholic laymen to become active in the PRON. Government spokesmen maintain that the newly founded PRON is growing rapidly into a mass-based organization. But it is clear that the future of the PRON, as national reconciliation itself, will remain uncertain as long as Poland's economic crisis—specifically the debt crisis—is unsolved. For, without radical improvement in this sphere, the outcome of such well-intentioned efforts will probably be more disappointment and frustration.

‘Government of the professors’

What, then, are the prospects for the Polish economy and how do the present managers of the economy view the situation?

The Jaruzelski government has sometimes been referred to as “the government of the professors,” because the Prime Minister's councils of advisers are largely drawn from academic circles. These are the people entrusted with drawing up plans for the economy over coming years, and a cynic could easily make the observation that no one could be better suited than a professor to deal with the Polish economy today, when all “planning” is nothing but an academic exercise.

As we were told by one of General Jaruzelski's advisers, Poland cannot now plan even a single year in advance, since no one in Warsaw knows what the future debt-repayment situation will look like.

Poland's hard currency debt totals close to \$27 billion, of which over half is owed to foreign commercial banks and the remainder to Western governments. Less than \$4 billion is owed to American lenders. The debt was incurred in the 1970s, when Poland obtained foreign credits to finance rapid industrial expansion. The borrowers reckoned without the precipitous economic decline in the West, where Polish products were to have been sold, to pay off the loans and turn a profit. The contraction of Poland's markets was aggravated by the circumstance that the credits had been overly dissipated—with lenders' encouragement—into small enterprises in the light industry sector, which turned out to be particularly vulnerable to the collapse of markets and pressure of creditors. Poland's capital goods industry, the domestic means for economic recovery today, was relatively malnourished in the past decade.

The debt is falling due now (see box). For 1981 and 1982, rescheduling arrangements were made with the banks, and with the governments for the first of those two years. These agreements, deferring payment on principal and exacting interest payments, left much unclear.

As late as December, no one in the planning department knew how much of 1983's foreign-exchange revenues would

be used to service the debt—since this depends on terms to be negotiated with the International Monetary Fund (IMF) and the banks—and how much could be used for importing industrial spare parts and supplies. Yet the ability to project these imports is more vital for forecasting output than are productivity increases, price levels, and so forth. As a result, the Polish Sejm (parliament) in December was presented, not with a fixed budget for 1983, but with various alternatives of possible economic performance, depending on 1) the weather conditions affecting the harvest and 2) the results of the debt negotiations.

For a planned economy with extensive relations with other planned economies, this situation is not merely absurd, but intolerable in the longer term. Today, the Polish economy is in a mere survival mode. Motion, where there is any, is eastward, towards closer integration with the other Comecon countries. In certain strategic areas, such as nuclear energy, we were told frankly that the decision—perhaps irreversible—has been made to cut off ties completely with the West and rely entirely on the U.S.S.R. and other Comecon members. It will not be long before other sectors must make the same decision. The machinery and equipment purchased in the West in the mid-1970s, which now needs replacement

Debt debate flares in the Polish news media

The discussions in Ibero-America in the summer and early autumn of 1982, dealing with the continent's huge foreign debt along the lines of *EIR* founder Lyndon LaRouche's "Operation Juárez," found numerous echoes in Poland. One of the most public was in an article in the widely read weekly *Polityka* in September. In "What Next with the Debt?" economist Stanislaw Gruzewski examined the prospects for repayment under the present arrangement, and concluded that it was an impossibility. He wrote:

"Most important is the way in which—or, more precisely, the terms on which—the Polish debt is refinanced. And there are little grounds for optimism. At present, the debts

from the first half of the decade are being postponed until the latter half. But payment of the debt at that time will be just as difficult, if not more difficult, than at present. It is worth looking at the concrete figures of what our payments situation will look like in the 1982-90 period, under the assumption that the debts falling due in 1982 and 1983 are rescheduled on the same terms as those negotiated for 1981. If we take the official planning commission forecasts for exports to the capitalist countries and imports from those countries in the 1982-90 period, the requirements for foreign exchange for servicing the foreign debt will appear as follows [see table]:

"As is evident from the figures, the refinancing of our debt on the same terms as hitherto is a road leading nowhere. In the course of the next nine years, the cost of interest alone is the enormous sum of \$35.8 billion, i.e., considerably greater than the total current debt to the capitalist countries. Such an economic burden and its social consequences are simply unbearable."

New solutions needed

"It is not only we who are interested in the repayment of our debt," Gruzewski continued. "This is something that our creditors are also interested in, to the same or an even greater degree. If the problem is to be solved to the satisfaction of both sides, suitable terms will have to be created for this. Not even the optimal performance of our extracting industries and related exports of coal, sulfur and copper can solve the problem. In order to start to build up an export surplus ena-

parts, will sooner or later be scrapped or sold if those parts are not available—owing to lack of foreign exchange or to embargo—and will be replaced by Eastern-made equipment. There have already been reports of Poland selling off some Western-built machines to developing countries.

In sum, willingly or not, the Poles are being forced by the debt crisis and sanctions to sever relations with the West. There are those in Warsaw who would welcome such a course, but so far they are in a minority, even in the communist party. Responsible Poles of all political persuasions seem to be unanimous in their assessment that Poland would suffer greatly from this kind of forced autarky. A characteristic view of the problem from one economic official was that “We in Poland were able to recover and develop in the post-war period thanks to our cooperation with the Soviet Union, which had the technology to bring us forward. Now, Poland has reached a point where cooperation on a broader scale, and access to Western technology, is a prerequisite for continued development.”

Operation Juárez versus the IMF

The impact of the LaRouche policy recommendations in Poland was most visible for us in the way they intersected an

bling us to pay part of the principal of our debt, we have to ruthlessly mobilize the currently vastly underutilized productive potential of our manufacturing industry. For this we need increasing imports. On the current terms of refinancing our debt, this is simply impossible. We must pose this question frankly to our partners. If they want to recover their money in the future, they have to agree today to reschedule the payment of the Polish debt over a period that would allow our economy to get back on its feet. In my view, such a period would have to be about 15-20 years. Our creditors ought to understand this. Otherwise, the consequences for both sides, as well as for the international financial system, will be dramatic.”

Polish trade and debt projections

(in billions of dollars)

	Exports	Imports	Debt Service	Of Which Principal	Interest
1982	5.8	5.8	5.3	2.8	2.5
1983	6.4	6.0	5.3	2.8	2.5
1984	7.1	6.5	8.5	4.8	3.7
1985	8.1	7.2	9.2	5.3	3.9
1986	9.5	8.3	11.8	7.5	4.3
1987	11.0	9.6	14.8	10.4	4.4
1988	12.5	10.7	17.0	12.3	4.7
1989	14.0	11.4	18.6	13.8	4.8
1990	15.5	122.3	19.6	14.6	5.0

Source: Polityka

otherwise misdirected debate going on in Poland with respect to the IMF.

Discussions in heavily indebted countries these days do tend to focus on the International Monetary Fund, and Poland was no exception. What was surprising for us at first glance was the way this discussion was being conducted. Knowing that popular protests against IMF conditionalities have erupted in virtually every Ibero-American country, one might have expected heavy opposition to the IMF in this communist country.

We found that, on the contrary, there was near unanimity in Poland in favor of closer formal ties to the IMF (Poland has an application pending for IMF membership), and that the strongest supporters of Fund membership were to be found in the communist party!

Closer review of the economic situation revealed the reason. Poland has been completely starved of credit for over a year, and officials told us directly: “What can we do? We need credit from anywhere we can get it, and we will take it on whatever terms are offered, good or bad.”

In public posture, that approach to the IMF will undoubtedly continue. But, we were assured, “Do not be misled by appearances. From now on, you will find more and more of our attention focussed on the developing-sector initiatives to create an alternative to the IMF. Poland is going to be a part of that.”

U.S. Poland policy

What the Poles themselves do in support of an emerging “debtors’ cartel” will of course be the decisive factor for that nation’s future. But scarcely less important for Poland is U.S. policy. It is therefore valuable to state some elementary facts in order to dispel certain illusions on which the hitherto disastrous American adversary relationship toward Poland has been based.

Martial law. It is no secret that significant components of the martial-law regimen remain in force in Poland. But the idea that economic sanctions can force their removal is wrong. It is precisely Poland’s economic crisis, caused in large measure by those sanctions, which is necessitating the top-down enforcement of labor discipline, especially in the mines. Poland is surviving today thanks to the fact that a quasi-militarized coal-mining industry has increased production enough to permit a margin of expanded exports.

Solidarnosc. The Solidarnosc movement is dead, as I noted. Attempts to revive it are not only doomed to fail, but they will also impede the current movement in Poland toward national reconciliation. Future efforts to reform the Polish economy and society will depend on the economic situation, the continuation of the Church-state dialogue, and the viability of new institutional forms of the national movement.

The Warsaw Pact. Poland’s military and foreign policy alliance with the U. S. S. R. is an issue which cannot be subject to Western pressure. Under the international circumstances of 1983, any Western policy aimed at breaking that alliance

will threaten the very survival of the Polish nation.

These facts, unpleasant as they may seem to some, constitute reality. But even within this framework, steps could be taken by the United States to the benefit not only of the Polish people and Polish-American relations, but also of U.S. foreign policy on a broader scale. Few questions, for example, have so aggravated U.S. relations with Western European allies as the differences over policy towards Poland. Terminating the patently counter-productive economic sanctions against Poland is the obvious first step Washington should take; but that is only the first step. The real issue to be faced, for the United States as well as for Poland, is the international debt crisis.

Interview: Polish energy official Jan Kubit

In 1978, Poland resolved upon a goal of having 20 percent of the country's electrical energy generated by nuclear power by the year 1990. Even this figure was low by the standard of East European nuclear power targets at that time; yet it represented a healthy if belated beginning for the Polish nuclear industry. By January 1979, the 20 percent target had been radically scaled back to 8.6 percent—a 60 percent cutback! This was part of an overall defensive retrenchment of Polish economic plans, as the country came under pressure from international creditors. With the crisis of 1980, all bets were off on the future of Polish industry, and it is still an open question, whether Poland will return to its ambitious plans for nuclear industrial power.

EIR interviewed Jan Kubit, Plenipotentiary of the Ministry of Mining and Energy for Questions of Nuclear Energy, and Member of Parliament, in Warsaw in December.

EIR: What is the general energy situation in Poland?

Kubit: Obviously, the energy crisis touched Poland, too, although the timing differed here from that of the Western countries. In the West, the energy crisis—especially oil—struck in 1973-74, whereas in Poland it appeared in 1976. Of course, the question is, why? The answer is relatively simple. In the West, the share of oil used in producing electricity was rather large, and given the relatively cheap price of oil, a tendency developed in the West to build electricity plants using oil. Consequently, the West restricted the construction of plants fired with black and brown [lignite] coal.

In Poland, the percent of oil-fired stations is very small.

Thus, the crisis was moved forward in time in Poland. Starting in 1976, instead of intensifying the development of energy, including nuclear energy, it was hampered, and electric power stations were built only on coal. Now, we must openly say something that specialists have long known: the transformation of the primary energy in coal into heat energy is the most primitive. On the other hand, uranium ore has been, and can in the future be, used for heat generation.

This is the general background for the Polish energy situation. . . .

The issue is simple. Local authorities and inhabitants must learn to like nuclear energy. That is, they must see certain specific advantages in nuclear power development—apartments, schools, the whole social infrastructure—and they must recognize the building of a nuclear power station as a boon to the whole region. This is what pays, because losses associated with the interruption of building and prolongation of construction times are much bigger than the cost of building social infrastructure.

That is why we are not afraid of the greenies. We will teach them to love nuclear energy. Obviously the problem of radioactivity is a cheap propaganda device and not a technical problem. The threat to the environment from nuclear power is many times smaller than from coal or other energy sources. But people have always been afraid of something new. They were afraid of fire. That's why to be burned was the worst form of punishment. Later, they became afraid of the atom bomb, and thus became afraid of atoms. . . .

EIR: What about more advanced nuclear technologies: breeders, high-temperature reactors, fusion?

Kubit: As yet, there is no country, not even the U.S.A., that foresees the broad use of breeders by the year 2000. Well, in the U.S.S.R., except for the Byeloyarsk plant—which is the biggest in the world, 600 MWe—there has still not been any decision to build more reactors. And until then, breeders will not be subject to trade negotiations.

With the HTR, the process is even slower. We can foresee the use of these reactors for production of heat for processes, such as the gassification of coal. But this is a theme for the future.

For the immediate future, the next 30 to 35 years, the pressurized water reactor will dominate. The size of the reactors will not be increased, merely more of them will be built. Efforts of scientists and technicians must be concentrated on unification, standardization in order to diminish costs of utilization and renovation of stations. There is a lot more to be done here, and a lot of new possibilities.

EIR: We think that development of [anti-ballistic-missile] beam weapons would start a new era in the nuclear field and spur a new technological revolution.

Kubit: I am not a politician. . . . I think it is the basic aim of all scientists to utilize all scientific means for full devel-

opment. I would like to see scientists solve the problem of using a higher degree of the energy of uranium. Right now we are using less than one percent of the energy content of uranium. We can use up to 79 percent. This is the task of the whole civilized world, because the lack of energy is affecting the world. This applies to industry too. In this area, competition is a wonderful platform, and thus it is what we have to aim at.

Interview: Bazyli Samojlik, senior economic adviser

Bazyli Samojlik is an economic adviser to Prime Minister Gen. Wojciech Jaruzelski. Dr. Samojlik explains his view of the short-term thinking behind Poland's application to join the International Monetary Fund (IMF), in this interview, conducted in December 1982 in Warsaw.

EIR: Poland is actively seeking to gain membership in the IMF. What is the reason for this?

Samojlik: Because of the level of our debt, our inability to pay, and the strong demand for credit for our most urgent needs, we are looking for every possible source of credit, even if it is on bad terms.

The issue of trade sanctions has made this question even more urgent. Generally, our possibilities of exports to the United States are not all that great. But what is more important is that because of the revocation of Most Favored Nation status by the United States, we cannot get [U.S.] government credits for purchases.

We need credit. Our application to the IMF for membership is to be seen in that light. It is a possible source of credit. We are not that concerned about IMF control over the economy. Already, the degree of control by the IMF and the banks is huge. The foreign banks know more about the Polish economy than the average Polish citizen.

Nor are there things we are trying to hide from them. We are ourselves trying to change our economy. We don't think there will be any dramatic change after we gain IMF membership. In general, the approach they recommend for changes is the same as we are applying anyway. . . .

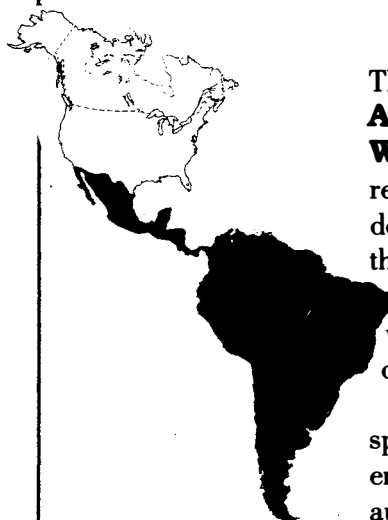
We know the standard IMF conditions, and we do have in our economic policy certain principles which will contravene the measures they demand. This might be a source of collision between our internal policy and IMF expectations. But, as I have said, our sources of credit are very narrow. . . .

I personally am very pessimistic about what we can get from the IMF, and about relations with the IMF in general, but that's mainly because I don't know what political conditions are attached.

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Heritage of Tadeusz Kosciuszko: a basis for Polish-American ties

by Kerstin Tegin-Gaddy

To representatives of an American-based journal in Warsaw, the question was put again and again by ordinary Poles: Why has President Reagan imposed sanctions on us? The logic of AFL-CIO chief Lane Kirkland, who demands "that the U.S. Government declare Poland in default of its debts and halt the flow of credits to the Soviet Union and its satellites," is not easily understood in Poland. Many are deeply offended to hear General Jaruzelski called "a Russian general in Polish uniform," as Secretary of Defense Weinberger recently did.

"If," one Pole said, "President Reagan wants Poland to abandon its relationship to the Western world and become more dependent on the Soviet Union and the Comecon countries, then of course the sanctions are the right tactic. But is that the case?"

Others were asking if Reagan wanted the Soviet Union to invade Poland, or if he wanted a civil war in Poland, one or the other of which would have been the consequence, had Jaruzelski not stabilized the situation by reluctantly imposing martial law.

Not even the most pro-American individual in Poland, and there are a lot of them, can find anything positive in the sanctions. They conclude that Reagan does not care about Poland as a nation, and simply considers it a chip in a game between the superpowers. As another Pole said, if Reagan wants to punish the Soviets why do we have to suffer?

For centuries, of course, superpowers have committed crimes against the Poles. Situated in the strategic center of Europe, Poland has again and again been crushed—by the Russians, the Prussians, and the Austrians. Time and again there have been attempts to eliminate the Polish nation, which came into existence after the third partition of Poland in 1797, and was about to re-emerge during World War II.

Now, Poles are starting to see U.S. policy as still another attempt to wipe Poland off the map. The economic consequences of the sanctions are felt by every Pole. Poland is treated as badly as or worse than Third World countries when it comes to credit. It has been cut off from any new credits, a policy which is aggravating the economic problems. In many cases, only one spare part, worth \$1,000 or so, but purchas-

able only for hard currency, is required to get a factory producing millions of dollars worth of goods; but the plant sits idle.

Most of all, the American sanctions are seen on the dining tables in Polish homes. Before the sanctions, the average Pole used to eat 8 kilograms (17.6 lb.) of poultry per year; now this is down to 2 kilograms. The reason is that the poultry industry depends on chicken feed imported from the United States, which was cut off.

Since it is clear that President Reagan's sanctions against Poland are counter-productive, as they only lead to hatred of Americans and force Poland into even tighter cooperation with the Warsaw Pact countries and into attempts at greater economic self-reliance, with resulting hardship for the population, the question arises: What is the real basis for American-Polish relations?

The international American Revolution

In no other country in Europe, except perhaps France, is there a better understanding of the American Revolution and the question of nationhood. The fight for freedom in Poland went hand in hand with America's. This becomes vivid when one grasps the role of Polish national hero Tadeusz Kosciuszko.

Kosciuszko and another Pole, Casimir Pulaski, were among the best known of the European officers who fought in the American War of Independence. Kosciuszko arrived in America before any other European officer. He was already at sea when the Continental Congress passed the Declaration of Independence, and he arrived in America in August of 1776.

Educated at the first Polish military academy, the Szola Rycerska (Knights School), where he studied military engineering, fortifications and tactics, philosophy, mathematics, and Polish history, Kosciuszko had his first appointment as an engineer with the rank of colonel.

In America, Kosciuszko became acclaimed for his role in the Battle of Saratoga, where his construction and fortification of the camp enabled Gen. Horatio Gates and his army

to withstand two violent British attacks. The first American victory against the British, this was a strategic turning point in the war, since Kosciuszko helped prevent the British from cutting off New England—and with it the majority of the Continental Army—from the rest of the colonies.

Kosciuszko is probably best known for building the fortifications at West Point, where he was appointed Chief of Works not long after Saratoga.

He stayed there for two years, overseeing the fortifications, after which he spent three years in the southern campaigns of the Continental Army, under Nathaniel Green. In all, Kosciuszko was with the American forces for almost seven years, longer than any other European officer; his qualifications and accomplishments secured him the rank of general in the American army.

Thus Kosciuszko was an important member of the international conspiracy that planned and carried out the American revolution. He was a founding member of the Society of Cincinnati, established in 1783 and consisting of officers who had fought in the American War of Independence. General Lafayette, as a leader of the organization, was determined to use the victory in America to fight for humanist republics also in Europe.

When Kosciuszko returned to Poland in 1784, he found his country in misery, owing to the first partition of 1772. Now Kosciuszko was resolved to bring the American system to Poland. Before his journey to America, he had written about his mission to fight for republican ideas: "Throughout my five years in foreign lands [studying in Paris—K. T. -G.], I studied in order to become proficient in economics and military matters, for which things I had a native passion, so as to discover what was necessary to attain durable government and the due happiness of all."

A Polish national bank

The influence of the American System in Poland came to its peak during the four-year Sejm (parliament) of 1788-92. It adopted a constitution, expressly designed on the model of the American constitution—the second of its kind in the world. Among other policies, Poland's constitution incorporated Alexander Hamilton's ideas on national economic policy: it provided for creation of a national bank. This bank was to grant long-term loans at low interest rates—below 4 percent—for industrial investment, while the general interest rate level was to be no more than 5 percent to stimulate investment.

The Sejm program was not accepted by either the Anglophile geopolitician Tsarina Catherine the Great of Russia or the Polish aristocracy. These two forces formed an alliance to abolish the new constitution, an alliance which resulted in a Russian invasion of Poland to restore the old order. The outcome was the second partition of Poland—by which Poland was reduced to a minuscule entity controlled by Russian satraps.

Kosciuszko, now a Polish general, developed plans for

the liberation of Poland, to make it free from foreign occupation and able to grow as a republic founded on the principles of the American constitution. Schooled in the American war, Kosciuszko well understood that to win that fight would require foreign aid, and he sought assistance from France when he went to Paris in early 1793. It was not forthcoming.

Without outside support, Kosciuszko knew that an attempt at rebellion would start from a very weak position; but he did not have the capability to direct the national movement scientifically. By means of a combination of peasant unrest and campaigns by the "Jacobin Club" in Warsaw—co-thinkers of the British agents who were wreaking terror in France, the 1794 uprising was launched in Poland. The Russians, Prussians, and Austrians possessed resources vastly superior to those of the Poles; in battles outside Warsaw, 20,000 Polish soldiers faced 40,000 Russians and Prussians.

Kosciuszko attempted to salvage the situation by taking command. He arrested 1,000 Jacobin partisans, and also rallied the peasantry to the side of his army by releasing them from feudal obligations, reducing their work dues and granting personal freedom. It was largely thanks to Kosciuszko's fortifications around Warsaw that the occupying armies were staved off from March until November, but the enemy finally broke through.

After the defeat of the Polish national forces, Kosciuszko was imprisoned in St. Petersburg until his release by Tsar Paul I; he lived in exile until his death in 1817. In 1795, Poland was partitioned for the third time, and this time it disappeared from the map of Europe. The partitioning powers even included a secret clause in their agreement, wherein they pledged that the very name of Poland would be erased from the vocabulary of international law. It was not the last such attempt, as Poles bitterly recall. Reestablished as a nation after World War I, Poland experienced another attempt at its final destruction under Nazi occupation during World War II.

Throughout the intervals of foreign occupation, the struggle for Polish national independence was always inspired by Tadeusz Kosciuszko. The first division of the Polish Army that fought with the Soviets against the Nazis was called the "Tadeusz Kosciuszko Division"; that is the unit in which Gen. Jaruzelski fought as a young officer.

When we visited the Polish Army Museum, we saw, in the center of one of its main halls, the one devoted to the 1794 uprising, a display case with the Order of the Society of Cincinnati that belonged to Tadeusz Kosciuszko.

The Polish population's memory of Kosciuszko is as much linked to his fight for the republican ideas that established the United States, as it is to his fight for Polish independence. If those fundamental principles were remembered, I reflected as I stood in this hall, Americans would support Poland in doing today what Alexander Hamilton did to solve the economic crises of the late 18th century. In 1791, it was Hamilton who forced through a radical reorganization of the enormous debts then burdening the young American republic.

Black-market mafia undercuts economy

by Kerstin Tegin-Gaddy

The first thing that happens when you leave your hotel room on the first day of your visit to Warsaw is that you are approached by a taxi driver who offers you a ride wherever you want. If you have not been warned and if you are in a hurry, you probably take the taxi.

Arriving at your destination, you ask what it costs. The driver, with a big, false smile, says in his best English, "I like dollars." If you say that you want to pay in zlotys, the Polish currency, he says, "Dollars good, zlotys bad," and if you insist, the taxi driver gets furious and charges you five or more times the official rate.

The first time, not knowing the official rate, you are cheated. But after this experience, you have learned never to take a taxi from outside the hotels, but to walk a few blocks to a taxi stand from where you can get a ride anywhere in Warsaw extremely cheaply.

The next occurrence, especially if you take a walk in the beautiful old town, is that various people approach you with an offer of 500 or 600 zlotys for a dollar. The official exchange rate is currently about 90 zlotys.

You ask yourself: Why this love for dollars, in a communist country?

The explanation seems to be at hand when you pass a so-called Pevex store. Such stores are part of a state-controlled chain offering luxury consumer goods not available in ordinary stores: American cigarettes, perfume and cosmetics, whiskey, furs, nice sweaters, jeans, and certain foods such as ham. The catch is that you can only shop in such stores with dollars. Judging from the number of people lining up in these stores, there is no lack of dollars in Warsaw.

You think you understand. The state desperately needs foreign exchange, in order to import goods from the West. They want to suck in the dollars that are floating around in Warsaw by means of these shops. The system has actually been carried so far that the Polish state, obviously short on U.S. small change for its shops, has printed official paper currency denominating nickles, dimes and quarters—in Polish!

This whole system seems absurd; it encourages black-

market dealings in dollars, and thereby supports a stratum of petty thieves and other corrupted individuals. Furthermore, tourists, of whom there are millions each year under normal circumstances, end up spending fewer dollars, since obviously most of them do not turn down the black-market offers made to them.

Discussing this problem with officials and ordinary people, everybody agreed that the system was bad, but they held that nothing could be done. Earlier attempts to stop dealing in dollars, they maintained, showed that. As long as there is a shortage of consumer goods in the stores, there will be a black market; the Pevex stores, they pointed out, enable the state to at least "control" the black market.

But this is an illusion, since the Pevex stores offer very little compared to the real black market, where you can buy virtually anything, from cars to clothes to food—if you have dollars.

This fuller understanding of the role of dollars leads to one conclusion: that a mafia runs part of the Polish economy. The black market is very well organized, with fixed prices and a regular influx of goods. Where do the goods come from? A lot of them come from the West. Many people think they are helping a poor Polish family by sending shoes or other items, but these things often wind up on the black market. Items that disappear from the factories or in the transportation system also appear on the black market; sometimes they are even paid for, with a parcel of zlotys worth the precise equivalent of the missing goods!

Such a well-organized black market could only be run by a mafia which gains money and power the more the ordinary economy deteriorates and consumer goods run short. It is obvious that such a mafia would be involved in internal and external attempts to wreck the Polish economy.

This has been proven in many instances. When Solidarnosc was legalized in 1980, the first people seen walking around Warsaw with Solidarnosc buttons on were the black marketeers. Any police attempt to prevent such criminal activity would draw a crowd of hundreds to protect an "honest trade unionist" from police brutality.

Even more interesting is the question of how this black market intersects the international terror, drug-smuggling, and weapons-trade mafias. That they do intersect is shown most dramatically by the case of Luigi Scricciolo, the Socialist Party trade-union official in Italy who was arrested for complicity in Red Brigades terror; Scricciolo was his union's liaison not only to the AFL-CIO's Land Kirkland in the United States, but to Polish Solidarnosc, in which capacity he visited Poland.

Against this background, the argument of Polish authorities that they would lose money from closing the Pevex stores and cracking down on the black market is clearly flimsy. If they did sacrifice revenue, the sum would have to be compared to the total Polish losses from the economic sabotage inflicted by the black-market mafia.

The anti-Malthusian current in Poland

by Kerstin Tegin-Gaddy

Of the world's industrialized countries the two with the highest birth rates are Poland and Ireland. Zero growth or even negative population growth predominate in the other nations of Europe and North America.

There are two explanations of Poland's status as a stronghold against Malthusianism. The first is the powerful position of the Catholic Church there. The Church in Poland has never ceased its efforts to stop abortions and divorces and to protect the family; in one of the most prominent cathedrals in Warsaw, St. Anne Cathedral, the entire lobby is one big exhibit on the "right to life." Unfortunately, the Church has not gone unchallenged on this point. The Polish communist party was an early and strong proponent of free abortions, something that created an unnecessary basis for conflict between the Church and the party. The communists were so extreme on this point that Poland became renowned throughout Europe during the 1960s and 1970s as a center for abortions on demand. In countries like Sweden and Denmark, where there were no free abortions at the time, pro-abortion-lobbyists set up travel bureaus for women to go to Poland. This conflict between the Church and the state has not been resolved, but the Church appears to have the upper hand insofar as the population listens to its moral messages.

The second reason for the anti-Malthusianism in Poland is that the Poles know what genocide means. Six million Polish citizens were killed by the Nazis in the Second World War. It was not until 1981 that Poland finally rebuilt its population level to what it had been in 1939—thirty-six million people!

Despite Poland's severe economic crisis today, the belief in growth and in the future can be seen in the way the Poles think about their children. If you look around in Warsaw, you will find that there is a scarcity of almost everything, starting with clothes, food, and cars. In any of the department stores built during the consumer boom of the 1970s, you will find floor after floor of empty shelves. Nevertheless, certain sections of the store will have goods in abundance—the departments for toys and children's clothes!

The reason for this was explained to us again and again:

The children must not suffer in this economic crisis. There has been a great deal of publicity about the food lines in Poland. We didn't see any, but we did see enormous lines outside the candy and chocolate stores. Asked why they would stand in line for hours to buy chocolate, people explained to us that Christmas was approaching and that every year the Polish tradition is to give the children chocolate for Christmas.

There are a lot of children in Warsaw, and they look well-nourished and well-dressed. The most striking thing, though, was not that the children seemed to be spared material hardship, but that they expressed curiosity about the world and a belief in the future. For a Swedish resident like myself who has followed the almost total destruction of the younger generation in the West over the past two decades, it was moving to see such small things as young people giving up a seat for their elders on the buses, being helpful and courteous.

We had visited the Warsaw Opera twice. Close to half the audience was made up of teenagers, who came with their teachers and parents, and apparently loved the classical culture they were offered. We experienced the same thing with somewhat older youth at the Warsaw Polytechnical Institute. On a weekday evening, the Student Union Orchestra was to perform the Suite in B-minor by J. S. Bach and other pieces for their fellow students, as part of a monthly series. Half an hour before the concert began, the 250 chairs set up in the student gym had been filled and extra ones had to be brought in. The quality of this student orchestra—technical and engineering—was remarkably good; the audience demanded four encores.

Yet there is cause for concern about the future. The absence of punk rockers and youth gangs, for instance, will not continue for long unless the government of Poland makes a conscious effort to stop the influence of the Anglo-American drug culture. The forces outside Poland that want to undermine the country are very conscious that one of their best weapons is to destroy the youth, just as youth has been practically destroyed in the West. We concluded that it is a national-security threat to allow the proponents of the rock and drug culture to appear on national television, as the Poles do today.

Of course, not all of the adverse cultural influences in Poland come from the West, as anyone who has seen a Polish poster exhibition can testify. A great deal of Polish culture is influenced by existentialism, an existentialism bordering on suicidal insanity. But apart from that, Poland is a cultured country, a nation with pride in its literature, art, and music. That this cultural pride is still alive was very visible in the sheer number of bookstores in Warsaw. Each city block seemed to contain at least one bookshop, often more, full of people of all types. If Poland can use this consciousness of culture, making strategic use of its own humanist classical culture, and that of the rest of the world, I think the nation's manpower will have a foundation for rapid economic advance.

Non-Aligned: 'development now, debt payment later'

by Robyn Quijano

The coordinating bureau of the Non-Aligned movement convened in Managua on Jan. 10 for a week of deliberations which concluded with the determination to solve "the world economic and development problems, in a coherent, integrated and simultaneous manner." Representatives of 18 countries declared their inalienable right to "vigorously pursue their development policies" at the expense of foreign debt service payments if necessary. Overall economic collapse, usurious interest rates, and the deterioration in both terms of trade and access to international capital markets were cited as the reasons it has become "difficult" to maintain a development policy *and* pay the debt.

The solution: "Renegotiating the foreign debts of Latin America as a whole"—more than \$300 billion, or nearly half of the developing-sector debt—with the backup of the rest of the Third World "to ensure a comprehensive and equitable multilateral framework for the settlement of the debt problems."

The deliberations took place in the context of a massive rebellion against the conditionalities of the IMF which dictate the gutting of development projects in once-booming nations like Mexico and Brazil. While the working document prepared before the conference called for an increase in the advanced-sector quotas to the IMF, this point, pressed by the international oligarchy as part of its effort to bail out the banks and make the IMF into a dictatorial world central bank, was rejected in the final communiqué.

Instead, calling for urgent measures, the Ministers pointed to the developing sector debt as proof of the "irrationality of the present international economic order."

Developing nations have about six weeks to unite in a "debtors' cartel" if the world is going to avoid plunging into

a period of collapse rivaling the horrors of the 14th century, *EIR* founder Lyndon LaRouche warned at a press conference in Washington on Jan. 15. LaRouche called the debtors' cartel the key to forcing the advanced-sector nations to act rationally—the only way to impose serious negotiations for a New World Economic Order. He emphasized that the debtors' cartel must be a reality by the time of the Non-Aligned summit meeting in New Delhi in March.

"The idea of a debt cartel is like a drum beat," LaRouche said, referring to the buildup behind this policy, which he publicized last May during the Malvinas war. In fact the drum beat was heard around the world that week as the Ibero-American press blared "Non-Aligned Propose Global Debt Renegotiation," and "Debtors' Revolution Seems Unstoppable." Meanwhile a National Democratic Policy Committee release on the scandal that the Ditchley group of bankers was forming a creditors' cartel reached nearly 50 million Ibero-Americans with coverage on the most-watched nightly news in Brazil and Mexico. Major dailies in Lima, Bogotá, Mexico and Buenos Aires, exposed the illegal nature of the creditors' cartel designed to cut off further lending to the developing sector.

The IMF was under the gun throughout the continent. Senator Hilarion Cardozo, a leading figure in the Venezuelan Christian Democracy and an internationally respected diplomat, charged the IMF with leading "an immense international conspiracy" to force Venezuela to "accept the conditions of the Fund." Venezuela is the only one of the continent's big debtors that has not yet been forced to accept IMF conditionalities. Since the Malvinas war last year "an idea has been taking shape to the effect that we must create a great power on this continent," said the senior diplomat. This is

what the IMF and the allied bankers who have cut off credit to the nation with the highest reserves on the continent intend to stop.

And the conspiracy against the country has caused bipartisan support for action. The head of the Chamber of Deputies, Aramando Sanchez Bueno of the opposition Acción Democrática Party, warned at the same time that if international creditors continue to withhold loans, Caracas should "outline a common strategy with other debtor countries."

Victor Gimenez, Venezuelan Ambassador to the Organization of American States, also backed the spirit of the Non-Aligned communiqué, stating the "economies have been mortgaged" and sovereignty compromised as never before by "the tyranny of the economic system." He called for the formation of a united bloc of Latin American countries to face the debt problem, "to help us learn all together how to defend our nations."

Too far, too fast?

The present uproar in Venezuela demonstrates that the London and Swiss bankers and some of their junior partners on Wall Street have gone too far, too fast in their rush to collapse the international economy. Since the Jan. 10 *Time* magazine "debt bomb" cover story, it has become apparent that some very powerful interests are determined to precipitate a collapse, throw their junior partners to the wolves, and force the U.S. Treasury to bail out the IMF and endow it with dictatorial power. But this grand strategy was dependent on convincing Brazil and the other big debtors that a U.S. upswing would solve the problem of collapsing resource prices and collapsing exports markets, and they had no need of a debtors' cartel. Such assurances are no longer credible.

David Rockefeller's widely reported statement from Bogotá on Jan. 11 that a global debt moratorium is "a dangerous idea" and "not in the interest of the debtor countries" since banks would refuse future loans to such countries, became a ridiculously empty threat as international bankers waged credit boycotts, and announced the inevitability of financial collapse.

The question on the table now for every one to see is not if the debt bomb will explode, but when, and who will wield the weapon. It is a question of power. Who takes the reigns? Who dictates the terms?

Will there be an orderly reorganization of the debt, and the creation of a new monetary system based on great development projects? Or will a chaotic collapse kill off what is left of the productive sectors of the world economy, with every nation in serfdom to the IMF?

The actual condition of the world economy is becoming all too clear to the leaders of the continent. When the Hong Kong subsidiary of the London-based Nordic bank consortium sued the state-run Corporación Venezolana de Fomento for non-payment of a \$2.65 million debt, the conspiracy went too far.

Despite general non-payment of principal and massive arrears on interest payments by nearly every nation of the

continent, no nation has been openly declared in default since May 5, 1977, when Wells Fargo declared Peru in default to force it to accept the brutal conditions of the IMF. New York bankers agreed that the CVF suit would make it more difficult for Venezuela to refinance its short-term debt, and that it could signal the declaration of default on Argentina, Brazil, and Mexico, all now in arrears.

Loans for Venezuela have fallen through; the Jan. 18 *Journal of Commerce* reported that although the Venezuelan government has guaranteed some \$81 million in delinquent payments, bankers are still saying, "It isn't enough any more to simply ask us to have more confidence. We remember how quickly Mexico's crisis materialized, and we are worried."

EIR warned over six months ago that Venezuela was in for the "Mexico treatment." Today it is hard to find anyone in Caracas that doesn't believe in the bankers' conspiracy.

The time factor

So Ibero-America is conspiring back. Just before the deliberations in Managua, Carlos Alzamora, director of the Latin American Economic System (SELA) called for a ministerial-level meeting to discuss the continental debt crisis. Latin American countries now have "a power of negotiation which they never have had in their history, and perhaps will never again have," said Alzamora, reiterating a fact he has been stressing for over six months in dozens of public forums and meetings with heads of state throughout the continent; "the interest of the creditors and debtors in this moment are deeply identified by the danger that financial collapse would mean for all."

On Jan. 13, President Figueiredo of Brazil and President Bignone of Argentina met. According to the Caracas daily *El Nacional*, the heads of state of the two strategic heavyweights in South America discussed possibilities of presenting proposals for joint debt renegotiation. Although this was not confirmed by the official communiqué, dozens of newspapers throughout the continent reported high-level diplomatic sources leaking the news. With over \$130 billion worth of debt between them, the newly consolidated solidarity of the two neighbors, who pledged to expand commercial ties and cooperate on nuclear energy, should be enough to frighten even a banker into rational behavior.

While Brazil has long been seen by the international banking community as prone to be flattered into thinking it could get special treatment, the evaporation of the recovery myth has created new possibilities of rebellion from that nation. The *Christian Science Monitor* reported Jan. 19: "One powerful Army general protested that the nation should have a 'unilateral moratorium on debts,' arguing that 'the Brazilian debt doesn't exist, and has already been paid many times over.'" This is the mood among 40 percent of the military, sources report, who are unwilling to let the IMF strip away in a few months the industrial power that Brazil has constructed over the past years.

At a continent-wide trade-union meeting in Mexico City

on Jan. 16, Brazilian construction workers from the city of Porto Alegre introduced a resolution demanding joint debt renegotiation, and calling for a political mobilization by organized labor throughout Ibero-America to "stop the application of IMF policies." Twelve thousand trade unions in the country are said to be organizing with this perspective.

In Argentina, organized labor has been on an anti-IMF mobilization for months, showing its muscle with a mass-strike shutdown of Buenos Aires last December. The one-day strike was based largely on the document put out by a large labor federation, the CGT-Brasil, which rejected payment of the debt at the expense of the workers living standards, demanding instead a full reactivation of Argentina's productive apparatus.

Juan José Taccone, Secretary General of Argentina's Light and Power Union, an affiliate of the CGT-Brasil, made statements from Madrid during the same week calling for Latin American unity to jointly renegotiate the debt. Taccone, who is mooted as a vice-presidential candidate on the Peronist slate for next years' elections, is in Madrid with a delegation to meet labor and political leaders, including President Felipe González, who recently stated that the continent's debt should be converted into development credits. Argentine Radical Party President Alfonsín, former Venezuelan President Carlos Andrés Pérez, and Bolivian President Hernán Siles Zuazo—all proponents of the debt-bomb strategy—will be visiting Madrid during the last week of January.

French President François Mitterrand, on tour of three African nations negotiating large infrastructural development projects, is also reported to favor a global solution to the debt problem that will allow the developing sector to upgrade their development capability (see article, page 41). The European command center for the New World Economic Order has thus been expanded; and both France and Spain will be observers at the March summit meeting of the Non-Aligned Movement.

From the Managua Non-Aligned communiqué

The following has been excerpted from the communiqué of the Ministerial Meeting of the Coordinating Bureau of the Non-Aligned Movement in Managua, issued Jan. 14. Sub-titles have been added.

17. The Ministers expressed deep concern over the alarming deterioration of the international economic situation and the lack of progress towards the establishment of the New International Economic Order. They felt that the continued worsening of economic conditions in the world, with its particularly grave consequences for the economies of the developing countries, reveals a crisis of structural nature and has become one of the most serious and potentially disruptive political problems of our times. The Ministers stressed the

need to take urgent measures to achieve effective and equitable solutions to the present world economic crisis, and in this respect, they took note of the Resolution recently adopted by the U.N. General Assembly on the establishment of world economic emergency measures.

18. The Ministers reaffirmed that among other factors, the slowing down of economic growth and activities, the increased deficit in the balance of payments of the developing countries, the deterioration of their terms of trade, the pernicious effects of high interest rates on the servicing of their external debts and on their access to the international capital markets, the drying up of flows of multilateral assistance on concessional terms, uncertainty and inadequacy of food aid and protectionist barriers against exports of developing countries, constituted serious obstacles to the economic growth of the developing countries and required urgent and effective measures on the part of the international community.

Global negotiations a priority

19. In this context, the Ministers reaffirmed that the round of global negotiations remained the appropriate framework for dealing with world economic and development problems in a coherent, integrated and simultaneous manner and that it constituted a priority objective of the developing countries. Thus, they demanded its rapid launching and called upon the developed countries that have obstructed the consultations towards this end to cooperate in this effort in order to contribute to the early establishment of the New International Economic Order.

20. The Ministers noted with concern that the deterioration of the international economic situation has seriously affected the countries of Latin America and the Caribbean as was reflected in the fact that for the first time in 40 years the region is experiencing a negative economic growth rate, that the average inflation rate in 1982 had attained the unprecedented level of 80 percent, that the traditionally high levels of unemployment have risen further and that conditions of abject poverty have substantially worsened.

21. The Ministers noted that the main factors responsible for this critical situation confronting Latin America included the sharp drop in the prices of the commodities exported by the region, some of which, in real terms, are below the lowest point they reached in the 1930s; the United States' policy of disposing of a part of its strategic reserves of raw materials and commodities such as tin on the world market, which negatively affects the commodities market; the prevailing high interest rates; and the increase and diversification of protectionist measures, especially the non-tariff barriers imposed by some developed countries. The Ministers also noted that the consequent reduction in foreign exchange earnings of the countries of the region made it difficult for them to meet their foreign debt servicing payments and to vigorously pursue their development policies. Therefore, they reiterated the need for the governments of the developed countries to take effective and urgent measures to do away with such

policies and practices, that harm trade, and to promote the attainment of satisfactory results in forthcoming multilateral negotiations. The Ministers recognized that the UNCTAD [U.N. Conference on Trade and Development] VI, to be held in Belgrade, Yugoslavia in June 1983, would present a new and major opportunity to focus attention on the problems of trade and development and to look for solutions to these problems. In this context, the Ministers stressed the importance of maintaining a common negotiating position among the developing countries, within the framework of the Group of 77, to contribute effectively to the successful outcome of UNCTAD VI.

Possible renegotiation of debt

22. The Ministers noted the unprecedented increase in the amount of foreign debt of the developing countries and observed that Latin America's foreign debt was particularly serious because of its enormous amount—more than \$300 billion, or nearly half of all the foreign debts of all the developing countries. Its phenomenal growth and the sustained worsening of its conditions are reflections of the irrationality of the present international economic order; of the cost to the developing countries of adjustment policies which some developed countries are applying in an attempt to overcome the crisis; of the reduction of the flow of multilateral assistance on concessionary terms; and, especially, of the financial policies of some of the major developed countries. In this regard, the Ministers took note of the initiative to study the possibility of renegotiating the foreign debts of the Latin American countries as a whole, within the context of the ongoing efforts of all developing countries to ensure a comprehensive and equitable multilateral framework for the settlement of the debt problems of the developing countries.

26. The Ministers reaffirmed the increasing importance of economic cooperation among developing countries, which is a basic part of the effort they are making to establish the New International Economic Order and to promote a strategy of collective self-reliance. In this regard they considered as positive the role played by the Latin American countries in implementing the Caracas Program of Action for Economic Cooperation among Developing Countries and the progress made by the Latin American countries in promoting closer cooperation among themselves, emphasizing the role that the Latin-American Economic System (SELA) and CARICOM plays in this field as the representative economic forums of the region. On this regard, the Ministers took note of SELA's December 1981 Declaration of Panama, on the economic relations between Latin America and the United States; the same body's recent decisions concerning the adoption of a regional economic security system and the collective rejection of coercive economic measures; and the decisions adopted by the Latin American countries within SELA and the 17th FAO Regional Conference, held in Nicaragua in September 1982, on establishing a collective food security system and opposing the use of food as a political weapon.

From Ibero-America's press

The Ibero-American news media have given extensive coverage to EIR's charges that the Ditchley group of banks is creating a "creditors' cartel" against the Third World, and the National Democratic Policy Committee's campaign against it in the United States, as well as to the activities of other associates of EIR founder Lyndon H. LaRouche, Jr. in the sphere of economic policy.

Brazil's largest televised evening news broadcast, *TV Globo Mundo*, with an estimated 30 million viewing audience, ran a news segment on the NDPC's demonstration against the Ditchley Group outside their Washington, D.C. meeting Jan. 10, and detailed the LaRouche organization's charges.

Mexico City's daily *El Sol* Jan. 12 covered International Caucus of Labor Committees executive member Fernando Quijano's statements about the Ditchley meeting at a recent press conference he held in the Mexican capital. Headed "A Group of U.S. and British Banks Seek to Strangle Third World," the article quotes Quijano's statement that "the Ditchley Group hopes to prevent the international debtors from forming a cartel that would enable them to impose collective renegotiation of the debt."

El Sol also noted that NDPC leader LaRouche will go "before a federal court tomorrow" to see "that the bankers of the association are brought to trial for violation of the anti-monopoly Sherman Act of 1890 and Clayton Law of 1914, which not only prohibit the restriction of commerce, but also conspiracies to bring about that restriction."

Another Mexico City daily, *El Diario*, also covered the Quijano press conference under the head, "Attempt to Cut Off Credits to the Third World Denounced."

Radio Universidad, Mexico City's favorite radio program among intellectuals, Jan. 12 read the entirety of a five-page NSIPS release detailing the bankers' conspiracy on its prime-time 8 a.m. broadcast.

Peru's *El Observador* Jan. 12 reproduced in full the NSIPS release under the headline, "Sinister Plot Against Debtor Nations Denounced."

The widely viewed *7 Days* news program of the Mexican government television station, Channel 13, counterposed the NDPC proposals for "great development projects for the Third World," to their coverage of what the Ditchley creditors' cartel scheme would do to the developing sector.

El Sol and another Mexican daily, *Excelsior*, covered the Mexican Labor Party's protest against the upcoming visit of the Queen of England to Mexico, and referenced the Ditchley crowd as just one manifestation of Britain's neocolonialist policies against the developing sector.

Other newspapers put into print a recent interchange between an *Executive Intelligence Review* correspondent in Bogotá, Carlos Cota Meza, and David Rockefeller, on the sub-

ject of possible joint Ibero-American action on the debt question. Both major Bogotá dailies, *El Tiempo* and *El Espectador*, picked up the story, as well as the Brazilian newspaper *O Globo*.

Mexico's *El Sol* gave lengthy coverage to a joint press conference given by European Labor Party leader Uwe Friesecke and Mexican Labor Party leader Marivilia Carrasco upon Friesecke's return from a tour of Jalisco and Sonora states. Friesecke was quoted as refuting former West German Chancellor Helmut Schmidt's statement made in Mexico in the recent period that the solution to the economic crisis was enhanced powers for the International Monetary Fund.

Mexico's largest-circulation newspaper, *Excelsior*, Jan. 10 focused its coverage of Friesecke's statements by noting his warning about the possible disintegration which will occur if joint action is not taken.

At least six regional newspapers in Jalisco, Sonora, and Monterrey also played up Friesecke's remarks.

The Mexican daily *El Sol de Mexico* published an op-ed on Jan. 19 by Eugenio López Anteaga quoting substantially from Lyndon LaRouche's article published by *EIR* last Dec. 29 entitled "Prospects for Early Implementation of 'Operation Juárez.'" "

At a press conference in Washington, D.C. on Jan. 14, *EIR* founder Lyndon LaRouche spoke to Renato Bittencourt of the Brazilian magazine *Visao* and Enrique Durand of Spanish UPI about the current world financial crisis and the role Ibero-America can and must play.

The world has been in a breakdown financial crisis since about August 1982, when the Mexican debt crisis blew up, LaRouche stated. In December, the Morgan crowd decided to go for a collapse scenario. Their plan is the following: Bring about some degree of a general collapse around March or April 1983, but certainly before the May OECD meeting in Williamsburg, Virginia. There they hope to implement a new Bretton Woods, to establish an IMF supranational dictatorship whose power over the world economy will be relatively greater than that which the Federal Reserve exercises over the U.S. economy. The Ditchley Group meeting on Jan. 10-11 was not some kind of super-conspiracy, but only a "stalking horse" for their overall goal.

He continued, "In my view, only a debtors' cartel can force the necessary monetary reorganization, which is in the benefit of both the North and the South. This cartel, obviously must function *before* the crisis occurs." So there are only a few weeks left before March 1, in which to force the convening of an emergency conference to create a New World Economic Order, despite the scheduled Williamsburg conference. The problem is the tendency to postpone such necessary decisions to make them fit into existing diplomatic schedules—as the Non-Aligned, Group of 77, and UNCTAD, meetings, he said.

"In Ibero-America, probably the Latin American Economic System [SELA], aided by discussions in the OAS, is one way to force the case," LaRouche emphasized. A group

of nations of the continent must unite to form a debtors' cartel, and then tell the advanced sector: "We won't go bankrupt and be destroyed; why should you?" This muscle must then be used to reverse the world monetary situation, re-establish the role of gold, and then sit down to seriously negotiate a new credit policy centered on great projects.

Visao commented that Brazil is now negotiating with the IMF. "Is this wrong, and will it bring negative consequences?"

First let's look at the IMF's policy, said LaRouche. Their concern is to prevent a collective debt renegotiation with Ibero-America, and so they are insisting on dealing with countries on a case-by-case basis. Through negotiations they want to weaken Brazil, Mexico, and Argentina, so that these countries cannot form a debtors' cartel. Once they are divided and weakened, they will be crushed, "but first, they must lure them into quietude." So case-by-case negotiations in themselves weaken Brazil, but some Ibero-American leaders may be playing sly games. For example, LaRouche said, he is sure that Planning Minister Delfim Netto knows what he is up against. "In summary, if the IMF policy is adhered to, yes, Brazil is doomed, it is destroying itself. If it is a tactic, however, then we must evaluate it."

Mr. Durand of Spanish UPI stated that the major nations of Ibero-America have all publicly rejected the idea of a debtors' cartel; LaRouche shot back that they are required to say that. They will not announce that they are for a debtors' cartel until they have actually formed it. For example, he said, his intelligence bureau has received a report that Mexico's finance minister recently sat down to drink and talk with a group of reporters, told them what he was about to say was 100 percent off the record and shouldn't get out, (which of course guaranteed it was all around the world within 15 minutes, LaRouche added), and then said that he had been besieged by Brazilian and Argentine officials asking to discuss debt coordination. "So you should never believe in the sincerity of politicians, at least not intelligent ones."

They will keep saying no until they do it, or they will let Peruvian diplomat Alzamora, the head of SELA, say it. They will have the press cover it. "The idea of a debtors' cartel is like a drum beat, it builds up. And of course I am the center of the issue. I know it will work," LaRouche asserted. "That's why Henry Kissinger and others pressure people not to meet with me. That's why State Department operative Jack Muth threatened Bogotá trade union leaders not to work with me."

Mr. Bittencourt wanted to know about Spain. Mr. LaRouche replied that he hopes the Spanish connection to Ibero-America works. He was just in Madrid, he noted, and had the opportunity to talk to a number of people there: some of Carlos Andres Perez's friends, some of the Blues (a conservative group), and others. He described Spain as the proper interface between Europe and Ibero-America, which can thus play a special role. Despite the Socialist International, he expressed hope that the change in government in Spain will help, and the positive influence of Perez and Echeverria might be felt. This way, "Spain can play a crucial, contributing role in the political processes" of Ibero-America.

Andropov plays a Middle East card in bid to secure arms control

by Judith Wyer

The communiqué issued Jan. 14 following talks between Palestine Liberation Organization (PLO) chief Yasser Arafat and Soviet leader Yuri Andropov registered a first, cautious Soviet nod of approval for a scheme of confederation between a future Palestinian state and Jordan. Despite the inclusion of the usual anti-American rhetoric, the positive reference to confederation as a means to solve the Palestinian problem was read in Washington as a sign that Moscow may be prepared to make certain strategic concessions to the U.S.A., beginning in the Middle East, as a trade off for resuming arms talks.

The clause in the communiqué which caused such a stir in western diplomatic circles read: "Yasser Arafat also noted that the PLO comes out for the establishment of relations of confederation on a voluntary basis between the independent Palestinian state after its creation and Jordan. The Soviet side showed an attitude of understanding to this position of the PLO leadership."

Less than one month before Jordan's King Hussein had held talks with President Ronald Reagan in Washington, the subject of a confederated Palestinian-Jordanian state was a top agenda item. George Shultz's State Department is currently looking for a diplomatic means to simultaneously create an independent Palestinian state, presumably satisfying the Arab world, and confederating it to Jordan, side-stepping the persistent Israeli refusal to negotiate an independent Palestinian state.

Until Andropov's meeting with Arafat, Moscow had taken a firm public stance against Palestinian confederation with Jordan, damning it as part of Washington's Camp David framework.

Linkage again?

The sudden Soviet signal on confederation strongly suggests that the geopolitical game of "linking" certain strategic issues and hotspots to arms negotiation is again in fashion.

This is nothing new. Historically, the Middle East has been a bargaining chip in arms talks. Henry Kissinger, Shultz's closest foreign policy adviser, began this process in the early

1970s. Through Kissinger's manipulation, Moscow was induced to give up its alliance with Egypt in order to secure an arms treaty. Immediately thereafter, Kissinger sealed the first phase of the Egypt-Israel agreements which were to evolve into the Camp David Accords.

Making the gesture of another concession in the Middle East, Moscow helped Shultz to "deliver" President Reagan on arms negotiations.

A colleague of Shultz predicted recently that in the "process of arriving at a new arms limitation treaty, an array of global settlements" would be achieved. The source insisted that Shultz sees a series of tradeoffs between the superpowers coming both in the Middle East and Southwest Asia, adding up to what David Rockefeller in 1978 referred to as a "New Yalta" plan. The Mideast would in effect, be carved up between the big powers as were the Balkans and Southern Europe after world War II.

The doublecross factor

While George Shultz, Henry Kissinger, and their game-masters in London may think that they can once again play the linkage game with Moscow, Andropov may be prepared to turn the tables and gain much more than just a new arms limitation treaty.

Shortly after the Israeli invasion of Lebanon in June 1982, *EIR* warned that the Soviets were preparing to replace the U.S.A. as the dominant superpower in the Middle East, unless the United States began to act like a superpower and contain both Israel and Khomeini's Iran. The U.S.A. could become completely discredited in the Arab world by further Washington failure to restrain the expansionist Begin regime in Lebanon, and on the occupied West Bank, which Israel is, in effect, annexing.

While Moscow is making its conciliatory gestures in the Middle East, it has quietly begun to pursue contacts with a number of strong U.S.-Arab allies, including Egypt and certain Gulf states. More significantly, Moscow has established covert ties to the Begin regime, going back to the 1981 meeting between Israeli Foreign Minister Yitzhak Shamir

and his Soviet counterpart Andrei Gromyko at the United Nations. Israel's open defiance of Washington has become Moscow's greatest asset as it quietly establishes the basis for future relations with America's closest Arab allies.

Britain has offered Moscow an alliance, in its own bid to push U.S. influence out of the Mideast. London has not hidden this objective since the rift between Washington and London developed in early 1982, with the spy scandal in which Geoffrey Arthur Prime was accused of leaking sensitive NATO intelligence to the KGB.

Last month, the London-based *Middle East* magazine boasted of "British intelligence coups in the Middle East" at the expense of the United States and affirmed that London is reasserting its old colonial mandate, beginning in Jordan.

Both Andropov and British Foreign Minister Francis Pym are now voicing an identical criticism of U.S. Mideast policy, namely that it is calculated to divide the Arab world.

Britain, like Israel, is an obstacle to the confederation scheme. The Thatcher government has refused to receive an Arab League delegation as long as a representative of the PLO is included. Britain is one of the five permanent members of the United Nations Security Council, which has been delegated by the September Arab League summit at Fez, Morocco to participate in future Middle East talks.

Britain's refusal to receive the Arab delegation came after it had already visited the other four permanent members, including the United States, with the PLO representative along. The British have thus dealt a setback to the Fez plan, the first peace plan which virtually eliminated the entire Arab leadership, yet is compatible with the Jordanian-Palestinian confederation scheme.

It is no surprise that London was informed of Andropov's concessionary nod to confederation well before Arafat's visit. The lead story in the London *Economist Foreign Report* of Jan. 6 anticipated this move when it reported that Jordan's King Hussein had informed the White House during a December visit that the "Soviet Union might not object to a Palestinian entity, associated with Jordan, in the West Bank and Gaza—if it were to be nonaligned in any superpower strife."

Filling the vacuum of power

Egyptian President Hosni Mubarak issued a statement Jan. 17 charging that continued White House refusal to pressure Israel to withdraw from Lebanon is making it "awkward" for Arab governments like his which are strong U.S. allies. Mubarak's declaration is not unusual. Both Saudi Arabia and Lebanon's new government of President Amin Gemayel have sent similar warnings to the White House.

Nonetheless, the executive branch has taken no meaningful action to discipline the Begin regime. The Congressional vote to increase aid to Israel last month only worsened the image of the United States in the Arab world.

For the time being Moscow and London appear to be

working together. Jordan's King Hussein has taken on a critical role in this Anglo-Soviet cooperation.

Britain has developed to a fine art the manipulation of King Hussein, whose Hashemite Dynasty was a British creation. Britain has pledged to the Jordanian monarch that his payoff for going along with the British will be the Haijazi province of Saudi Arabia, the so-called dynastic claim of the Hashemites—and with it the holiest of all Islamic shrines at Mecca.

During the past six weeks, a coalition of ultra-leftists and Muslim extremists calling itself the Popular Front for the Liberation of the Arabian Peninsula (PFLAP) has mobilized to stage an upsurge in Mecca and challenge Saudi rule to the Holy City. Both the KGB and British intelligence share control of the PFLAP, which is being armed by Khomeini's Iran and Qaddafi's Libya.

The Soviet press departed from its usual silence on Saudi Arabia earlier this month when Moscow's Arab-language Radio Peace and Progress relayed its backing for the PFLAP's Human Rights Committee on Saudi Arabia. Only days before, the Iranian press had supported the Human Rights Committee on its charge of Saudi "repression" against the pilgrims in Mecca. The next day the same program broadcast a statement by a leader of the Khomeini-allied Bahrain Liberation Front (BLF), a challenger to the monarchy of Saudi Arabia's neighbor Bahrain. The BLF was created by the British Special Air Services Units, which still dominate certain Gulf states like Oman.

When the Arab League delegation visited Moscow in September, Saudi Foreign Minister Saud al Faisal was included, making him the first official Saudi visitor to Moscow in decades. Saud held a private meeting with his Soviet counterpart Gromyko, and *Pravda* prominently featured photos of the Saudi with Gromyko. Since then the People's Democratic Republic of Yemen (PDRY) a small "Marxist Leninist" satrapy in the Arabian Peninsula, has begun a new round of talks towards normalization of relations with its neighbor and rival, Oman, a tiny oil sheikdom run as a virtual British colony.

During his meeting with the Arab League delegation, Andropov noted the similarities of the Fez summit peace plan and the Soviet Middle East peace plan. Since then, Moscow has stepped up propaganda into the Arab world. On June 15, Moscow radio in Arabic issued a strong call for Soviet involvement in the Middle East peace process. The broadcast took special note of the fact that, "Sabah al-Ahmad al-Jabir as-Sabah, the Kuwaiti foreign minister, frankly stated recently that the comprehensive and just settlement of the Palestinian question is impossible without the participation of the Soviet Union."

Eventually, Moscow could establish official relations with all the Arab Gulf states. Already, in early January, Anatoly Gromyko, the son of the Soviet Foreign Minister, visited Egypt to probe prospects for renewed relations.

Mitterrand disrupts Moscow's Mideast game

by Mark Burdman in Wiesbaden

The government of French President François Mitterrand has launched a broad diplomatic offensive in the Middle East which is impeding the efforts of London and its U.S. State Department allies to impose a "New Yalta." This New Yalta scheme, associated with Lord Carrington, envisions an Anglo-Soviet "spheres of influence" agreement dividing the region.

An anxious British press has begun to comment on the consolidation of a new Paris-Baghdad-Cairo axis. Paris has become the venue for negotiations between Egyptian Minister of State for Foreign Affairs Butros Ghali and Iraqi Vice President Aariq Aziz on the resumption of bilateral relations, which were broken after Egypt signed the Camp David Treaty with Israel in 1979. Also negotiated were protocols for expanded Egyptian-Iraqi military cooperation against the British-created Khomeini regime in Iran, with which Iraq has been at war since late 1980.

Mitterrand's bid to strengthen France's political and economic position in the Arab world is a fight for survival for France. The French economy is to a great extent leveraged on its growing trade with the Arab world. Not only that, but surplus oil-producing states like Saudi Arabia have extended billions of dollars in credits to France, most recently a \$4 billion Saudi loan enabling France to defend the franc on the currency markets.

The Mitterrand government has been discussing with Iraq a proposal to sell upwards of \$20 billion in military hardware. France is accepting partial payment for arms purchases in oil. But Paris is also reportedly working on a "global plan" to finance these arms purchases, establishing an open credit line to Iraq.

Financial aid for Iraq was also reportedly discussed by Paris Mayor Jacques Chirac, leader of the RPR opposition, during his just-concluded trip to Washington and New York.

A related element in the French Gulf diplomacy was revealed Jan. 17 by a Kuwaiti general, who announced that Kuwait (a traditional British stronghold) had just concluded a large deal for the purchase of French jet fighters, possibly preparatory to a purchase of shares in the future production

of Mirage-2000 aircraft. The faction in the Kuwaiti leadership pushing for a "French connection" is closely allied to Saudi Arabia and is believed to be responsible for breaking the story in November 1982 on Lord Carrington's and Henry Kissinger's involvement in illegal land purchases on the Israeli-occupied West Bank.

Within 24 hours of a Saudi-led Arab boycott of a mid-January visit by British Foreign Minister Francis Pym, French Defense Minister Charles Hernu was visiting the Gulf state, Oman, and French Foreign Minister Claude Cheysson touched down in Bahrain. Oman and Bahrain are heavily influenced by London.

Battle for Lebanon

In Lebanon, the Mitterrand government is using its established influence along with the United States to keep the Israeli Defense Minister Ariel Sharon from carving up Lebanon between Israel and Syria, and thereby consolidating control over one of the world's most lucrative centers of illegal drugs and gun-running. France has contributed a contingent of troops to the multinational peacekeeping force in Lebanon which is all that presently guarantees the unity of that war torn state. The Mitterrand government is also showing its preference for Israel's President Yitzhak Navon should he decide to become a candidate for Prime Minister in opposition to Menachem Begin. Less than one week after Navon made a 10-day visit to the United States and talked with President Reagan, Mitterrand issued an invitation to Navon to visit France.

Within days after Tariq Aziz and Butros Ghali left France, the Syrian Defense Minister Mustafa Tlas turned up in Paris for a week of official talks. Since the Henry Kissinger orchestrated outbreak of the Lebanese civil war in 1975, Syrian-French relations have badly deteriorated. The regime of Syrian President Hafez Assad has come under the control of Kissinger and his British paymasters.

But now Assad is worried that London is preparing his ouster, in order to bring in an Islamic-Marxist leadership as part of the projected "New Yalta" Anglo-Soviet deal. Assad is said to fear a military coup, and for that reason is keeping his troops "busy in Lebanon." There is speculation among European diplomats that Assad may be looking for new friends in Europe, starting with France.

France needs Washington

As vigorous as French Middle East diplomacy is these days, France alone does not have the muscle to undermine the New Yalta plan which Carrington and his allies in Moscow are plotting. If the White House does not intervene into the Middle East to bring about a peace agreement and restrain Israel, those uneasy collaborators, London and Moscow, can take control of the region and the oil it exports, giving them a stronghold over the world economy . . . something France is now fighting to prevent.

Soviets and Social Democrats out to neutralize Germany – and Reagan

by Konstantin George in Wiesbaden

Led by W. Averell Harriman himself, the Anglo-American foreign policy elite has raised its voice to demand that a “deal” be struck with Soviet leader Yuri Andropov “while the opportunity lasts.” The deal is the neutralization of Western Europe, with a neutralized West Germany as its centerpiece; it has been publicly called for by Harrimanite former U.S. ambassador to Moscow Charles Bohlen, and also by Walt W. Rostow, the Lyndon Johnson-era national security adviser whose major accomplishment of that period was the Vietnam War policy.

The Harrimanites calculate that they have six months to bring this deal off.

The six-month figure is not arbitrary, for as Harriman and his followers repeatedly stress, “the opportunity will not last forever.”

Top French sources confirm this time frame. As one of them expressed it, “Soviet generals have given Andropov six months to deliver on the Finlandization of Europe. . . . Ustinov [the Defense minister] and Orgakov [chief of staff] allowed him in, despite their differences.” The same sources stressed the continued vitality of Andropov’s opponents, led by the Chernenko group in the party, which includes Politburo members Romanov (the Leningrad party boss) and perhaps also Kunaev, the party boss in Kazakhstan. The recent TASS wire attacking the Pope in strident terms is seen by French intelligence sources as having been planted by the Chernenko crowd to keep alive the theme of possible Andropov and Bulgarian secret-service involvement in the attempt to assassinate John Paul II. This Chernenko operation targeting Andropov is already being christened “Sofiagate.”

1953: Beria-Malenkov, 1983: Andropov

In terms of striking a “deal” with the Soviets, the Harriman crowd sees the current situation as paralleling the spring of 1953. While Stalin was alive, Winston Churchill stoutly resisted the idea of U.S.-Soviet rapprochement. Immediately after Stalin’s death on March 6, Churchill demanded that President Eisenhower strike a deal for a reunified, neutralized Germany with Stalin’s successor Georgii Malenkov and KGB chief Lavrenti Beria, two of the worst pro-British scoundrels in the heavily factionalized Kremlin hierarchy. Beria and Malenkov, like Andropov now, required a deal to consolidate their shaky hold on power.

The warnings to President Reagan by anglophilic spokesmen not to repeat “Ike’s mistakes” are a clear ultimatum to the White House. Walt Rostow was explicit in his recent statement that “Ike’s mistake was not to take up British suggestions to have a summit [with Malenkov]. . . . Now, again, timing matters. . . . The opening won’t last long.” Charles Bohlen on the same theme: “We should have gone along with Winston Churchill’s appeal in the spring of 1953 for a summit conference. . . . This would have been very fruitful and might easily have led to a radical solution in our favor on the German question.” A deal with Andropov is also being pushed by Helmut Sonnenfeldt and William Hyland, both Kissinger operatives. It is widely acknowledged by U.S. journalistic sources that Secretary of State Shultz and his number-two man, Kenneth W. Dam, share these views.

Sources close to the White House report that the pro-British networks controlling Vice-President George Bush, who is the son of Averell Harriman’s banking partner Prescott Bush, are moving the Reagan administration through a combination of blackmail and internal chaos. This network, which includes George Shultz, U.S. Ambassador to Bonn Arthur Burns, and Reagan’s Geneva negotiator on the Euromissiles, Ditchley Foundation board member Paul Nitze, is working behind Reagan’s back to secure U.S. withdrawal from Western Europe.

Reagan is under intense pressure to decide whether he will run for President again. White House Chief of Staff James Baker III, a loyalist to presidential aspirant George Bush, is trying to convince Reagan that it is “politically impossible” for him to run. The theme of “disorder in the U.S. administration” and “Reagan at all-time low” has now surfaced in the Anglo-American press. Baker has also called for further defense budget cuts, following the \$8 billion in cuts announced in January, when Reagan was forced for the first time to agree to military cutbacks because his “closest friend” in the Senate, Paul Laxalt, abandoned him on the question.

Should Mr. Reagan decide not to run, he would instantly be reduced to a lame-duck President. The administration, by default, would fall into the hands of Harrimanite Bush and George Shultz. The elevation of Bush will occur around his Jan. 30 trip to seven European nations, where he will discuss Andropov’s arms-control proposals. Bush is already being

characterized as a "reasonable" man who can deal with the Soviet chief, in contrast to Reagan. One Munich source commented bitterly, "Bush will soften up Europe for Andropov. It looks like Europe has already been delivered" to the British strategists and Moscow.

Reunification at any price?

If one took as a yardstick the words and actions of Social Democratic Chancellor candidate Hans-Jochen Vogel and his leading adviser, parliamentarian Egon Bahr, one would have to concur. Influential circles throughout Europe were struck, though not always surprised, at how Vogel and Bahr were treated in Moscow—as if they were already in power. Andropov's meeting with them was a record two and a half hours, the most time he has devoted to anyone including heads of state. The session included a 15-minute, totally private tête-à-tête between Andropov and Vogel. Other Moscow signals quickly followed. In addition to fulsome praise of the visit in the Soviet media, TASS devoted a separate wire to the theme of the virtues of an article Bahr had just published above his signature in the Social Democratic Party's newspaper *Vorwärts*, in which Bahr hails Andropov's proposals as "sensible and quite justified."

According to high-level sources in Bavaria and Switzerland, Bahr represents a crowd of Thuringians and others who have a high stake in reunification. Bahr is further identified as one of the most powerful men in Germany. Bavarian observers fear that an SPD-Green Party coalition will be the outcome of the March 6 national elections—which would enable the Federal Republic to consolidate the deal with Andropov. Swiss sources say nervously, "Pym and Genscher are supporting Andropov. But the most dangerous figure in Bahr. He wants reunification at any price, and he tells Vogel what to do." In the early 1970s, Bahr worked closely with Henry Kissinger and Willy Brandt on their version of *Ostpolitik*. With all these facts in mind, it ought not be surprising that, directly after the Moscow visit, when Vogel went to Paris to meet President Mitterrand, the anti-arms-control French excluded Bahr.

On Jan. 13, Vogel gave a Bonn press conference which confirmed the convergence of his views with Andropov's. "The Soviet Union is waiting for the West to answer," he said. "Our goal is the radical reduction of Soviet medium-range missiles that would prevent deployment of American missiles here. . . ." The capper: "French and British missiles . . . should be part of the calculation factor."

According to defense and intelligence sources, the "neutralize Germany" operation is also linked into leading elements of the southern German oligarchy and their extensions in Switzerland and Austria. According to these sources, Ambassador Burns is working with family interests such as the Thurn und Taxis group in Regensburg, through meetings of the so-called Finance Club of Munich. Recent meetings of that group were attended by Henry Kissinger, currently a partner in the Kissinger Associates consulting firm with Brit-

ain's Lord Carrington.

These figures are said to be operating on a "Mitteleuropa thesis" which would bring a reunited, demilitarized Germany into close ties, à la Finland, with the East. In their thinking a new partition of Poland is not excluded at some point in the future. A certain rethinking on the "German question" is under way in the Soviet Union, beyond what occurred around the Vogel-Bahr visit. The Western press reported Jan. 14 that Brezhnev ally Valentin Falin, the Soviet ambassador to West Germany in 1971-78, and one of the key policy makers on Germany in the U.S.S.R., has been dropped from

The Harriman crowd sees the current situation as parallel to the spring of 1953. While Stalin was alive, Winston Churchill stoutly resisted the idea of a U.S.-Soviet rapprochement. Immediately after Stalin's death on March 6, Churchill demanded that President Eisenhower strike a deal for a reunified, neutralized Germany. Now, in tandem with West German Social Democrats Egon Bahr and Hans-Jochen Vogel, the Harriman group seeks to turn over a demilitarized Mitteleuropa to the Andropov sphere of influence.

his function as Central Committee chief for international information. The Soviet official in the Foreign Ministry who handles China, Mikhail Kaapitsa, and his counterpart for U.S. affairs, Viktor Kompektov (who was at the Vogel-Bahr-Andropov talks), were elevated to the post of deputy foreign ministers.

All factional hell is meanwhile breaking loose in East Germany, where Socialist Unity Party Secretary Erich Honecker is reportedly locked in a struggle with Stasi chief Mielke, an Andropov ally. Honecker, a Brezhnev supporter, knows that he and his allies in the ruling party are expendable as sacrifices on the altar of an Andropov deal with the British and the Bahr faction.

Morgenthau Plan returns to West Germany, vaunted by left and right 'green fascists'

by Rainer Apel in Wiesbaden and Mary McCourt

Since the government of Chancellor Helmut Schmidt was toppled Oct. 1, the conspiracy to destroy West Germany—and the rest of Western Europe along with it—as an advanced industrial nation has been moved forward so rapidly that it is now public policy.

"The Morgenthau Plan is being carried out in Germany today, 40 years after it was first formulated," European Labor Party Chairman Helga Zepp-LaRouche, a candidate for parliament in the March 6 elections told *EIR*. The Morgenthau Plan, devised by the same Anglo-American bankers who had supported Adolf Hitler's Finance Minister, Hjalmar Schacht, even before World War II was over, intended to demolish German heavy industry, flood the coal mines, and turn the country into a huge pasture fit only for cows and peasants.

"My opponent, CDU Labor Minister Norbert Blum, is proposing that the German steel industry be 'nationalized.'" Zepp-LaRouche stated. "This means that Thyssen would take sole control of whatever production and market still exists for steel in Germany—where production is now at less than 50 percent capacity. The rest of the industry will be shut down, throwing millions more out of work. The worst is that the current election campaign is being conducted with no discussion of economic policy. Both major parties, the CDU and SPD, have studies showing that, if the crisis is not reversed, unemployment will reach 5 or 6 million in the coming period. Because they have no policies to deal with this disaster, they have refused to publish the studies. Unemployment in Germany as a whole was 6 million when Hitler came to power in 1933.

"This is not only national suicide for Germany. This means the destruction of European civilization. Recently, Green Party leader Rudolf Bahro stated that the Federal Republic must be neutralized, and that the trends of the past 10,000 years must be reversed—that means every advance civilization has made. The churches will play a key role in the process, Bahro claimed. The churches, the unions, the media are creating the same conditions that existed before the Nazi takeover."

As *EIR* stated in October, the government of CDU Chancellor Helmut Kohl has been a transition to a new fascist government, this time to be led by an alliance of the Social Democrats with the green movement. The rapidity with which the German economy collapsed during the final quarter of 1982, far exceeding the rate of collapse of the U.S. economy, has totally discredited Kohl's government, opening the way for an SPD-Green coalition government after the March 6 elections.

The SPD's chancellor candidate is Hans-Jochen Vogel, a Commander of the Order of the British Empire. Vogel has proposed an "international solidarity pact against unemployment," which essentially means that West Germany will eliminate its productive industrial capacity, and shift to a "sunrise" economy, creating "new" jobs in public works programs and so forth. The Third World will be allowed to retain whatever heavy industry it has—in its most labor-intensive form—but all "Third World development" will shift to light industry and small-scale projects.

Former Chancellor Helmut Schmidt, in 1978 the architect of the anti-British European Monetary System with former French President Giscard d'Estaing, is now lending his international reputation as a statesman to voicing the policies of the IMF. Schmidt is presently touring Mexico and visiting the coordination committee of the Non-Aligned movement in Nicaragua, where his influence can be used to divert the Non-Aligned from focusing on an essential new world economic order. Opposition to population growth, one of Schmidt's long-term fatal flaws, has become his point of intersection with the same oligarchic policy-makers who forced him out of office in October. "The explosion of population growth represents the biggest threat of pollution of the world," Schmidt stated in a recent interview with the *Frankfurter Rundschau*. Nations like India, China, and Brazil, says Schmidt, justify their industrialization plans by citing the need to feed large populations, and because these nations are unable to afford anti-pollution devices, massive destruction of the environment will result.

This formulation comes directly from the same international financial oligarchy which established the elite World Wildlife Fund. Britain's Prince Philip, leader of the WWF, made an international tour last summer to coordinate a campaign against development projects in exactly those nations targeted by the IMF.

CDU Minister of Development Policy Jürgen Warnke has called for drastic measures against the "destruction of nature by big projects in the Third World." His ministry declared an exemplary cut of capital aid to India, because of that nation's "too ambitious armament policy," setting a precedent for carrying out the Brandt Commission formula that the "arms race" in the Third World is the primary reason for those nations to seek financial aid, and debt would be cut drastically if this military expense were halted.

Two policy options are now being prepared for West Germany to ensure that this Morgenthau Plan attack on its own advanced industry, and any decoupling from commitment to develop Third World industry are carried out. The first, "left-wing" option was formulated for Vogel by C. Fred Bergsten's International Institute of Economics (IIE) in Washington, D.C., which met in London during Henry Kissinger's October travels in Europe. Vogel adviser Karl Schiller supervised the formulation of the blueprint for the Dec. 12-14 Ottawa Brandt Commission meeting, which called for Third World debt rescheduling in the context of upgrading the IMF and World Bank. Part of the plan called for an "expansionist policy," described by Hamburg weekly *Die Zeit* publisher Dr. Gerd Bucerius as a plan to revive Keynesianism in the United States, Great Britain, Germany, and Japan.

The German side of the "solidarity pact" was laid out in a second blueprint by the Schiller-led IIE meeting. This calls for Germany, while demolishing its productive heavy industry, creating jobs in the so-called future industries of telecommunications, plastics, and so forth, and in the "big growth branch of the future: protecting nature." Readjustment to these future industries means lowering pension ages, shortening work time, and, primarily, lowering wages for "labor sacrifice for the community."

Vogel, in alliance with the labor movement, is seen as the candidate best able to push this program through in West Germany. In addition to Schiller, Vogel's campaign staff includes Prof. Krupp of the monetarist DWI economics institute and Carl-Friedrich von Weizsäcker, the German equivalent of Bertrand Russell.

Former head of the German Trade Union Federation Heinz-Oskar Vetter, who in a Dec. 29 interview made available to *EIR* threatened that the unions would join the green and peace movements in mass violence if unemployment is not stopped, is demanding that levels of development be equalized between North and South, i.e., that all technological advances be halted. Vetter is claiming that German labor is "fully willing" to abstain from any wage increases for

years, if such a step is necessary to create more jobs.

What Vetter did not mention is that he is one of five German trustees at the Anglo-German Foundation for Studies of Industrial Society, the British complement to the American German Marshall Fund (see *EIR*, Jan. 25). Other German trustees include Joachim von Oertzen, the director of Siemens, A.G.; Sigismund von Braun of the Inter-Alpha banking group and a member of the Italian Freemasonic lodge Propaganda-2; W. A. Mene, formerly of I. G. Farben, and C. C. von Weizsäcker, a nephew of Vogel's adviser.

The president of the Anglo-German Foundation is none other than Prince Philip, also of the World Wildlife Fund.

The foundation, according to a source, had held a conference on "labor-related questions" earlier in 1982, and that they were concentrating their efforts on studying "job creation in communal protection-of-nature or infrastructure renovation programs," and "new technologies and their effect on the employment situation."

The other area of investigation is the so-called black economy, which, according to the Institute, "although usually viewed as a negative aspect of economic life, does represent a sector of economic freedom. The official unemployment figures do not tell the full truth, because more and more people are dropping out of normal work, and work in socially useful, but unrecognized areas, because they do not want to pay taxes. . . ." As *EIR* has documented in the United States, most of these "unrecorded unemployed" exist in the huge illegal drug economy.

The second option now being prepared for Germany is centered around the "right-wing" Mont Pelerin Society, with ties to the CDU and Kohl government. This grouping includes Cologne University economics professor Christopher Watrin, who first published the aims of the Ditchley Group in Germany in October 1982. Watrin, vice-chairman of the Economic Advisory Council to the Bonn Economics Ministry, was a prominent participant in the October conference of the Dominican Order held at the Vatican. The conference launched according to one source, "a crusade against German industrial ventures in Latin America . . . to fight Marxist planned economy" promoting "small is beautiful" projects and a stronger role for the IMF.

Another center of the right-wing post-industrialists is the IWG institute run by Dr. Miegel, former chief of the Christian Democrats' national political department who operates in Georgetown/Aspen Institute circles. In collaboration with the London-based Policy Studies Institute and the Friedmanite Center for Policy Studies, Dr. Miegel is on the attack against what he calls the "overpopulated" and "overindustrialized" Ruhr. "One must make the Ruhr unattractive to people, so that they will leave," he said, adding that such "socialist chimera" as modern health care, subsidized housing, and public transport should be eliminated in order to promote the "natural trend" of migration into "new industries" like communications.

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Italy's Fanfani fails to complete his task

by Umberto Pascali in Rome

A general strike of industrial workers paralyzed Italy on Jan. 17. According to many observers, the demonstrations that took place in the major Italian cities were the biggest in the last 20 years. Two hundred thousand workers marched in the streets of Milan, 100,000 in Rome. Large demonstrations also took place in Genoa, Bologna, Naples, and Turin. For many, this atmosphere of mobilization recalled that of 10 or 15 years ago, the period of the "hot autumn" of the trade unions.

But the situation now is quite different. Although the strikes took place without the major violence or clashes some expected, the labor unions in Italy are on the verge of splitting and being wiped out. A few days before the strike, the General Secretary of the Christian Democracy, Ciriaco De Mita, declared: "If someone sees in the demonstrations of these days the beginning of a new '68, he would be mistaken. If I were really thinking we were on the eve of anything, I would think of the eve of 1922"—i.e., the March on Rome of Benito Mussolini.

Despite DeMita's provocative use of the comparison, there is a deep truth in this evaluation. The ferment among Italian workers is an answer to the policy of ferocious austerity enacted by the government of Amintore Fanfani, who obtained the Prime Minister's chair in November after the sudden political defenestration of former Prime Minister Giovanni Spadolini. This was aggravated when the association of Italian industrialists, Confindustria, led by the Fanfani-linked Vittorio Merloni, launched a confrontation with the unions by refusing to discuss the renewal of contracts if the trade unions reject the proposed cutting of the cost of living escalator, one of the last guarantees of the survival of workers' families in the face of escalating inflation. The real reason why Fanfani was put in, as is becoming increasingly evident, was to provoke a situation of social confrontation that would lead to the dissolution of the trade unions and the creation of a hysterical mass anarcho-syndicalist movement to be deployed immediately afterwards in the form of the "peace movement."

This scenario was kicked off with a major restructuring of the terrorist groups. A few weeks ago the imprisoned head of the Red Brigades, Renato Curcio, issued a document claiming that the "struggle" no longer works in the way that it has existed up to now. Now it is necessary for the "revolutionaries" to enter the peace and mass workers' organization en masse to launch mass terrorism, Curcio proclaimed. Shortly thereafter, anarcho-syndicalist groups like Autonomia Operaia (Worker Autonomy) and the recently revived Democrazia Proletaria suddenly became more active.

In the two weeks leading up to Jan. 20, wildcat strikes exploded in many cities from Genoa to Palermo. Many of them were turned into occupations of train stations and highways. On Jan. 5, Interior Minister Virginio Rognoni, under direct orders from Fanfani, called in the three secretaries of Italian trade union confederations to tell them that the strikes had provoked an emergency of the public order. The next day, spurred on by the austerity measures but also by the provocations of the grouplets, wildcat strikes erupted everywhere. Finally, on Jan. 7 violent clashes between workers and police broke out in front of the government headquarters. The whole affair was an artificial set-up: Police had been ordered to attack no matter what happened.

In the meantime the head of the Socialist Party trade union confederation (UIL), Giorgio Benvenuto, declared that it was time to re-think the unity pact among the trade unions, citing the fact that no Socialist trade unionist had been able to speak before workers in the recent period without being forced to flee from a barrage of hostile slogans and rotten eggs. Workers have chosen this way to express their opinion of the support of the Socialist Party for Fanfani's austerity.

The general strike on Jan. 17, was supposed to be the rehearsal for Fanfani's union-busting strategy. In order to preserve "unity" the trade unions had decided that no speech would be held before workers and that the strike had to be "silent." Few workers were expected to participate, and, under those conditions, the anarcho-terrorists were expected to take over. But the unprecedented turnout superseded that scenario, and no grouplet was permitted to do anything.

An impasse with strategic overtones

Now there is a situation of objective "power vacuum," while the workers have shown their determination to resist austerity. This means that Fanfani didn't accomplish his job, despite the fantasies of some leading oligarchist spokesmen, like the president of Assicurazioni Generali di Venezia, the giant Venetian insurance conglomerate, Senator Cesare Merzagora, who had expressed in November his enthusiasm for Fanfani in *Corriere della Sera*. Significantly, in his praise for Fanfani Merzagora stressed that the diminutive Christian Democratic politician does not care at all about "American approval" as his predecessor Spadolini had, especially in his meeting with President Reagan.

Fanfani's austerity package was only a part of the policy

he was supposed to carry out. Well-informed sources in Rome have let it be known that Fanfani is crucial for a medium-term program to split Europe from the United States, in other words, the plan of Soviet chief Yuri Andropov, and Andropov's British co-thinkers. Despite his conservative profile, in fact, the present Prime Minister has always been an advocate of Europe as a "Third Force." After having been a young Fascist intellectual and a professor of Fascist Mysticism, after the war Fanfani joined the leftist current of the Christian Democracy, led by Dossetti, an admirer of the "British model." Dossetti opposed the policy of CD founder Alcide De Gasperi as "too pro-American," and he had close links with Eastern European countries.

In the 1950s the Dossettians had been part of the "peace movement" of that time. Fanfani's closest associate, the mayor of Florence, Giorgio La Pira, was one of the leaders of the so-called "Partisans for Peace" in Italy. This organization, part of the World Peace Council, had international offices in Stockholm and Prague. The other two Italian leaders were Socialist Riccardo Lombardi, a notorious British-Soviet intelligence agent, and Communist Pietro Secchia, more directly linked to KGB forces. Secchia was the first sponsor of terrorist nobleman Giangiacomo Feltrinelli, who created the first terrorist structures internationally in the 1960s and practically initiated all the terrorist groups in Italy. The connection of Feltrinelli (who died trying to blow up a power line near Milan in 1972) with Prague and the Soviet Union is also well known in relation to terrorist training facilities.

Fanfani and La Pira always enjoyed the best of relationships with the East. For example, it was La Pira who personally smuggled to the *New York Times* the text of the famous de-Stalinization speech by Khrushchev. La Pira received it in Florence from the hands of the Soviet Ambassador in Rome.

It is also interesting that Fanfani was one of the first Western leaders to meet Andropov, shortly after the Christian Democrat became Prime Minister, stimulating the hopes of the controllers of the peace movement, like professor Adriano Buzzati-Traverso, boss of Venice's Societe-Européenne de Culture (SEC).

Now the big project is falling apart. The new option for the "Venetians" is some kind of understanding between the Christian Democracy and the Italian Communist Party, with the aim of carrying out austerity and doing exactly what Fanfani couldn't do. The General Manager of Olivetti electronics company (a stronghold of the Venetian gang), Carlo De Benedetti, and his associate Bruno Visentini, are currently "testing" Communist Party General Secretary Enrico Berlinguer. Recently in a public debate broadcast by the TV station "Telequattro," De Benedetti asked Berlinguer whether the Communists would be able to carry out the "necessary austerity measures" more efficiently than Fanfani. Berlinguer basically responded: Try me! Since then the Communist leader has not missed a chance to contrast the old-style capitalists with the "enlightened entrepreneurs" like De Benedetti and Visentini.

Nakasone and Reagan to talk baseball bats

by Richard Katz

"Nakasone did what he set out to do," Johns Hopkins Professor Nathaniel Thayer said to *EIR*. Thayer had just met the day before with his old friend, Japanese Prime Minister Yasuhiro Nakasone, soon after the latter's meeting with President Reagan. "Nakasone wanted to establish a personal relationship with the President. He wanted to let people here understand the political problems that arise back home around issues like farm imports, and so forth. And, most of all, he wanted to let people here know that he—and Japan—are not 'the enemy.' He kept using the word 'teammate.'"

In return, Nakasone got what he wanted most: official statements of "appreciation" for his "personal leadership" on defense and trade issues from both President Reagan and U.S. Trade Representative William Brock. To be sure, both statements also insisted Japan must "do more." But Nakasone can still use them to tell opponents at home that he knows how to maintain good ties with the Americans, unlike his predecessor Zenko Suzuki. This, Nakasone hopes, will enable him to ride out the storm of opposition arising from his ties to Lockheed bribery defendant and former Prime Minister Kakuei Tanaka.

Aside from aiding Nakasone's political fortunes, it is hard to see exactly what the trip accomplished. The leaders of the two largest economies in the non-communist world spent much of their two hours together deliberating on whether Japan—which already purchases 60 percent of America's beef exports—could manage to buy still more; and whether Nakasone would loosen the stiff regulations that hinder imports of American-made baseball bats. Like his predecessors, Nakasone pleaded with the Americans not to repeat the disaster of the 1930s, when the Depression provoked an all-out trade war that eventually turned into world war.

At one point, Reagan chimed in with a baseball metaphor, recalling his movie portrayal of the legendary pitcher Grover Cleveland Alexander. This sent Japanese officials scurrying to discover the identity of 'Cleveland Alexander.'

Yet, the underlying cause of the increasing bitter trade frictions, what Thayer referred to as "the paramount issue affecting our nations, the fact that the world is in a serious recession," appears to have received very short shrift. At one point in their "broad-ranging" discussion, according to a

meet in Washington and battleships

senior State Department official, the leaders discussed the plight of the world economy and their respective "responsibilities" to help developing countries "manage their debt problems." This is a code word for asking Japan to aid the U.S. taxpayer in bailouts for Chase Manhattan's debtors. Nakasone received great appreciation for the precedent set by his \$4 billion low-interest loan to South Korea (see *EIR*, Jan. 25), and, according to Japanese sources, at one point Shultz specifically asked Nakasone to help Yugoslavia.

However, Japanese officials report the entire issue of the world recession and debt crisis was "discussed very abstractly." Absent at the summit, apparently, was the kind of urgency which had led New York bankers to wake up the Japanese ambassador to Brazil well after midnight Jan. 13 to insist that Tokyo strongarm Japanese banks into coughing up \$700 million in rollover loans, lest Brazil default. (At press time, the Japanese banks seemed likely to agree.) There was neither the anticipated intense pressure on Nakasone to participate in some elaborate bailout scheme for debtor nations, nor genuine discussion by either side of ways to end the depression.

Japan and the U.S.S.R.

The one area of new ground appears to have been defense, specifically Japan's role, during time of war, in dealing with Soviet war vessels. At a post-meeting press conference Jan. 19, Nakasone reaffirmed Suzuki's 1981 commitment to protect two major Pacific sea lanes up to a 1,000-mile limit. The day before, in a breakfast meeting with *Washington Post* editors, Nakasone explored the possibility of Japan accepting the responsibility in time of war of bottling up the Soviet fleet, by preventing it from passing from its primary Pacific port of Vladivostock into the Pacific through its only possible routes, the straits bordering Japan.

Nakasone told the press conference that the *Post* was inaccurate in calling his informal talk a *pledge* to bottle up the straits in time of war. Thayer likewise stressed, "Nakasone made no pledges on this. He simply exercised his prerogative to explore ideas with Americans not in the administration." The *Post*, however, the next day cited unnamed administration officials as saying these "ideas" were in fact discussed with Nakasone. Undeniably, Nakasone, a long-time advocate of Japanese defense buildup, has made a major

step in Japan's incremental evolution toward a NATO-style regional military defense posture in Asia, a longtime U.S. goal.

According to one Washington source, a peacetime role is also implied by Nakasone's discussion. "We now monitor all the ships going in and out of Vladivostock. Presumably, if Japan agrees to take this responsibility, they will take over a major part of that job, freeing our resources for other areas. Similarly, taking over sea lane protection frees up U.S. resources."

The defense expert took as an example the Chinese invasion of Vietnam in February of 1980. "The U.S. had to know what the Soviet response would be. We had to monitor the movement from Vladivostock. Now, Japan could begin to take on that kind of role as a primary task.

Since the Soviet naval presence that moved into Vietnam's Cam Ranh Bay following China's 1980 invasion has been used to motivate an expanded Japanese role, *EIR* asked if Japanese responsibility might eventually extend to Southeast Asia: "Keep in mind," he replied, "that the Japanese right now don't have the wherewithal to protect 45 miles of sea lanes, never mind 1,000. It will take them years to build up. The important thing is that a commitment to undertake that buildup has now been made. How far it goes remains to be seen. Also remember, the Southeast nations don't like the idea of a Japanese role that far south, and the U.S. government has never brought it up with Tokyo."

It should be added the Southeast Asians aren't the only ones worried about a Japanese regional role. China's press reacted very coolly to Nakasone's defense discussion in Washington. The Soviets responded with language not heard in years.

Just before Nakasone's arrival in Washington, the West German daily *Die Welt* attributed to new Soviet chieftain Yuri Andropov the statement that Moscow might move some SS-20s into Asia. Moscow immediately stated that the *Die Welt* story was false. So far, according to Japanese sources, the Soviets have never deployed such theatre nuclear weapons in Asia. However, as the defense expert pointed out, earlier this year, the United States announced plans to deploy F-16s on Japan's northern most island. F-16s carry nuclear bombs. If the U.S.S.R. does indeed move SS-20s to Asia, it might be a reaction in part to that.

Nakasone denounced the SS-20 statement attributed to Andropov at his Washington press conference, and discussed the matter with Shultz. TASS in turn, citing Nakasone's comments to the *Washington Post*, charged that, by assuming a greater role in Washington's military plans, Japan posed an increasing threat to the Soviet Union. In a reference to the atom bombing of Hiroshima, TASS declared that, by deploying "arsenals of armaments, including American . . . the authors of such plans make Japan a likely target of a retaliatory strike. For such a densely populated, insular country as Japan, this could spell a national disaster more serious than the one that befell it 37 years ago.

India's electricity bind

Industry as well as agriculture has been hit by power shortages. The crisis could boost the nuclear program.

Facing an acute power shortage that has shut down almost 25 percent of industry in certain states, India's Energy Minister P. Shivshankar announced on Dec. 19 that the central government will soon set up a National Energy Commission to gear up India's energy production to meet the nation's increasing power demand by 1990.

A few days before the announcement, the Secretary of the Department of Power, T. R. Satish Chandran had signed a protocol with the Soviet Deputy Power Minister N. A. Lopatin in New Delhi to "further develop" their "mutual cooperation in the field of power."

The agreement covers construction of power projects, creation of a unified power grid in India, and formation of a centralized service for repair and maintenance of power equipment of Soviet design. Further areas of Soviet cooperation in hydropower development and long-distance transmission of power were also identified.

The present power crisis was caused by this year's weak monsoon. Along with coal-based thermal plants, India's power supply still depends heavily on hydro-electric generation, so the country was doubly affected by the erratic monsoon: Due to inadequate rainfall, demand for electrical power for pumping underground water to meet agricultural demand rose sharply. And hydro-electric power plants were able to generate only 85 percent of their rated capacity at any given time.

Although power shortages can now be felt all across India, the states which are most affected by the latest cutbacks are Tamil Nadu, Karnataka, Kerala, and Haryana. On Dec. 10, the Tamil Nadu government announced a 60 percent power cut. For the first time this year, domestic consumers, commercial establishments, and essential services using high-voltage electricity were subjected to such power cuts. Power curbs, of varying degrees will continue in Tamil Nadu until June.

A similar emergency prevails in Karnataka, a state with a large, modern industrial base, where the State Electricity Board has estimated a 10 percent shortage in generating capacity following the imposition of a 33 percent cut in power distribution to high-voltage industrial users since last October. In the neighboring state, Kerala, which boasts surplus power-generation capacity, massive power cuts have caused countless layoffs and disruption of industrial production in refineries, chemical plants, and textile mills.

Over the last decade, India's inadequate energy situation has been the chief hindrance to sustainable economic growth. This concern was reflected in the final document of the Sixth Five-Year Plan. With two years of the plan period still left, it is likely that the proposed increase in power generating capacity during the period will remain largely unattained. Central Electricity Authority Chairman S. N. Roy told a group of power engineers Dec. 10 that against a target of

19,000 MW generating capacity during the Sixth Plan, only 16,000 MW will be reached. Moreover, actual industrial and agricultural demand significantly outstrips even the unattainable target.

Thus the latest power crisis may provide the much-needed impetus to India's nuclear-based power generation program. Director of Power Projects in the Department of Atomic Energy (DAE) S. L. Katti, writing in *Nuclear India*, said that "with the availability of significant quantities of uranium resources, India today is in a position to take up a larger thermal reactor program than what was initially envisaged." With an established capability to build 235 MW heavy water reactors through indigenous resources, India is now planning to bring on line 500 MW reactor units by the end of this decade. DAE's Chief Executive for Heavy Water Projects T. Srinivasan announced in December that the Indian program envisages the annual production of 13,000 tons of heavy water by the end of this century.

Although India's nuclear-power program calls for a meager 10,000 MW installed capacity by the year 2000, it is diversified and self-sufficient.

In a recent speech in Calcutta Bhabha Atomic Research Center Director and DAE Chief Homi Sethna said that India was poised to undertake a large-scale nuclear-power program since it could meet the fuel requirements not only of the thermal reactors, but also the fast reactors and the thorium-based reactors envisioned for the future. "We are in a position to undertake fuel fabrication and fuel reprocessing as extensions of our past experience," Sethna said, adding that the fuel cycle for the uranium, plutonium, and thorium-uranium 235 system could be closed in all their aspects by indigenous technology.

From Puerto Vallarta to Chile

The Club of Rome's marching orders for Mexico are relayed by Business International and Banamex.

Important developments came out of the closed-door annual meeting of Business International in Puerto Vallarta. It brought together some 100 CEOs of multinational corporations, as well as present or past political and government figures such as Helmut Schmidt of West Germany; Gaston Thorn, current head of the EEC; U.S. Trade Negotiator William Brock; Rockefeller family fixture Sol Linowitz; and former Undersecretary of the U.S. Treasury C. Fred Bergsten.

Though shunning publicity, the meeting leaked its marching orders: 1) strengthen the IMF as the only institution capable of handling the current crisis, 2) promote the policies the IMF has imposed on Mexico—which are hurtling the economy toward disintegration—as the model for renegotiation of debt in other developing-sector nations; 3) create a publicity campaign around foreign labor in the United States and Europe as one of “the hottest issues of the political health of the world”; and 4) urge world business to form itself into “an entity the equivalent of the Club of Rome and the Brandt Commission.”

The reference to the Club of Rome was natural enough. The meeting in effect constituted the business arm of that NATO-spawned zero-growth think tank. Club of Rome chief Aurelio Peccei was personally on hand. Business International's director, the fanatical Malthusian Orville Friedman, is a member of the U.S. Association of the Club of Rome.

According to José Represas, the

chief of operations in Mexico for the Swiss firm Nestlé, and the only Mexican businessman allowed to enter the Business International sanctum, the internal discussion focused on how to eliminate mechanization from both advanced-sector and Third World economies: “It was the general opinion,” that “generalized automation” must be fought, because “both the developing and developed nations [have] unemployment increases which put social peace in jeopardy.”

What all the leading participants stressed in statements to the press was that Mexico must strip away its nationalist investment laws, which attempt to steer foreign investment on a minority-participation basis into priority, high-technology areas; and join GATT, to subject its manufactures to the “discipline of the marketplace.”

Only four Mexicans officially attended this important meeting: three ministers of state (Finance, Planning and Trade) and Nestlé's José Represas. *EIR* learned from an inside source that Business International did not want to invite any other Mexican business leaders because the high-level meeting—of active members only—was formulating ideas they hope to introduce into Mexican business circles by other means, without revealing the origin.

Specifically, BI's Friedmanite proposals are to be sold to Mexico's businessmen through courses and conferences sponsored by Banamex, before its nationalization a leading

banking outlet of the Swiss oligarchy. One of Banamex's special capabilities goes by the name of David Konsevik.

Konsevik, an Argentine by birth of Polish origin, is one of Chilean dictator Pinochet's leading advisers. Lately he has devoted his energies to convincing Mexico's private sector of their “alternatives” in the present crisis. Brought to Mexico by Banamex's former president Agustín Legorreta in the beginning of the 1980s, Konsevik left Argentina in the early 1970s and moved to Chile. He later returned to Chile as part of the Chicago School team sent to “cure” the Chilean economy. Sources close to Konsevik report that in the past few months he has traveled throughout Mexico and to numerous other Ibero-American cities, proselytizing the virtues of monetarism and lying outright about the recovery of the Chilean economy under his auspices.

One of Konsevik's favorite anecdotes, we are told, is that when his team presented Pinochet with its recovery proposal and warned him it would provoke political and social upheaval in the country, Pinochet reportedly put his machine gun on the table and said, “You take care of the economy. I'll take care of the upheaval.”

Konsevik, however, has not been well received here by those businessmen who are not involved in dirty dealings. These businessmen have told us, “Konsevik proposes that we let our industries collapse and run casinos instead, but this would be the easiest means of letting foreign capital take over the country.” The industrialists also objected to Konsevik's idea of turning Mexico into an exporter solely for oil, minerals, and agricultural products, along with Hong Kong-style “manufacturers”—in short, a return to colonialism.

International Intelligence

Sharon visits Zaire in search of loot

Israeli Defense Minister Ariel Sharon led an Israeli delegation to Zaire beginning Jan. 19. Sharon's Israeli networks have been making a big push to expand military and economic agreements with the central African country.

Following a large Israeli delegation's recent trip, a Bulgarian delegation spent a week on a state visit to Zaire. At the same time the South African-based De Beers conglomerate, which controls the international diamond trade, resumed operations after having been kicked out of Zaire by President Mobutu two years ago.

The source of the attraction of course is Zaire's mineral wealth: copper, cobalt, and other raw materials. What Zaire can look forward to is an effort by Swiss- and Venetian-centered financiers to break the country into pieces.

On Jan. 18 Radio Jerusalem announced the formation of a new anti-Mobutu Zairean exile organization, called The Congolese Front for the Restoration of Democracy. It is headed by former Zaire Foreign Minister Nguza Karl i-Bond, a shared asset of the British, the KGB, and South African and Belgian mining interests. Bond's lines are being written by former Zairean diplomat Thomas Kanza, who now heads Oxford University's African Studies Department.

Nigerians to expel foreign laborers

Responding to the late-1982 "Islamic fundamentalist" riots in northern Nigeria, and the worsening economic situation, the country's Interior Minister announced Jan. 18 that between 1 and 2 million people from neighboring countries would be given 15 days to leave the country. Alhaji Ali Baba cited the riots, economic difficulties, and rampant unemployment as the reasons for his decision.

Nigeria faces the prospect, predicted by informed London sources, that the price of oil will drop from its present level of \$34 a barrel to \$25 a barrel, which will further

worsen Nigeria's economic situation. Over 90 percent of Nigeria's foreign exchange earnings comes from oil sales.

As a result of the decision to expel the foreign nationals, these impoverished groups will either become sources of potential trouble for their countries of origin, and hence for the West African region, or become pawns of increased friction inside Nigeria.

Genocidalists descend on India and Egypt

Aurelio Peccei, President of the Club of Rome, and Eleanor Masini, who self-reportedly pulls Peccei's strings, arrived in India and Egypt respectively, for "field work," during the third week of January. These are two of the keystone countries of the Non-Aligned Movement. Peccei and Masini are deployed to make sure that crucial elites in these countries are mobilized around the idea of "self-policing" genocide and triage, and against Presidents Indira Gandhi and Hosni Mubarak, two leaders favorable to the creation of a New World Economic Order.

Just before leaving for Cairo, Masini, who heads the World Futures Studies Federation in Rome, revealed that she is working on a project to "resurrect the Magna Mater (Great Mother), Isis, and Cybele." This project, she claimed, would be part of a broader program to change the values of women in developing countries so that these women would bear fewer children.

Masini had earlier told Italian investigators that it was she, not Peccei, who had developed the idea of the "Forum Humanum," the project of recruiting young people between the ages of 18 and 25 into selected brainwashing centers where they would be trained to become the avant-garde of the Club of Rome's New Dark Age. Her base of operations in Rome for this project has been, she revealed, the Gregoriana University, world headquarters of the Jesuits' training networks. Her main arena of activity, she further indicated, has been Latin America, where she is trying to rewrite the education programs of Peru, Argentina, Venezuela, and several other countries of the continent.

Masini is manager as well for a plan to

dismantle the nation of Italy over the next decades. "Italy was created artificially, and therefore won't exist any more within 40 to 50 years," she claimed. "Italy will be first, then France, then others. We in the Club of Rome believe the world must be structured on the basis of an interconnected system of local autonomies at the bottom, with a system of global management at the top, and with the middle that has existed for the past 200 years—the nation-state—phased out."

Masini's activities may be in violation of the same penal codes that were recently invoked by the authorities in Sardinia against separatists threatening the integrity of the state. This could rock the Fanfani government, since while head of a parliamentary commission last year, Fanfani sponsored Masini to testify on why Italy should endorse the policies of the Club of Rome and Global 2000.

Masini also spent 1977-82 as a member of the Vatican's *Justitia et Pax* commission.

Brazilians fear labor resistance to IMF

The Brazilian government is hesitating in announcing IMF-mandated cuts in workers' real wages. Officials had assured the press that the changes would be decided at a Jan. 17 meeting of Planning Minister Delfim Netto with the labor minister and President Figueiredo's chief political advisor. Netto, who has long sought to apply the wage-gouging now used against the better-paid workers to those earning starvation wages, emerged from the meeting to declare, "There's no white smoke; and there was not a conclusive result."

Labor Minister Murilo Macedo told the press that Brazil had been forced to make the pay cuts by its agreement with the IMF to reduce inflation from last year's 99.7 percent to only 70 percent. The apparent cause of the regime's first visible backtracking on IMF impositions is that the 160,000 member São Paulo metalworkers' union and 10 other big unions threatened a general strike should the wage cuts go through.

Labor has been quiescent over the past three years thanks to the indexing which permitted the lower-paid mass of workers to escape the ravages of inflation. President

Figueiredo and a large section of the officer corps would rather sacrifice the IMF and the banks than the key points of Brazilian national security. Retired Gen. Carlos Andrada Serpa has stated what many less radical nationalist officers are thinking, "The Brazilian debt does not exist; it has been repaid many times over." Serpa called for "unilateral moratorium."

India's second Antarctica expedition under way

After a 28-day voyage India's second scientific expedition to Antarctica landed safely and set up camp on Dec. 28. A 28-member team under the direction of Dr. V. R. Raina, Director of the Geological Survey of India, will conduct a two-month study of the continent's geology. The mission is part of India's program to establish a permanent manned station in Antarctica by 1985.

The first expedition, about one year ago, was the first exploratory mission by a developing-sector nation to this region. The Department of Ocean Development, which organizes and directs the missions, is headed by Prime Minister Gandhi and functions under her immediate direction. The first mission concentrated on oceanographic investigations.

The current mission is carrying out geological studies to determine the mineral potential of Antarctica. The prospects of tapping petroleum, for instance, will be investigated. Also, a systematic study of drill, the protein-rich organism that proliferates in the icy waters surrounding the land mass, will be conducted.

P-2 dragged into Argentine court

Argentine nationalist Guillermo Patricio Kelly filed suit in a Buenos Aires court Jan. 14 charging that the members of the military junta that took power in March 1976, together with former Finance Minister José Martínez de Hoz, are guilty of treason because of their association with the P-2 Freemasonic lodge. The P-2 lodge, Kelly

charged, "operated by forging close links between political power, organized crime, and corruption."

Kelly, who has filed earlier suits asking the courts to investigate links between top military government officials, the P-2, and the reasons for the growth of Argentina's foreign debt, remarked in filing the new suit that "there is new evidence showing other crimes than those already reported, and involving other authors, co-authors, and/or accomplices." He named the former commanders-in-chief of the Army, Navy and Air Force, as well as the former director of the state-run oil concern, YPF, in this latest suit. Aside from bankrupting YPF, Kelley charged that the P-2 members were guilty of other crimes "ranging from serious material crimes against the national patrimony to murder and homicide [which] could not have been the product of decisions taken by one man, no matter how powerful."

Marcos bows to IMF on industrial projects

Two of the Philippines' major industrial-development projects will be suspended, President Marcos announced in his State of the Nation address Jan. 17.

The projects—a \$400 million aluminum smelter and a \$900 million petrochemical complex—are part of an eleven-project program to transform the island nation from a primary commodity exporter into an industrial nation launched several years ago by Marcos, and which have been under attack from the IMF ever since. The project suspensions mean that now only two of the original 11 projects are being worked on. In his speech President Marcos said that the two projects would be pursued once they attract both sufficient equity investments and long-term financing.

The Philippines has \$16.6 billion in outstanding debt and is presently awaiting approval of a \$510 million concessional loan from the IMF, which has been exerting tremendous pressure on the government to drastically cut its budget and spending on development. For 1983 the IMF has "recommended" that the government deficit be reduced by 30 percent.

Briefly

● **JORGE DIAZ SERRANO** told the Mexican press that he had no particular problems with Charter Oil Company's bid to pre-purchase Mexican oil at a 25 percent discount, to pay Mexico's debt. The former director of Mexico's state oil concern, Díaz Serrano is a longtime collaborator of Charter-linked Armand Hammer.

● **MICHAEL FOSTER** of the Tavistock Institute, ruminating on the upcoming Non-Aligned summit in New Delhi, said, "Indians are a dependent people. . . . They also have fantasies about magical figures like kings and queens."

● **GABON'S PRESIDENT** Omar Bongo asked François Mitterrand for help in building a nuclear reactor, during a toast in Libreville, Gabon, to the French President on Jan. 18.

● **METROPOLITAN FILARET**, the number-two leader of the Russian Orthodox Church, led a large delegation to Great Britain in mid-January to coordinate "peace" activity with the Archbishop of Canterbury.

● **CHILEAN** companies tied to the three financial institutions liquidated in January have begun to halt payments. A debate has begun over whether they should be put under state control.

● **BRITISH** intelligence is bringing together its left and right wings in open unity in the campaign against beam-weapons development. Henry Kissinger's Georgetown University has assembled a defense policy review committee whose report is to be co-authored by Barry Blechman, a member of the Palme Commission on disarmament, and Heritage Foundation right-wing ideologue Edward Luttwak. The group will be chaired by an avowed Malthusian, former Defense Secretary James Schlesinger. Next week's *EIR* will report on this glaring "convergence" phenomenon.

Beam-weapons sabotage: Heritage boosts Andropov

by Donald Baier

At a New York City press conference held under tight security Jan. 17, Lyndon H. LaRouche, Jr. charged that “a very dirty game is being played” to destabilize the Reagan administration’s commitment to developing space-based directed energy beam weapons—weapons that could defend the United States population from enemy ICBM attack.

“This Heritage Foundation mess in Washington has been tolerated for too long,” LaRouche emphasized, singling out the purportedly conservative think tank as an example of the elements put into motion on behalf of the drive to sabotage beam weapons. He labeled Heritage “an extremely dangerous agent of a foreign government.”

LaRouche also demanded that the Senate reject the nomination of Kenneth Adelman as the new head of the Arms Control and Disarmament Agency. Adelman, he said, was part of the sabotage network associated with the Heritage Foundation.

Since last spring LaRouche, the Democratic Party’s most threatened and most controversial figure, has carried on an international campaign for a crash program in beam weapons development, to provide a science driver that would create vast new U.S. technological and industrial capabilities, forcing a U.S. economic recovery. Condemning the Heritage “dirty operation,” LaRouche noted, “We are presently in a world economic depression. Destabilizations now on strategic questions are most dangerous.”

LaRouche’s press conference was triggered by a United Press International wire detailed Jan. 16. The UPI wire asserted the existence of a classified Pentagon strategy docu-

ment proposing the development of *offensive* space-based weapons, to attack satellites and launch nuclear attacks on population centers. The UPI wire and similar stories emphasized the “space warfare” aspect of the Pentagon’s guidance document, which was said to have detailed plans for fighting a protracted nuclear war.

The UPI leak

“Now I understand why Soviet spokesmen have asserted so vehemently that in pursuing space-based weapons, the United States is planning for a first strike,” commented LaRouche, who recalled that at a November 1982 seminar on defensive beam weapons he had given in Bonn, West Germany, Soviets present had insisted that the offensive version of space-based weapons development was official U.S. policy. He charged that the timing of the press leak, by “confirming” that Soviet perception and contributing to manufacturing a climate of fear on defense questions, was intended to effect “a destabilization of Reagan policy and to aggravate the chances for negotiations between the United States and the U.S.S.R. This increases the war danger tremendously,” LaRouche stressed.

A full investigation of the responsibility for the UPI leak, as well as an earlier May 1982 leak to the *New York Times* along similar lines, should be undertaken at once, LaRouche added.

The UPI leak occurred during the same week that the Heritage Foundation issued “A Defense Strategy for the 1980s,” advocating an all-out conventional weapons buildup

and omitting all mention of defensive beam weapons systems, including those recommended in the High Frontier project conducted under Heritage auspices. At the same time, rumors swept Washington that Heritage was behind a campaign to kill all budget allocations relevant to the development of defensive beam weapons.

White House science adviser George Keyworth and British Air Vice Marshal Stewart Menaul are among those who were identified as claiming that development of space-based beam weapons must be postponed to the distant future.

Earlier in the week, ACDA Director Eugene Rostow had been fired by President Reagan, and it was subsequently leaked to the press that he and chief U.S. arms control negotiator Paul Nitze had reached a private understanding with Soviet negotiators on the deployment of medium range missiles in Europe which was subsequently rejected by the White House. Press accounts in both the U.S.A. and Europe portrayed the administration as "intransigent" on arms control, although the Soviet government too had officially rejected the Rostow-Nitze private deal.

In the view of LaRouche, all this, coming in the week prior to the President's State of the Union message and final budget decisions, the same week in which the Soviet Foreign Minister was visiting the capital of America's most important NATO ally, West Germany, added up to a deliberate effort to manufacture a climate of intense pressure on Reagan, with the aim of forcing him to abandon technological development on military-industrial frontiers in the name of arms control and budgetary restraint. LaRouche pointed the finger squarely at the Heritage Foundation.

"It is owned by two branches of British intelligence, the International Institute for Strategic Studies in London, and the Mont Pelerin Society, with many of the top Heritage officials directly associated with the left-wing British Fabian Society," he said.

It is "this crowd," LaRouche continued, "which has done the job on Reagan, together with Bishop Paul Moore of the New York Episcopal Archdiocese, former Secretary of State Cyrus Vance, and others. It is part of an 'understanding' between London and [Soviet party chief] Andropov.

"The gameplan of London in this situation is to split Europe from the United States," charged LaRouche, "and then to drive the United States, as an isolated, enraged beast, mad." Allegations that beam weapons development will contribute to the danger of thermonuclear war are 180-degrees opposite to reality, he said. "Weapons don't cause war, people do."

LaRouche called for direct U.S.-Soviet negotiations on parallel development of defensive space-based weapons-systems "without British mediation" as the only possible way out of the strategic problems posed by the so-called deterrence theory associated with the Robert McNamara doctrine of Mutual and Assured Destruction, updated by Henry Kissinger to include "limited nuclear war."

Newly appointed Arms Control and Disarmament Agency Director Kenneth Adelman, fresh from his post as Deputy Ambassador to the United Nations, is typical of the strategic insanity associated with the MAD viewpoint. Adelman is the author of an article in the Heritage Foundation's *Policy Review* journal entitled "Beyond MAD-ness," in which he proposed the doctrine of "limited nuclear war" first elaborated by Kissinger and put into practice in the Carter administration's policy document PD-59. Adelman's piece agitated for a low-technology defense policy, orienting U.S. strategy toward a "prolonged nuclear conflict"—the same emphasis as in the leaked UPI wire.

"We have to bring to light the background of this very dirty operation," LaRouche insisted. "We must smoke it out now and eliminate the nomination of Adelman so that we can go back to the original beam development policy with a clean slate."

The European angle

A main feature of the operation is to pit Western Europe, and particularly West Germany, against the United States on arms control issues, to pressure the U.S.A. to abandon space-based defensive weapons development. Defense experts for West Germany's Social Democratic Party have confirmed that SPD Chancellor candidate Hans-Jochen Vogel is discussing with his U.S. and Soviet co-conspirators plans to ban space-based weapons systems by treaty. The SPD circles linked to Andropov's friends in the party's Willy Brandt wing, and their collaborators in the "left-wing" anti-technology rabble of the emerging fascist Green Party, are pushing a defense policy identical to that of the "right-wing" Heritage Foundation report just issued in the United States.

At the same, the "left-wing" Democrats in the U.S. Congress—under the thumb of Averell Harriman's British wife, the former Pamela Churchill—are collaborating with Kissinger protégé Secretary of State George Shultz and other traditionally anti-Reagan Republicans to "lock the administration on the arms control track."

A spokesman for Congress for Peace Through Law, the Harriman peace lobby on Capitol Hill, revealed this week that hearings are planned for mid-February in the House Foreign Affairs Committee on the Kennedy-Hatfield nuclear freeze resolution—again, a policy recommendation that amounts to the same conventional buildup pushed by the Heritage Foundation.

The House hearings will showcase the "sensational information in the leaked guidance about U.S. offensive space warfare plans and nuclear first strikes," said the Peace through Law spokesman. "We will have a big propaganda show that embarrasses the administration." He predicted House passage of the freeze resolution in early March—before the national elections in West Germany. "This will give a tremendous lift to the peace movement both here and in Europe, and set the stage for major demonstrations in the early spring.

We intend to lock the administration into the arms control track before summer," he said.

In the Senate, Sen. Larry Pressler (R-S.D.), intends to use the UPI leak to get a new round of hearings on banning "dangerous space weapons, especially any kind of beam weapons," the spokesman added.

But as LaRouche pointed out, if this gameplan succeeds, the world will be "locked in to war." Under MAD, the worse the depression collapse, and the associated decline in U.S. military-strategic capability with the arms control-conventional buildup policy, the greater the United States impulse to rely on the theory of "deterrence" as a rationale for a policy of increased "bluffing" with nuclear weapons. Therefore, said LaRouche, anyone, in Washington or Moscow, who is campaigning against beam weapons development, is dangerous to human survival.



Teller will soon crack beam-weapons secrecy

by Paul Gallagher

Dr. Edward Teller spoke on space-based defensive anti-ballistic missile (ABM) weapons at the Georgetown Center for Strategic and International Studies Jan. 18, in the face of the all-out British-Soviet campaign to stop, and ban by treaty, U.S. beam-weapon ABM development.

Teller's forceful presentation not only reiterated that first-stage ABM protection with such systems can be deployed within 5 years; he also announced that within weeks he will be freed, for the first time, from the Anglo-American legacy of secrecy regulations, and allowed to "tell the American people what the Soviet leadership knows" about high-energy

antiballistic-missile beam weapons.

"If you don't say that it can be done," said Teller of the immediate prospect space-based directed-energy beam technologies, "then you are going to lose the political battle with the freeze movement." Such a defeat, Dr. Teller has stated, will lead to nuclear war during this decade as the United States relies on the disastrous MAD (mutual assured destruction) doctrine and a shrinking, obsolete deterrent.

It is widely admitted, even in the recent fraudulent UPI "military strategy leaks" aimed against beam-weapon development, that although Dr. Teller and other experts are forbidden even to mention the phrase "directed-energy beams" in public, the Soviet Union is well *ahead* of the United States in developing the beam technologies for space-based ABMS. The UPI "leaks" were aimed to assist a general sabotage of the U.S. beam-weapon program, inclusively by tightening the absurd secrecy regulations still further.

Allowing Dr. Teller to tell the American citizenry about the fundamentally new energy-beam technologies for ABM defense being developed, could unleash a powerful counterblow to the phony UPI "leaks." In his presentation, Teller attributed the coming relaxation of restrictions on his speeches to the Department of Energy under new Energy Secretary Donald Hodel.

This and other recent moves, including continuing increases in the administration's public DOD budget requests for areas related to advanced-technology ABM development, indicate that the Reagan White House is attempting to maintain and expand its decision to accelerate beam-weapon development. But these quiet moves in no way match the high-profile intensity of the wrecking activities by British intelligence and KGB assets in Washington.

Rigged hearings

From the side of the "left nuclear freeze," Oxford-educated Sen. Larry Pressler (Rep.-S. Dak.) is holding a set of rigged hearings in February on his own resolution to ban "particularly space-based beam weapons," in his subcommittee of the Senate Foreign Affairs Committee. After *EIR* learned of the hearings, Pressler-aide William Glicksman stated point-blank that no one representing the Fusion Energy Foundation or the National Democratic Policy Committee of Lyndon LaRouche, Jr., would be allowed to testify. This is an attempt to guarantee that if any experts are to speak in defense of beam-weapons at those hearings, their effectiveness will be muzzled by national security "secrecy," which does not affect NDPC or FEF experts.

On the "right nuclear freeze" side, nominally "conservative" assets of the British military-intelligence thinktanks and the Heritage Foundation are spreading disinformation meant to disorient supporters of the LaRouche and Teller efforts.

Beam-weapons experts in Washington report that Senator Malcolm Wallop (Rep.-Wyo.) and his aide Angelo Codev-

illa, who built a "Star Wars" reputation caricaturing space-based lasers over the past two years, are now spreading extreme underestimates, "off by a factor of 1000," about actual advanced laser and particle-beam potentials.

Wallop's "space-wars" line has generally come direct from British Air-Vice Marshall Stuart Menaul, who visited the United States in late December.

Air Force Lt. Gen. Kelley Burke was recently replaced as head of the Air Force directed-energy weapons program after spreading similar "expert" incompetence. Though out of the job, Burke and his assessment that beam-weapon ABM systems were "more than 20 years away due to their complexity and weight" were promoted in the UPI defense-policy "leak" hoax, as if authoritative. The UPI "leak" installment of Jan. 19 used Burke to try to prove that the only space-based lasers feasible during the next decade were *offensive* weapons and hunter-killer satellites—the Soviet KGB line precisely.

This same dangerous incompetence comes closest to the White House itself in the person of Presidential Science Advisor Dr. George Keyworth. Keyworth has repeatedly contradicted Teller's assessment on the feasibility of defensive beam-weapon systems, both before closed meetings of Congressional Armed Services Committees and in remarks printed in the public press, while maintaining the aura of a "pro-nuclear" younger associate of Teller.

Speaking at Lawrence Livermore Laboratory Jan. 14, Keyworth went overboard completely and proposed shifting the work of the nation's first-rank nuclear-technologies lab to "advanced conventional weapons development." Conventional arms buildup is now recognized as the real goal of the so-called "nuclear freeze" campaign. Thinking himself in quite restricted surroundings, Keyworth was apparently surprised by some journalists' questions on nuclear-powered beam-weapons development; he answered evasively but indicated he thought such development not really necessary, nor feasible.

Quite the contrary, Teller told a questioner at the Georgetown CSIS auditorium presentation: "When you see half a dozen different possibilities, then each month they look better than the previous month, then you can say it is almost certain that at least one of them, probably more, will work. . . ."

Of Keyworth's views, Teller remarked, "Sometimes to be very cautious, is actually hazardous." He emphasized that if the United States mounts a serious development effort, it can deploy a rudimentary form of beam-weapon ABM defense within five years, and a more complete or "strategic" system within a decade.

"By the year 2000," said Teller, "I hope that 95 percent of our defense budget will be spend on defensive weapons. . . . If both sides become defense-minded, not offensive-minded, this is a stable situation. Out of that stable situation, maybe peace will come."

What Adelman says

Kenneth Adelman, current designate for the post of director of the U.S. Arms Control and Disarmament Agency, published an article, "Beyond MAD-ness" in the Summer 1981 Heritage Foundation's Policy Review journal. Adelman concluded his article with this statement:

The U.S. should be prepared (and be seen to be prepared) to put our strategic forces into limited play in limited crises that may arise in the wider world, such as the Berlin Crisis of 1961 and the Middle East War of 1973. U.S. forces should not be fashioned solely for the most remote crisis of all: that of an all-out U.S.-U.S.S.R. nuclear conflict. Unless the U.S. has (and is seen to have) strategic forces supple enough to respond in balanced measure, key allies can only discount the nuclear umbrella. . . .

With the fall of MAD will come the correction of this oversight. Proponents of missile and civil defense advocate that the U.S. match the Soviet efforts to acquire the capacity to fight a prolonged nuclear conflict. . . . [A] limited exchange against hardened military targets [is] the type of capability a PD 59 approach dictates. . . . A successful strike against military and political control targets would reduce the Soviets' ability to project military power abroad.

What Heritage says

Each year the Heritage Foundation has published an "AGENDA" document covering all areas of administration decision making. The chapter of this year's document that covers defense policy explicitly attacks advanced defense research and development, emphasizing a conventional military force buildup and McNamara-type cost-effectiveness approaches to kill advanced defense R&D. Excerpts follow.

This discussion is undertaken in light of the fact that our military establishment has not adapted to meet the single greatest strategic challenge of our era: the threat of conventional forces that might be used against vital American interests. We cannot today defend Europe conventionally. It is highly doubtful we can today defend Southwest Asia's oil fields conventionally. We are forced to rely on the nuclear threat in an era when we no longer possess, and are not promised, nuclear superiority. . . . The focus of this chapter is, therefore, on conventional forces.

[Within the DOD,] overemphasis on long-shots technology has diverted attention away from the most vital con-

siderations of all: leadership, tactics, and unit structure and training. . . .

Conceptually, DOD must come to realize that simple technology is not the same as primitive technology. . . .

[The document then elaborates peculiar budgetary practices to lower the cost of a conventional buildup by scheduling quantity and multi-year purchases from defense contractors to lower the unit cost of a weapon systems, such as the F-15, to "economic levels."]

Marginal or unpromising programs must be terminated until the newly created margin of budget funds is sufficiently large to increase the production rates of more important programs to economic levels. This last item is critically important. Unless funds are reprogrammed into more urgently needed weapon systems, no unit cost savings will be achieved, the buildup will stall and the situation will worsen. [The document also argues for separating funding for testing of weapons systems from research and development so as to reduce the importance of advanced defense R&D by giving testing "an equal voice."]

From Aviation Week

Below are excerpts from a Jan. 17 article in Aviation Week "Reagan Realigning Arms Control Team," by Clarence Robinson.

The Reagan administration is striving to curtail internecine political rivalries affecting U.S. arms control negotiations with the Soviet Union. . . . The President sought to curb the rivalries last week by forcing the resignation of Eugene V. Rostow, director of the Arms Control and Disarmament Agency (ACDA).

Rostow's ouster follows similar action against Richard Starr, former chief U.S. negotiator to the Mutual and Balanced Force Reduction (MBFR), and the decision not to renominate Robert Grey as the deputy director of ACDA after his confirmation stalled in the Senate. . . .

A number of factors are affecting U.S. progress in negotiating arms control agreements with the U.S.S.R. They include:

- Assertions that Richard Perle, assistant Defense Secretary for international security policy, is using his position to dominate the negotiating process with the U.S.S.R., taking a position calling for a zero option. . . .

- Complaints that Rostow and Paul Nitze, head of the U.S. delegation to intermediate-range nuclear force negotiations, have probed the Soviet negotiators and European allies for positions less than the zero option.

- Reports that Richard R. Burt, assistant Secretary of State for European Affairs, who will visit Moscow late [in

January], has opened back-channel communications with the Soviets that could be used during his visit to move toward a compromise in reaching an agreement on intermediate range nuclear weapons in Europe. Secretary of State George Shultz is expected to join Burt for the Moscow visit. . . .

"Burt is not freelancing this back channel; it's being done with the concurrence of Secretary of State George Shultz and the knowledge of the National Security Council," one administration official said. "Shultz wants to get arms control and détente with the Soviets in gear."

"Posturing, maneuvering and heated debate between right-wing, hardline factions on arms control and more moderate advocates has reached a pitch, and is forcing direct involvement at the highest levels of the administration," the White House official said.

Those administration officials who favor sticking by the zero option proposed by the President claim that Nitze has violated his instructions in probing the Soviet delegation for further reductions below the recent Andropov initiative and has explored something less than the zero option with allied leaders.

These officials also complain that Rostow during an October visit to Italy, Belgium, Great Britain, and Germany conducted discussions exploring hypothetical moves in negotiations that were less than the zero option.

"The cable traffic on Rostow's moves was incredible," a White House official said.

"Anything less than this position [the zero option] is an effort to undermine the negotiations by the State Department and the arms control community," he said. . . .

Right-wing Republicans in the administration charge that Nitze, Rostow, and Burt are "Europeanists who see that Reagan will not back off the zero option and that it is unlikely that he can be persuaded to alter course. So they have looked to the alliance to bring pressure to bear on the President to back off the zero baseline," one member of this faction said.

Those in the more moderate or liberal camp in the administration claim that Perle, through interagency instructions, which became the official U.S. position in meetings with the U.S.S.R., controls the arms-reduction process and that he does not want an agreement.

From the Valley Times

From a Jan. 19 article in the Livermore, California Valley Times newspaper, titled "Possible Shift in Lab Work Assailed," by Keith Rogers:

Changing the balance of Lawrence Livermore Laboratory emphasis on arms development from nuclear to conventional

would be a "lunatic proposal" and would put the U.S. on a course for nuclear war, the chief of the Fusion Energy Foundation said Tuesday.

Paul Gallagher, Executive Director of the New York-based Fusion Energy Foundation, said that White House science adviser Dr. George Keyworth's comments at Livermore last week about using the "wealth of unparalleled talent" at the lab to strengthen the nation's conventional military posture would be wrong advice to the President at a time when scientists are only five years from a crude approximation of a defensive, high-energy laser weapon system.

"If the United States were to adopt the orientation shift from nuclear to conventional arms . . . the U.S. would be on course to virtually guaranteed nuclear war," Gallagher said.

"Keyworth is a Quaker," Gallagher said of the 43-year-old-director of the President's Office of Science and Technology Policy. "He is consistently wrong in his advice to the president. He is wrong every time. He gets most of his strategic policy documents from the Heritage Foundation [which has] links to the British Socialist Society."

To call for work on conventional weapons development at Lawrence Livermore, Los Alamos, and Sandia National Laboratories, Gallagher added, "wouldn't be anything but a lunatic proposal" since these labs have the country's "premier abilities for developing beam weapons for defense."

Lawrence Livermore is actively exploring the technical qualifications for developing directed, high-energy laser and charged particle beam weapons. An experiment at the Lab's Site 300 in the hills south of the Altamont Pass—the Advanced Test Accelerator will soon begin the first physics test on propagating beams of energetic, subatomic particles through the atmosphere.

In addition, at the advice of director emeritus Dr. Edward Teller, Lawrence Livermore Laboratory is pursuing a laser weapon to be used in outer space. It works on the principle of using nuclear bombs to pump x-rays at strategic Soviet missiles in order to burn or shock these missiles and drive them off course.

Keyworth, in a speech before a packed auditorium of Livermore Lab employees Friday, spoke of the Lab's role in developing this "bomb-pumped x-ray laser" and later told reporters that the project is "one of the most important programs that may seriously influence the nation's defense posture in the next decade."

But despite news accounts by United Press International from a purported Pentagon defense guidance plan that the United States is preparing to wage war in outer space, Gallagher said this is not true. Rather, he said, the U.S. beam weapons thrust could only produce a space weapon with defensive capability, not one with enough punch to launch a first strike attack.

To complicate this work with work on electronic gadgetry for conventional arms, Gallagher said, would be a waste of time that could be spent on developing spin-off applications in biology [and] medicine from laser fusion research.

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For more information, contact Robert Gallagher
or Peter Ennis (212) 247-8820.

Farmers on 'paritycades' told that fight for higher prices isn't enough

by Alan Ogden in Baltimore

"We have to look at why our livelihoods have been destroyed. I'm sick of hearing criticisms about how Reagan or that former President messed up again, while we sit around and drink coffee. It's you and me. *You* didn't do anything all these years to stop it."

The speaker was Tom Kersey, president of the Georgia chapter of the American Agriculture Movement (AAM). Kersey was addressing 200 of his fellow farmers in the Florida panhandle town of Sneads Jan. 14, midway through a five-day "Paritycade" tour through five Southern states sponsored by the AAM. On tour was a "paritycade" caravan of 15 or more cars, trucks, and buses carrying farmers, their spouses, and their children. They came from 11 states, as far away as Nebraska, Colorado, and North Dakota, to press conferences, rallies, and meetings—reviving the farmers' movement that sent thousands to Washington, D.C. in 1979 to demand a parity price for farmers—a price that guarantees they receive in payment at least their cost of production.

This time, however, there were some important differences from the period three years ago. Since Paul Volcker instituted his high interest-rate "shock treatment" at the U.S. Federal Reserve in October 1979, the number of farmers being forced off the land has risen to a shocking 2,200 per week, and farm conditions have begun to resemble those of the last Depression.

And this time, some farmers were telling each other, even 100 percent parity prices would not be enough to turn the situation around. A political movement, they said, is essential.

"Farmers need a three-year debt moratorium plus 1 to 2 percent interest rates," said Tom Kersey in Florida. "We must do everything necessary to change policy making in Washington. Farmers must give up their image of themselves as the kind of people who have to drive '56 Chevy pickups" and begin a new career.

"I hate to use the word 'politician' in mixed company," said Kersey, "because I have always thought that a politician

was the only thing lower than a son of a bitch, but we need to save our nation. Farmers have to run for all kinds of offices and have to start within 60 to 90 days, because if we don't do this now, we may not even *have* an election in 1984, because our system is on the brink of collapse now."

Tom Kersey's proposal that farmers run for office picked up on an idea that had been put forward just a few days before by Lyndon LaRouche of the National Democratic Policy Committee, when he talked to AAM farm leaders at their Nashville convention. LaRouche told the farmers that this is no ordinary depression, but the most serious crisis in centuries. Next year, he said, the government's deficit is likely to reach between \$200 and \$400 billion, and production will drop another 15 to 20 percent, so "you must stop seeking out politicians and become politicians."

Days later, LaRouche joined the farmers on the paritycade in Unadilla, Georgia. Before a crowd of 350 farmers in a school gymnasium, LaRouche explained, "It does no good to protest to Washington that family farms are getting wiped out. This is the policy of the Department of Agriculture—that the laws of supply and demand will drive excess farmers off the land, and the European aristocrats will buy up the land. Secretary Bergland called this policy 'equilibrium economics.' We need a movement to change this country."

The "Paritycades" are being led by two of the founding members of the AAM, Alvin Jenkins of Colorado and Darrel Fillingim of Texas. The "Southern Breadbasket" Paritycade traveled through six states of the Deep South, stopping for press conferences, rallies, and meetings with farmers in Columbia, South Carolina; Atlanta and Unadilla, Georgia; Tallahassee, Sneads, and Jay, Florida; Hattiesburg and Jackson, Mississippi; and Monroe and Rayville, Louisiana. At some points along the route in Florida and Mississippi, the caravan was given a county police escort by patrol cars and motorcycles.

Another "Paritycade" through the Midwest took place in

December, and more are planned for the Northwestern and Northeastern states. Some of the rallies have been quite large; 300 or more farmers attended meetings at stops in South Carolina and Georgia.

Building a movement

Both AAM and NDPC literature was sought out and read by the farmers who were touched by the "Paritycade." By invitation, a representative of LaRouche traveled the entire length of the Southern Breadbasket tour and was introduced before the mass meeting in Rayville, Louisiana, as having accompanied the paritycade "teaching us about LaRouche."

Many farmers wanted to know what LaRouche proposes to do if the monetary system does collapse before enough of a mass movement can be generated to force a reform that will avert a collapse. An idea of the type of movement which can be built was discussed after an NDPC chapter president in Columbia, South Carolina, who happens to be a local banker as well, explained to the farmers how the banks need the farmer as much as the farmer needs the banks.

A theme repeated by various AAM speakers was that "we no longer have a farmers problem, we now have an American problem," and that one concern must be to fight for our way of life and for the food supply of the world. Paritycade speakers are repeatedly contrasting the policy of the projected massive bail-out of the international bankers, which will cost the economy tens of billions, with the refusal to implement relatively simple and immediately required measures such as farm debt moratoria or moratoria on foreclosures.

Billy Davis, a Mississippi farm leader speaking in Jackson, Mississippi stated that the failing in America has been the failure of its people to stop the systematic destruction of the economy and the nation, even though there were warnings in the Farewell Address of George Washington about the consequences of not excluding the manipulators from our Republic's affairs. The question, he said, is "Do the American people have the moral fitness to deserve to survive?" He called on the audience to "fall on your knees before God," and "since we have lost nearly everything already" to commit themselves to a fight to throw off the policies of the Federal Reserve and the British and Swiss bankers.

Lawrence Freeman, southern regional coordinator for the NDPC, addressing the same rally, declared that "a fight for parity prices is not enough." Freeman told the farmers that in order to save food production and to save the nation, the farmers movement must take responsibility to lead greater political forces in a fight to end the world depression and for a new monetary system based on federalizing the Federal Reserve system and organizing a new world economic order to finance worldwide technological, industrial and agricultural development. He emphasized that we stand at the brink of a world monetary collapse.

"We cannot have land taken out of production while the nation is bankrupt, and there is no such thing as overprod-

uction while thousands of people per hour starve to death around the world," declared AAM leader Alvin Jenkins repeatedly on the tour. "We need a crash development program for agriculture."

Worst farm crisis ever

The crisis in agriculture is a threat to Americans' food supply. An average of 2,200 American farmers per week are being driven off the land—a pace that has continued since 1979 when the Volcker interest rates began to accelerate the already heavily indebted farmers' costs. Meanwhile, average farm prices have continued at record lows.

Although U.S. agricultural productivity per acre is at an all-time high because of applications of technology and science, the average American farmer today is only receiving for his product 55 percent of his direct costs of production! This figure is an all-time low in American history, and farmers are either fighting for extensions on their debts, or being foreclosed, or are selling out. Jenkins emphasized to his audiences that there are now only 350,000 farmers in the entire United States today who are still full-time, that is, who have not been forced to get other employment outside food production.

Younger farmers in particular are being forced into bankruptcy as their reward for their part in producing enough food to feed the entire nation and 75 million people in other lands as well. Too often young farmers are "getting out" by abandoning their farms outright, and even by committing suicide. The average age of the American farmer today is 59 years old.

Farmers in the Paritycade recounted their own information about towns in the Midwest which have closed over 80 percent of their businesses because they had been dependent on farmers' purchases. In the first 13 days of January, they said, 191 farmers filed for bankruptcy in two counties in Georgia alone. Some high-technology grain farmers are selling grain now for less than half the price they were getting a few years ago.

Alvin Jenkins and other speakers repeatedly denounced the latest U.S. government farm policy initiative, the "PIK" (Payment in Kind) program. PIK's twin goals are reducing U.S. food reserves and reducing by 23,000,000 acres the land now under cultivation in the United States. Because of farmers' purchases of implements and other industrial production, AAM leaders predict that this reduction in acreage could reduce demand for industrial production by over \$2.25 billion and cause another sharp increase in unemployment.

"I would be the first to admit," Jenkins told a group of farmers in Florida, "that I might make a little money in the short run if the government gives me surplus wheat to sell. But we oppose this program because it will cost the taxpayer billions by destroying agricultural production, and by hurting my neighbor the steelworker and my neighbor the implements manufacturer."

National News

Parkhurst prepares highway terrorism

Mike Parkhurst, the would-be Führer of the independent truckers, and his cadre force in the Independent Truckers Association (ITA) are now holding planning meetings to plot terrorism on the nation's highways when the scheduled independent truckers shutdown begins Jan. 31.

Sources inside the ITA report that a planning meeting will take place over the Jan. 22-23 weekend to lay out specific plans for terrorist shutdowns of highways. The meeting, to occur at some undisclosed location, is by invitation only to Parkhurst's trusted cadre. Parkhurst, meanwhile, plans to keep his distance from the terrorist core of his movement, controlling them through intermediaries.

Other sources report that, under Parkhurst's instructions, various bridges on interstates across the country are being rigged with dynamite for detonation once the shutdown gets underway.

A meeting is scheduled for early Jan. 21 between officials of the Department of Transportation and the leadership of the Owner Operators Independent Drivers Association, a group with some 5,000 members who are supporting the strike though factional opponents of Parkhurst. Sources in the trucking industry report that Parkhurst was specifically not invited to this meeting.

James Baker III: a 'New Age' freak

"Few Americans will want to tighten their belts unless every other American is also tucking in a notch. . . . Massive changes are taking place not only in the nature of our work force, but in the nature of work itself. . . . Women have been streaming into the labor market. . . . We must recognize that a massive transformation is taking place in America from essentially a smokestack economy into an international post-industrial economy." Members of San Francisco's

Commonwealth Club had to look twice to assure themselves that the speaker addressing their luncheon Jan. 13 was not "Aquarian Conspiracy" kook Marilyn Ferguson, but James Baker III, Chief of Staff to the Reagan White House.

Actually, it was not wholly surprising to hear Baker sounding off as a zero-growth "New Age" freak. The former campaign manager for Trilateral Commission presidential candidate George Bush, Baker is the scion of a group of Texas real estate, banking and railroad families interlocked with the very Harriman interests currently striving to turn America into a deindustrialized drug den. Baker is the inside man for the Harriman faction's current drive to make the President a lame duck this month.

Baker proudly announced that the President's new budget will include cuts in defense and social security, as well as a bevy of new taxes, all steps that the President had repeatedly pledged to do his utmost to avoid. After endorsing the policies of Paul Volcker's economy-wrecking Federal Reserve Bank, he said it is urgent that "the sunrise industries find a warm, hospitable environment here in the United States—and we look to you here in California to help lead the way."

CFR: cut entitlements, defense; tax the poor

A group of 500 leaders and supporters of the New York Council on Foreign Relations (CFR) held a press conference Jan. 19 and placed full-page ads in major east coast press today to demand that the Reagan administration implement a program of savage cuts in defense and entitlement programs and tax increases against the poor.

Calling itself "The Bipartisan Budget Appeal," the group is led by a cabal from the Draper Fund/Population Crisis Committee, including C. Douglas Dillon, Henry Fowler, George Ball, Robert S. McNamara, Sol Linowitz, Orville Freeman, and William Ruckelshaus. Also included in the leadership are CFR members W. Michael Blumenthal, Peter Peterson, William Simon, Andrew Brimmer, Harold Brown,

Zbigniew Brzezinski, McGeorge Bundy, Lloyd Cutler, Elliot Richardson, Dean Rusk, Robert Strauss, Cyrus Vance, and David Rockefeller. Alleged anti-eastern establishment John Connally is also a member.

Supposedly concerned about balancing the budget, the group has developed the following recommendations, all of which are direct attacks on the central policy commitments of the Reagan administration and on the welfare of the U.S. population:

- Cut defense spending by \$25 billion per year.
- Impose \$60 billion per year in new taxes "on consumption."
- Cut Social Security, veterans benefits, and other entitlements by \$60 billion per year, including a one-year freeze on the level of such benefits, despite inflation, and a cap on future benefits that will limit future cost of living adjustments regardless of the level of inflation.

Such proposals are clearly designed to undermine the political credibility of the Reagan administration, and replace it with a CFR "blue ribbon" national unity dictatorship.

Supplementing the CFR assault on the administration were Buckleyite "conservatives" Richard Viguerie and Howard Phillips, who held a press conference simultaneous with the CFR's to announce that the Reagan administration had betrayed its promises, and that they could no longer support it, unless it decides to devote itself henceforth to stopping abortions and bus-ing, and passing constitutional amendments for school prayer and a balanced budget.

Doublespeak award to Senator Proxmire

In a statement for which he has been nominated for the Golden Fleece Doublespeak Award, Sen. William Proxmire (D-Wis.) said Jan. 11 that, "I shall introduce legislation in the new Congress that will give the people of the United States increased First Amendment benefits by abolishing the so-called Fairness Doctrine and equal time rule."

Proxmire's legislation is designed to

Briefly

prevent views and candidates the controllers of the electronic media disagree with from having access to radio and television, even in paid advertisements.

The Fairness Doctrine requires radio and television to air only what they consider "responsible" opinion that differs from their expressed editorial policy. The more important equal time rule requires radio and television to provide other candidates for an office with the opportunity to have equal-time coverage (either as "news" or in paid advertisements).

Kemp in after-dinner kickoff for 1984

On Jan. 19, Jack Kemp unofficially kicked off his campaign for the 1984 Presidential nomination in an after-dinner performance before a crowd of 200 appreciative New Rightists assembled for a "Neo-Conservative State of the Union Conference." The washed-up Buffalo Bills quarterback who is now the Republican congressman from Buffalo and a member of the Swiss oligarchy's Mont Pelerin Society (a grouping of the most rabid pro-austerity budget-slashers on the globe), affected a posture of opposition to the genocidal austerity policies of the International Monetary Fund, the "Keynesians," and the neo-Malthusians. Unlike Senator Howard Baker and other "moderate" Republican opponents of Reagan, Kemp prefaced his campaign pitch by claiming to be a loyal supporter of Reagan and attacked those who oppose him, saying, "If conservative government doesn't succeed in 1983 and 1984, it's going to be a long time before conservatives get another chance."

Kemp quipped "With friends like the IMF, the Third World needs no enemies. . . . This must cause the Third World to wonder whether capitalism is a friend or an enemy." Opposition to the IMF's conditionalities has been most closely associated with Democratic Party presidential contender Lyndon LaRouche, Jr., whose policies have been studied very carefully by Kemp. Members of Kemp's Mont Pelerin Society have generally criticized the IMF only for being too *lenient* in its demands for genocid-

al levels of austerity.

He also repeated LaRouche's suggestion that the American tradition of industrial nation-building is the premier model for Third World development today. Unlike LaRouche, however, Kemp offered no program for avoiding catastrophic financial collapse this quarter. In fact, he praised Parson Thomas Malthus' associate Adam Smith for allegedly making the industrial revolution possible, while pretending to oppose "neo-Malthusians."

Bailout brainwash under way in Washington

The nation's anglophile establishment pulled out all stops in mid-January to try to brainwash congressmen into increasing U.S. contributions to the IMF, so as to make good the usurious debt claims that international banks are holding against Third World countries.

Leading the way was Sen. Charles Mathias (R-Md.), an advocate of the Global 2000 program for genocide against the Third World, who demanded that an international central bank be set up to manage the world economy. "There is a gap between the IMF and World Bank," Mathias wrote in the *Washington Post* Jan. 19, "and now is the time to fill that gap." Fellow Global 2000 advocate Les Aspin (D-Wis.) was more modest in his backup piece the next day; he simply demanded that "the U.S. contribution to the IMF has to be sharply increased in order to galvanize others." In addition to saving the banks, Aspin said, the IMF serves a useful genocidal function, since "equally important, the fund can and does impose conditions for these loans, conditions that require changes in the way the borrowers run their economies."

Such presentations were given additional backup by constant Capitol Hill seminars by the supposedly non-partisan Congressional Research Service. The CRS blamed the crisis solely on the "mismanaged policies of the developing sector" and stridently demanded support for the IMF, dismayed many who had hoped for a more balanced presentation.

● **EUGENE V. DEBS ROSTOW** and Paul Nitze, the men who destabilized the Reagan administration in mid-January by reaching an unauthorized disarmament agreement with Soviet negotiators, have interesting backgrounds. Rostow was denied State Department and Defense Department security clearances twice during the 1950s because he was suspected of having Soviet intelligence connections. Paul Nitze's uncle was Director of Imperial German sabotage operations in the United States during World War I.

● **RIMMER DE VRIES**, Chief Economist for Morgan Guaranty Trust, refused to cross a National Democratic Policy Committee picket line Jan. 19 to testify on Capitol Hill for an IMF bailout—unless he could have a police escort in doing so. Eventually a 10-man escort was provided and De Vries got out of his car to attend. The sign the NDPC picketers carried which caused De Vries trepidation read: "Drop the debt bomb on the bankers' cartel."

● **LEADING ENTHUSIASTS** of the doctrines of Friedrich von Hayek are assembling in Washington, D.C. Jan. 21 for a gathering at one of their hideouts, the Cato Institute. The subject of discussion for the one-day conference is "Founding a Stable International Monetary Order."

● **SIERRA CLUB** executive director Michael McCloskey, responding to Interior Secretary James G. Watt's observation that environmentalists use the same big lie techniques as used by Nazis, said: "Only James Watt could fail to see the difference between Hermann Goering and John Muir," the founder of Sierra Club.

The Gaullist 'bicycle'

It was a scene which the scenario writers of British and Venetian intelligence had obviously not anticipated. There was the Socialist President of France, François Mitterrand, the man whom the London *Economist* and its continental oligarch friends conspired to put into power to wreck the Franco-German alliance, standing in front of the West German parliament and calling for a European "industrial renaissance" as the only way to guarantee peace and relaunch the world economy.

Less than a year ago, Mitterrand was proclaiming his fondness for the environmentalist's paradise of simpler lifestyles. Now, sounding in many passages like the reincarnation of Charles de Gaulle, Mitterrand was pulling the rug from under his nominal West German comrades, the Vogel-Bahr leadership of the Social Democratic opposition party, which is staking its hopes for a return to power on an alliance with the environmentalist Green Party around a conventional-weapons buildup ("peace"), and the dismantling of the nuclear industry.

The day was Jan. 20, 1983; the occasion was the 20th anniversary of the Franco-German Friendship Treaty signed by the late President de Gaulle and West German Chancellor Konrad Adenauer. Mitterrand hailed Adenauer as an "exceptional man" who knew how to act at the time of decision. He went on to strongly dissent "in the name of France" from the "peace" game currently being played out between the Andropov regime of the U.S.S.R., the British, and Britain's obsequious servants in the Social Democratic Party (SPD) of occupied West Germany, SPD head Hans-Jochen Vogel and his mentor Egon Bahr. France insists on maintaining its independent nuclear *force de frappe* as a guarantee of its national sovereignty, the French President declared, and believes that "decoupling" Western Europe from the United States on strategic questions, the policy advocated by the German Social Democrats, is "dangerous in itself" and a threat to peace.

Europe must instead turn its attention to the eco-

nomie crisis—with 11 million unemployed already in the Common Market countries. Instead of acting as though "fate" had decided the end of European civilization and accepting inexorable demographic decline, "Europe can engage in an industrial renaissance on the condition that it wants it," Mitterrand said. A strong Europe, centered on the Franco-German alliance, is the "hope" of the Third World, continued the French leader, referring to his just-concluded trip to Africa, and the basis for convincing the United States and Japan of the "need to reconstruct an international monetary order and not leave it to be run by the invisible hand" of the "no longer free" market.

Mitterrand spoke not as the puppet of the Socialist International which put him into power, but as the instrument of the institution de Gaulle created—the Fifth Republic. Just as the man who climbs on a bicycle not of his own making must become a "cyclist" in order to ride the bicycle, Mitterrand as President of France has become a "Gaullist." And as a Gaullist, he gave the most patriotically German speech of recent memory in Bonn, a speech which reminded citizens of the Federal Republic of their world-historical responsibilities.

The reminder, although insufficient in itself, is timely. The visit of Soviet Foreign Minister Gromyko to Bonn three days before Mitterrand's appearance had no purpose but to heat up the crisis atmosphere in Germany immediately after Chancellor Kohl had announced that parliament would be dissolved for new elections on March 6. Gromyko's Jan. 16-17 visit provided the occasion for chancellor candidate Vogel to deliver his most explicit public threat of a break with the United States over the "Euromissiles" issue.

A Soviet-backed Green-fascist coalition in the Federal Republic under Social Democrat Vogel will demoralize and dessicate the last vestiges of industrial-minded export institutions of the Federal Republic. Socialist Mitterrand, riding the "Gaullist bicycle," may have helped to avert that catastrophe.

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