

EIR

Executive Intelligence Review

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EIR

From the Managing Editor

A large number of world leaders, “left and right,” have faith in the monetarist argument that the size of the U.S. budget deficit is the central obstacle to a world economic recovery. Leading institutions—ranging from the International Monetary Fund to London’s strategic think tanks, and such notables as former West German Chancellor Helmut Schmidt—have proposed that Americans slash spending to the bone, as the central U.S. contribution to getting a recovery underway.

This week’s Special Report refutes such monetarist idiocy. Editor-in-chief Criton Zoakos and LaRouche-Riemann econometrician Richard Freeman analyze the source of the record U.S. budget deficit, using the methodology *EIR* has employed for its unprecedentedly successful quarterly forecasts. Freeman’s report underlines an historic viewpoint which must be mastered if the monetarist pundits—typified by West Germany’s toppled Schmidt—are to be finally convinced to learn from those who know what they are talking about. Since the 1801-09 administration of U.S. President Thomas Jefferson, every “fiscal crisis” in the United States has been inflicted by foreign oligarchic manipulation of national finances.

As *EIR* founder LaRouche has emphasized, to the degree that Americans agree that the budget deficit is the central cause of America’s economic problems, the population is merely demonstrating the degree to which it has capitulated to a description of reality projected by television soap operas—in contrast to “the science of technology,” as LaRouche defines economics. The LaRouche-Riemann method is in the process of reversing this form of clinical brainwashing, which threatens to subject the nation to permanent economic depression and jeopardizes U.S. military security as well.

Our subscribers will recall last week’s Special Report on the current Soviet advantage over the United States in developing beam weaponry as the core of antiballistic missile defense. We are happy to note that national security classification on the U.S. x-ray laser program has now been relaxed, enabling Dr. Edward Teller, scientists at Lawrence Livermore National Laboratories, and others involved in the program to brief the public at large on this life-or-death subject.

Susan Johnson

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Note: The article in our March 15 issue titled "Witchhunt Against López Portillo: the Barbie Connection," by Hector Apolinar, was reprinted from *Nueva Solidaridad*, newspaper of the Mexican Labor Party, by permission of the author. The *EIR* version of the article contained a factual error: Guadalupe Santa Cruz, a writer for the Mexican publications *Impacto* and *El Heraldo*, is incorrectly listed as a member of the conspiratorial group headed by Mauricio Gómez Mayorga.

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Special Report



Federal Reserve chairman Paul Volcker (r) with the Senate Budget Committee chairman, Peter Domenici, Republican of New Mexico (l). The monetarist dogmas insinuated into U.S. policy-making have turned both the Eastern Establishment and Western conservatives into instruments of the destruction of U.S. prosperity and national security.

Stuart Lewis/NSIPS

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Freeze advocates abruptly focused their efforts in March not simply on passing a "nuclear freeze" resolution in Congress, which a World Federalist official was caught coaching, but on freezing the option of an advanced-technology defense against nuclear-armed intercontinental missiles. The National Democratic Policy Committee is challenging the claim that "peace" is an antonym of nuclear technologies.

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U.S. interest rates and the Ides of March

by David Goldman

The world financial system may not survive the month of March. This is as true in the political as in the economic sense.

The banking system's capacity to re-finance itself on the recycling model has come to the end of its string; the postwar agreements between Europe and the United States, and their respective private and central banks, are now in a state of full disarray.

The increase in U.S. short-term interest rates, by about half a percent between March 5 and March 9, has already put a liquidity squeeze on both foreign and domestic markets. In the midst of a record rollover of Third World debt, the U.S. Treasury must raise \$40 billion by mid-April under highly unfavorable conditions. Federal Reserve Chairman Paul Volcker has privately warned contacts prominent in the City of London that he is sure interest rates will rise by early April, and the U.S. Treasury has issued an identical forecast for internal use.

In addition, the rise in the Belgian discount rate March 9 from 11½ to 14 percent, amid speculation about a European currency realignment, indicates that wild uncertainty about currency movements will add to international interest-rate pressures. The weakness of the softer European currencies, and the collapse of the pound sterling to below \$1.50 the same week, will tend to force up all interest rates through an increase in speculative and hedging requirements for bor-

rowed currencies.

Here is the lineup for the next immediate future: perhaps \$90 billion of developing nations' short-term debts comes up for renewal in the course of the month of March, with a particularly heavy mid-month bulge. About \$40 billion of the total represents new extensions on the part of American banks since the Mexico crisis broke last Sept. 1. When Brazilian banks threatened to default on interbank obligations in late November and December, the American banks, under massive pressure from the monetary authorities, conducted a "flight forward" in the form of new interbank credits. Such lines extended by American banks to Ibero-American banks since August 1982 now total \$37.5 billion, according to secret Federal Reserve data. But a large portion of that total represents net liquidations by European banks, who began to extricate themselves from the debt sinkhole after the Mexico crisis broke.

Transatlantic breach

Peru's March 7 freeze on repayment of \$2 billion of interbank lines demonstrates that the breach between the European and American lenders has widened as the big refinancings came through. So does Argentina's announcement that it cannot find the \$1.4 billion to repay private-sector hard currency debts which the government had earlier guaranteed; earlier, Argentina had raised funds to reshuffle such loans

through interbank borrowings, and now must call them into default. The Venezuelan banks are facing demands for repayment of interbank lines as maturities come due, and the same is true throughout most of the continent. If the crisis breaks in the course of the month, it will spring from the submerged mine of interbank lending.

As the Swiss central bank points out caustically, the reality of the situation demonstrates that the International Monetary Fund's "White Knight" role in assembling banking funds for hard-pressed debtors has been, by and large, a hoax. Brazil, the continent's biggest debtor (with well over \$100 billion in total debt outstanding) has avoided formal default, not because of the IMF package, but because American commercial banks went over their heads in new short-term debt extensions.

One leading British merchant bank has conducted a private study which demonstrates why the continental European banks have broken ranks with their American partners. According to the study, most of the major American banks have two to three times their shareholders' capital in Ibero-American debt, once short-term debt is counted in. Citibank has \$6.7 billion in total Ibero-American loans, according to the study. A bank official said, "We still think this is too low. There is a lot of short-term debt we haven't been able to find out about. But that is already double their shareholders' capital. They have more than their capital outstanding to Brazil alone. And Manufacturers Hanover and Bank of America both have \$4 billion outstanding. In the case of Manufacturers, that represents triple the shareholders' capital!"

That is to say that if even one-third of the Ibero-American debt were wiped out, Manufacturers and Citibank would be technically insolvent.

The study indicates that there is no reason to expect that European banks will continue pumping funds into the refinancing balloon, according to a British bank official. Dresdner Bank of West Germany, for example, has \$700 million of loans to Mexico and \$400 million to Brazil, a relatively small portion of its \$60 billion in assets. Although the European banks stand to lose massively, their exposure is still such that they might survive a collapse of the debt; that is not the case for the American banks, who are stuck. The data contained in the study explain, a banker added, why the Europeans have been cashing in all the Ibero-American short-term paper they can, rather than continuing to refinance along with the big American banks.

Another problem indicated by the study is the volatility of the smaller American banks' lending to Ibero-America, the official added. In the case of Chile, half of the total debt is held by 550 banks; another half is held by 50 major banks. "Virtually all of the 550 small banks want out. They are screaming. For the moment, the Treasury and the Fed have pressured them to stay in. But that's like shaking up a Coke bottle and keeping your thumb over the top. It can only hold for so long."

The European banks' reticence is not, of course, simply a matter of objective self-interest. The European central banks simply did not exert the same degree of pressure to lend that the American authorities did. *EIR* March 1 published an exclusive interview with the head of the Bank for International Settlements, Fritz Leutwiler, who is also chairman of the Swiss National Bank. Leutwiler, in remarks later repeated in the French daily *La Vie Française*, the *London Financial Times* of March 6, and numerous other daily newspapers, called the putative American recovery "wishful thinking," and warned that he did "not believe in my own ways out" of the financial crisis.

The Swiss spoilers

In a speech at a secret conference in Saint-Paul-da-Vence in southern France on January 24, Fritz Leutwiler added, "The most obvious solution would be to do nothing at all. That would be the zero option, the Hayek option. Without going to such extremes, many bankers and *central* bankers would not be wholly unhappy to let a few debtors or a major bank go bankrupt—a sharp, brutal shock" [emphasis added].

An Italian economist who advises Leutwiler added, "All this talk about an economic upswing is nonsense. The world is turning from a cycle of deflation to a cycle of deflation. Of course, there are those in Britain and the United States who want to maintain the deflation. But there is a simple argument which demonstrates why the Anglo-American position is unstable. To have a bailout, you need an international agreement to get one. If you don't want to have a bailout, all you need do is to start not bailing out."

In response to the emerging "non-bailout," British bankers will convene under the auspices of the London-based Ditchley Foundation on March 11. Entitled "European and U.S. Relations with Latin America," the conference was described by one leading banker as a strategy session on "what to do when the bridges run out."

The conference's agenda includes the following items: 1) "To identify interests and causes which Latin American countries have in common and those which are individual"; 2) "To examine the causes of political instability in Latin America"; 3) "To discuss Latin America's role in the North-South dialogue" and to shape up European and U.S. relations to this continent, and 4) Latin American geopolitical questions.

The whole Eastern Establishment "liberal" crowd will be there, including Morgan Guaranty Trust representative John Spurdle; Nicolas Barletta, World Bank chief for Latin America and the Caribbean; the U.S. Ambassador to the Organization of American States, J. W. Middendorf; Viron Vaky, head of the Aspen Institute's Hemispheric Governance Commission; CSIS Latin expert and Henry Kissinger associate Robert S. Leiken. The Ditchley meeting leaves the Anglo-Americans talking to themselves; none of the continental European creditors will attend.

In an interview in London, the chief international officer of one of Britain's big clearing banks complained that bankers "have been discouraged by the international debt situation. It is no longer self-evident that all banks will be concerned with the health of the world banking system as a whole. Now they are likely to put their individual interest first. That leaves the Bank of England in a difficult position. It may well be forced to act unilaterally. There is no possibility of an international agreement to deal with the debt crisis.

"But the only way to prevent a crisis is for central banks to rediscount the loans of banks. That cannot be agreed upon at the international level. Therefore the Bank of England may single-handedly begin rediscounting the debt of British banks. If you ask them whether they are doing it, they will, of course, deny it. But it may be at work already. The Bank of England is very conscious of the status of the City of London, and they will do whatever they see fit to preserve it."

While the leading British commercial banks, who are almost as heavily exposed in Ibero-America as their American counterparts, fret about who will pick up their bad loans, some of the British merchant banks are "leaning in the Swiss direction," according to City of London sources. Morgan Grenfell, which only recently ended its longstanding shareholding relationship to New York's Morgan Guaranty Trust, S. G. Warburg's, and others among the City merchant banks are now bracing for the worst, rather than attempting to avoid it.

Central bankers fall out

Meanwhile, a significant rift in policy as well as personalities has emerged between the two most influential European central banks, the Bank of England and the Swiss National Bank. Bank of England senior civil servant Christopher MacMahon has stopped talking to Leutwiler, while SNB officers ridicule the English position.

Both, however, agree that the present stance of the Federal Reserve is pointed towards disaster.

A Bank of England analyst warns that there will be a sharp rise in interest rates before the end of March: "The negative atmosphere is starting to have an effect. Volcker is just accommodating whatever section of the market currently appears most nervous, and that section now happens to be the Shadow Open Market Committee," the group of monetarists led by two close Leutwiler associates, Prof. Karl Brunner and Alan Meltzer, which held a press conference in Washington March 7 to denounce excessive money supply growth and the administration's proposed bailout of the banking system. "That is a disastrous route. All the pressures I see are now negative. The market believes there is a strong recovery—which there isn't—but it believes it, while all the comments about monetary policy are negative, like the Shadow Open Market Committee. This means the Fed will be standing still. But the Fed would have to lean heavily against

the tendency to push rates up in the short-term markets. It would take direct action to prevent it, and I don't see the Fed doing that."

The British official said contemptuously of the Swiss attitude, "They're just saying let the people who have taken the risks take the losses, and let the rest of us get on with it. If they think things are so bad, they should not be against a global increase in liquidity!"

The most worrying indication of short-term problems noted by the Bank of England is a "flight to quality" that has erupted on the Euromarkets; Morgan, Citibank, or Chase are obtaining funds at less than the London interbank overnight rate, while secondary banks are paying 1 or 2 percent more. That is to say that major depositors are so concerned about safety that they will sacrifice more than 2 percentage points of interest to maintain funds in large American banks with direct access to the Federal Reserve's discount window. "Tiering" of interest rates in the Eurodollar market had threatened to topple the banking structure in late September in the wake of the outbreak of the Mexico crisis, and evaporated after the Mexicans appeared to come to heel, and after the Federal Reserve conducted the fastest re-liquefaction of the banking system in its history. Under conditions in which the Federal Reserve is apparently unable to expand the growth of funds to the banking system—as Federal Reserve Chairman Volcker suggested to the House Banking Committee in testimony March 8—"tiering" is viewed as an ominous sign in London.

Final solutions

The sudden appearance of pre-crisis conditions on the markets has sent a submerged shock wave through Washington policy circles. Secretary of State George Shultz, the grandfather of a family of schemes to reorganize the world banking system on a supranational basis, has told friends that no discussion on the subject of grand plans to deal with the crisis is required; on the contrary, the "economic recovery" will permit the situation to heal on its own, as developing countries earn more foreign exchange through additional exports. However, Shultz has a team at work reviewing plans to bail out the banking system on the model of the 1920s "Young Plan" for German war reparations, e.g., those offered by Lazard Frères partner Felix Rohatyn and Princeton University Professor Peter Kenen. Both plans, the subjects of major recent financial press attention, would create a supranational agency to buy up the bad loans of commercial banks at a discount, giving the banks government-guaranteed long term bonds instead.

At the Council of Economic Advisers, economists are looking into the Rohatyn plan in detail; however, CEA staff officials caution that this is far from an immediate option, if only because the administration fears an "America First" reaction on the part of Congress should reports leak out that the administration was considering any such thing. The detail

work at the level of the Treasury's bank examiner, the Controller of the Currency, and the Department of Justice, has not yet been done.

National Security Council economist Norman Bailey has also offered a more complex scheme involving "exchange participation notes." The plan would give creditors notes guaranteeing a fixed percentage of debtor countries' export earnings in exchange for the medium-term portion of the outstanding debt.

Leutwiler's friends in Washington and in the financial press, who have raised a drumbeat against "bailing out the banks" in the editorial pages of the *Wall Street Journal* and the *Washington Times*, have upset the planners' calculations concerning the U.S. Congress. Whereas the passage of the \$8.4 billion U.S. contribution to the IMF seemed trouble-free at the end of February, the activities of the "Shadow Open Market Committee," joined by former Reagan administration officials Paul Craig Roberts and Michele Frattiani, have cancelled all bets on this topic.

Most fundamental is the speed at which the crisis may break. A senior Federal Reserve official commented, "All central banks are always thinking about this sort of question. I just spent two hours discussing this over lunch with someone from the Bank of England. The problem with Rohatyn's plan or with any of these ideas is that you can't do them fast enough to help when you need them. What would happen in the case of major defaults? A variety of things would be proposed and done simultaneously. The central banks would move immediately to try to control a liquidity brushfire which might otherwise turn into a firestorm. It's relatively easy to anticipate central bank actions. But you can't pre-specify everything in advance. It depends on what banks have what problems."

Princeton's Kenen, the author of one of the most widely-quoted refinancing plans, say, "The problem is that we [who propose to refinance the developing sector] are not up against conventional monetarism. We are up against the old von Hayek view. We are facing Austrian business cycle theory *circa* 1930, the view that the only way to get rid of inflation is to purge the system of all its excesses. The problem is that anything less than unanimity favors the 'let it all go down' approach. That has been my fear for some time, a fear which I have been reluctant to express publicly until now. We have the following paradox: we may offer the only rational plan to save the system, but it is impossible to attempt to negotiate it before the crisis strikes. But when the crisis strikes, it is too late."

That is by no means to say that the efforts of Secretary of State Shultz et al. to emerge from the crisis with a set of supranational controls over the world economy are null. On the contrary, lack of a coherent policy on the part of the administration leaves the United States vulnerable to a plan which would turn over American national sovereignty to the International Monetary Fund.

DOCUMENTATION

The LaRouche proposal for gold-based credit

This document lays out the program for a gold-backed world monetary system developed by economist Lyndon H. LaRouche, Jr., a leading figure in the Democratic Party and the chairman of the advisory board of the National Democratic Policy Committee. This gold proposal presents the unique mechanism for reorganizing the world financial system to the end of expanding world industrial production and trade and creating the basis for Third World countries to develop economies capable of producing wealth—the only competent solution to the mammoth crisis of unpayable Third World debt now hanging over the world. LaRouche's gold policy is therefore diametrically opposed to the restrictive, credit-strangling gold plan being brought forward by the Bank for International Settlements and its propagandizers in the United States, such as Rep. Jack Kemp of New York.

The immediacy of this issue is dictated by the debt crisis and the crisis of the international financial system. The world is months, perhaps days, from the biggest financial collapse since the 14th-century collapse of the Bardi and Peruzzi banking houses of Europe, which bankrupted every European government then in existence and ushered in one of the darkest ages in world history.

At the New Delhi meeting of Non-Aligned nations that began March 1, the governments of the debtor nations have the opportunity to adopt the LaRouche plan and jettison the present unworkable system in favor of a world economy premised on growth; again at the end of March, the governments of the Group of 77 meeting in Buenos Aires have this central issue before them; the heads of state of the industrialized countries, meeting in Williamsburg, Virginia at the end of May, have the same issue posed to them.

LaRouche's gold proposal works like this.

President Ronald Reagan should announce on national television that the United States will take the unilateral step of remonetizing its gold reserves at \$500 per ounce, as part of a coordinated effort with other major Western and developing-sector governments to create a new gold-based world monetary system.

At this moment, the world network of banking and financial systems is bankrupt. No amount of austerity or other International Monetary Fund conditionalities can make the

roughly \$800 billion of outstanding Third World and East bloc foreign debt payable. Although the network of old European aristocratic families, with their financial holdings, the *fondi*, are prepared to implement genocide against Third World nations and others, through the *fondi*-run Bank for International Settlements (BIS) and the International Monetary Fund (IMF), this "solution" cannot stabilize the world monetary system. Nor can various so-called solutions involving vast quota increases for the IMF and its assorted institutions.

Therefore, statesmen and diplomats, elected officials of countries, and responsible citizens would be morally called upon to support President Reagan were he to declare in a television address that the Bretton Woods monetary system, put together in 1944 no longer functions, and that the world must return to gold. But there are various pitfalls that must be avoided. There are gold proposals, introduced by BIS chief Fritz Leutwiler and his votaries in the United States, such as Rep. Jack Kemp (R-N.Y.) and Rep. Ron Paul (R-Tex.), which constitute mere "fool's gold." The Leutwiler-Kemp gold proposals, also raised by such spokesmen as Herman Kahn of the Hudson Institute, would sharply reduce world liquidity flows by 30 to 40 percent, and serve as the hard rock against which the productive economies of the world's governments would be dashed.

A competent gold plan

Any competent gold proposal, as LaRouche has emphasized, must undo the damage done by the demonetization of gold undertaken by the foolish President Richard Nixon in August 1971, under the ill counsel of then-Treasury Secretary John Connally, Assistant Treasury Secretary Paul Volcker, Rep. Henry Reuss, and a host of others. A competent gold plan must emphasize the following elements:

A) The principal problem of economics today is that there is a tremendous need for capital goods to industrialize the Third World, and simultaneously, there are 30 million unemployed workers and 35 to 40 percent idled capacity in the advanced-sector nations. A competent solution to the crisis must match both sides of the equation, finding ways to use the Third World demand for goods to energize the employment of idle resources in the "Northern" or advanced-sector economies.

B) The Third World and East bloc are in no position to order the goods of the advanced sector, because they are weighed down with the crushing burden of a combined \$700 billion in debt. The IMF and the Ditchley Group of advanced-sector bankers are now declaring the developing nations "uncreditworthy," except under condition that the Third World governments "agree" to apply IMF-dictated austerity against their peoples on a scale even Adolf Hitler might have blanched at.

C) To redress this problem, gold must be introduced into the monetary system. The gold holdings of all major govern-

ments should be remonetized at \$500 per ounce, the cost of extracting gold from the most marginally producing gold mines. This price would be set by treaty agreement among governments, and would be protected against any attempts by private speculators to drive gold's price either higher or lower.

D) Gold would be used for:

1) Settlement of imbalances in current payments due among nations. Those countries that have imported more than they have exported, and thus have a trade *deficit*, will settle this deficit by selling reserve (monetary) gold at \$500 per ounce after a required period.

2) Gold will serve as the measure for setting a parity system of fixed exchange rates, establishing the basis for stable long-term contracts, and eliminating the practice widespread among the oligarchies' *fondi* of debasing Third World countries' currencies and destroying their economies through flight capital.

3) Gold will destroy the "Keynesian multiplier" now operant through the unregulated \$1.7 trillion Eurodollar market and through the national credit systems of Western governments, which allows the amount of currency in circulation to be multiplied a disproportionate number of times.

4) All new issues of currency, either in the advanced-sector or developing-sector economies, will be allowed only through Abraham Lincoln-style gold-reserve-denominated currency notes, to be issued strictly through the treasury of the nation in question. In the case of the United States, the Federal Reserve will be federalized and made a subservient branch of the Treasury. The sole purpose of new currency issue will be to fulfill the sovereign purpose of developing countries' national economies, not for speculation, for personal aggrandizement—nor to enrich the *fondi*.

5) The Treasury will issue these gold-reserve-denominated currency notes at nominal interest rates to the private banking system. The Treasury will issue these notes for up to 50 percent of the value of a private bank's loan to a productive industry. The Treasury will issue these loans to private banks, provided the banks are lending for technologically progressive investments in any among the following areas: production of tangible wealth in basic industry and agriculture; improvements of basic economic infrastructure; world trade in commodities used for such purposes by importers, or some other specified application established by law. In this way, it is guaranteed that all new credit is solely being issued for productive investment; non-productive investment is excluded.

6) A general world debt reorganization shall be effected to eliminate the debt overhang currently crushing Third World governments. All outstanding debts owed by the developing-sector nations will be frozen at current levels. These governments' treasuries or national banks will issue low-interest, gold-backed bonds, bearing 2 to 4 percent interest. These

bonds will be given to private banks and lending governments, as well as multilateral lending institutions in place of the current outstanding debt. The bonds will have a grace period on payment of the debt of 3 to 5 years. The bonds will be underwritten by a new world lending authority to replace the pro-genocide IMF, World Bank, and BIS, which will all be disbanded. This new institution, which will be chartered by treaty agreement among Third World and advanced-sector nations, will also have the authority, subject to the approval of these governments, to issue *new* gold-backed issues of credit to the Third World. Only one restriction will be placed on this new credit: the Third World must use it to import high-technology capital goods, agricultural goods, and infrastructural inputs from the advanced sector.

E) If gold is used for the above purposes, we have met the two conditions of rebuilding the world economy. We have 1) gotten rid of the debt overhang in the Third World, and provided the developing-sector nations with the liquidity needed to import capital goods from the advanced sector, and 2) we have lowered interest rates in the advanced sector in a non-inflationary way, which provides the credit needed to finance the capital goods orders from the Third World. By this method, \$400 billion to \$600 billion worth of export orders will be created in the Third World, and placed on the order books of the advanced-sector nations over the next few years. The developing sector will industrialize, raising the creative capacities of its peoples, and the advanced sector will export its way out of the current downward-spiraling world depression, led by the U.S. Federal Reserve Board.

The Kemp-BIS 'Fool's Gold' plan

While the LaRouche proposal for gold will expand world credit supply, producing an unprecedented economic boom, the purpose of the Leutwiler-Kemp "fool's gold" plan, now being advanced to the U.S. government, is to try to discredit the LaRouche plan and to achieve the opposite effect. In reality the Leutwiler-Kemp plan will produce a collapse, contracting world credit supplies by 30 to 40 percent and producing declines in industrial production and world trade of equal amounts. The purpose of the Leutwiler-Kemp gold plan is to maintain the *fondi's* control of the world monetary system, by shrinking that system and reducing population and industrial output. In this way, LaRouche has noted, the Leutwiler-Kemp plan is no different from the current genocidal policies of the IMF and BIS, it is rather intensification of those policies.

The gold plan of BIS head Fritz Leutwiler was first formally announced by then-head of the BIS Jelle Zijlstra in October 1981 at a press conference during the IMF's semi-annual meeting. Leutwiler has repeated the outlines of the BIS gold plan, first enunciated by Zijlstra, several times since then. The essence of the Leutwiler-BIS plan is:

A) The amount of credit in the world is not determined

by the liquidity needs of industry and agriculture, but rather by linking the amount of credit to some multiple of gold (i.e., were gold to be valued at \$32 per ounce, for purposes of argument, private banks could lend only \$32 or \$64 or some such multiple of loans for each ounce of gold held in reserve).

B) The BIS and IMF would control—along with London, Switzerland, the Union of South Africa, and the Soviet Union, the world's leading gold suppliers—the amount and purposes of gold use. This would keep control of new sources of liquidity in the hands of the *fondi* and its agent institutions.

C) Gold's price might be allowed to fluctuate until it reached a "free market rate," i.e., a price set by the BIS, IMF, and principal world gold owners. Instead of gold, tin, copper, or other commodities might be used. The amount of credit might therefore, in this latter variant, be limited to the amount of rise of a basket of commodities which would include gold and other commodities.

D) The Third World would have no say in the new arrangements. Nor, for that matter, would the United States, West Germany, Japan, Italy, France, and other advanced-sector nations, except for meaningless gestures of "consultation" by the BIS and IMF.

E) This gold arrangement would be consistent with and encourage the development of either the BIS or IMF as a "one world central bank."

The Leutwiler-Zijlstra-BIS gold plan was filtered into the United States by a Leutwiler-sycophant, Columbia University Professor Robert Mundell. It is Mundell, the actual "founder" of supply-side economics, who passed this plan to his protégé, former football player Rep. Jack Kemp. Kemp has now interested a group of Congressmen and Leutwiler allies in the Reagan administration, including Assistant Secretary for Economic Affairs Allan Wallis, to pressure President Reagan to adopt the Leutwiler plan as part of a program to avoid a world banking collapse. Kemp has mislabeled this anti-industrial, anti-capitalist, anti-growth proposal as "conservative," to gain the President's acceptance.

Last chance

The world receives few chances to atone for its past mistakes, Lyndon LaRouche recently remarked. The Bretton Woods system, established in New Hampshire in 1944, was never a workable monetary system. Now necessity has forced a second chance on the world's governments, their leaders and their populations, to junk that unworkable system. "World leaders, meeting at the Non-Aligned summit in New Delhi, India March 7, and at the heads of state meeting of the seven leading industrial countries in Williamsburg, Virginia, May 25, can now adopt my plan, end the misery of the current monetary system, and usher in a period of unprecedented economic growth," LaRouche asserted. "Or else they can face the consequences of the worst world financial crash since the 14th century."

Yugoslavia to be put under IMF economic policies again?

by Luba George in Wiesbaden

As leaders of Yugoslavia, a charter member of the Non-Aligned movement, headed for the Non-Aligned summit in New Delhi, their country was coming under heavy pressure to accept a new round of ferocious austerity and business contraction—the price of a Bank for International Settlements bridge loan, the refinance of Yugoslavia's debt to foreign commercial banks, and the release of the third and last portion of a large International Monetary Fund credit. The pressure was extraordinarily great because of fear in BIS and IMF quarters that Yugoslavia might depart from its traditional policy of paying up, whatever the domestic cost.

At New Delhi, Yugoslavia's current president, Petar Stambolic, asked the Non-Aligned to consider that "elements of this [international economic] system, particularly in the financial area, have already collapsed." The question arises: will the Yugoslav leadership keep squeezing the economy for liquidity to pay into a system already deemed to have "collapsed"?

Vienna banking sources, among others, admit that an anti-austerity lobby inside Yugoslavia has an idea on which Yugoslavia might unite with its partners in the Non-Aligned movement. "There are some people in Yugoslavia," said one banker in late February, "who would like rescheduling without conditions, and would like to form a debtors' cartel which would also work with OPEC . . . as perhaps the only way they can overcome their political weakness."

Another Austrian banking source, on the inside of creditors' talks with the Yugoslavs, analyzed the delay on Yugoslavia's \$500 billion BIS bridge loan as follows: "This is a purely political move. The BIS refusal to give them money is part of the pressure put on Yugoslavia around the Non-Aligned meeting." In 1976, these bankers remember, the late President Josip Broz Tito's signature was on the Non-Aligned summit document that called for debt moratoria.

Demand gold

Officially, Yugoslavia's debt is nearly \$20 billion, but unofficial bank estimates put it as high as \$24-\$27 billion. Interest and principal payments due this year total \$4.5 billion.

In early February, the BIS, central bank of central bank-

ers, convened a meeting in Basle, at which central bank representatives from various countries were to negotiate with Yugoslav officials. At issue was the \$500 million credit from the BIS, meant to tide over the Yugoslavs until the release of \$600 million by the IMF, which is supposed to occur in late March—if Yugoslavia has come to terms with the BIS and with a committee of commercial banks, from which Belgrade is seeking \$600 million in new credits and refinancing of \$1.4 billion 1983 payments due. The February session broke up without agreement, because the Yugoslav negotiators rejected the BIS demand that Yugoslavia put up \$200 million of its gold holdings as collateral for the loan. For the moment, the entire rescue scheme for the commercial banks' Yugoslav debt was placed in jeopardy.

The Austrian banker who saw the BIS pressure as political explained candidly the initial Yugoslav reaction: "Yugoslavia doesn't want to give up the gold because this is all they have left. . . . Once it's gone, confidence in Yugoslavia would disappear, and no *Gastarbeiter* [Yugoslavs working in West Germany, Sweden, etc.] would remit his savings into Yugoslav banks any more."

Even though the BIS loan was stalled, the Yugoslav delegation to New Delhi got a send-off from the consortium of commercial bank creditors, which made it known that their \$2 billion share of the international "rescue package" for Yugoslavia would be sufficiently determined by Feb. 28, the IMF's deadline, for the IMF to go ahead with preparations to release its credit. By March 6, the BIS had announced it would make \$300 million of its \$500 million bridge available to Yugoslavia immediately, holding the other \$200 million until Belgrade overcomes its objections, and gets clearance from its other creditors, to putting up its gold.

The BIS and commercial credits clear the way for the IMF monies, with a new round of austerity conditions attached. Not yet made public, these are expected to be the toughest measures yet for economic restructuring, wherein allegedly unprofitable projects and branches of industry will be scrapped.

The Yugoslav economy is already laboring under the severe strain of 32 percent inflation (1982, down from 40

percent in 1981). The dinar was devalued by 20 percent last year. The announced energy plan incorporates a deficit of 4 billion kilowatt-hours, which means sporadic blackouts in cities and factories. On Feb. 17, party leader Mitja Ribicic stated that gasoline rationing would have to be continued past March 1.

Under these conditions, the majority's policy of paying the debt, no matter what the cost, is less and less tenable. The "some people" cited by the Austrian source as advocates of a debtors' cartel fear that the economic destabilizations of today will breed political chaos and ethnic fragmentation among Yugoslavia's many nationalities tomorrow.

Balkan "catastrophe"?

The BIS brinkmanship caught Yugoslavia between East and West, the precarious strategic position that prompted Tito to be a Non-Aligned leader 30 years ago. The worse its relations with the IMF and BIS, the less Yugoslavia will trade with the West, and the greater will be its dependency on the U.S.S.R. and other East European trading partners. This has been a trend for three years. One banker put it, "The name of the game is pay gold, or pay Andropov."

Munich and Vienna sources who watch the Balkans closely report increased Soviet political activity in Yugoslavia and neighboring countries since Yuri Andropov became general secretary. In the same period, the Soviets have sent signals that the amount of oil and coal delivered to Yugoslavia may be cut. One conclusion from this is that Moscow will exact a political price for economic favors to the Yugoslavs. In any event, economic starvation by the West can only force Yugoslavia to the East.

Compounding Belgrade's political plight is the post-Tito institution of collective leadership, whereby the national presidency and the party leadership both rotate every year. This system is hardly conducive to bold political initiatives, but provides a framework in which Yugoslav agents of the IMF—like the Yugoslav members of the Brandt Commission on North-South relations—can exert a steady influence on the leadership consensus.

Creditors, all too aware of this situation, exploit it. Typical of their views are the recent remarks of one Austrian banker, that "Yugoslavia is on the brink of catastrophe. . . . The situation is a mess, with the collective leadership. Nothing gets done."

His recommendation was a leap from frying pan into fire: "Yugoslavia needs a dictator" to run its austerity program. He is not alone in such thinking; Balkan church sources have put out alarms that a coup by Serbian military officers might rock Yugoslavia in April, and obtain Soviet support.

Obviously, Yugoslavia needs neither a weak collective leadership nor an Austrian-model dictator. Under pressure from both West and East, lacking Tito who, in the words of one observer, "knew how to play them both off," Yugoslavia could find its best hope in the Non-Aligned movement it co-founded—by putting together the debtors' cartel that so unsettles the gentlemen at the BIS.

British Foreign Office: 'Time to squeeze Poland'

A meeting of foreign ministers of the European Community countries decided March 1 to reopen the issue of Poland's debt to government lending institutions in these and other Western countries. Nothing has been paid on Poland's \$14 billion since Dec. 31, 1981, and there have been no talks about rescheduling it, because such talks, under the auspices of the "Paris Club" of creditor nations, were suspended by the West when Gen. Wojciech Jaruzelski declared martial law.

The man who went to the press with the story of renewed pressure on Poland was Douglas Hurd of the British Foreign Office. He told reporters that Poland's "de facto debt moratorium" was quite "absurd," and that it was time to "call the Poles to account."

Also in the first week of March, Swiss banking sources said that some commercial banks to which Poland owes money might declare Poland in default on 1983 payments (the commercial debt also stands at near \$14 billion, but 1982 payments in this case were rescheduled), if steps were not taken before the end of the first quarter, towards their renegotiation.

There are two motives for stepped-up pressure on Poland right now. One is the nagging worry on the part of creditors that the Poles will decide to join with other big debtors in a cartel. Such a cartel would have enough clout to obtain not only long-term rescheduling on favorable terms, but the real wherewithal for international economic recovery: new, low-interest credits for investment in industry. Poland has difficulties with some of these potential allies (in February a Warsaw delegation was trying to work out barter deals to cover some of what Poland owes Brazil, itself the world's biggest debtor), but the idea of a joint policy is still alive.

The other purpose stems from resolution of the Paris Club business being considered a precondition for processing Poland's application to join the International Monetary Fund. Particularly the Swiss and British circles which want the IMF to act as a world central bank to police a disintegrating world economy consider signing up Poland a major inroad into Eastern Europe, a token of Warsaw Pact acquiescence in this scheme.

Poland's policy is to pay its debt, but Polish officials keep talking about the need for terms that allow the Polish economy to build up some basis for genuine recovery. Therefore, the Polish response to specific demands of the creditor banks or of Douglas Hurd & Co. is not entirely predictable by the creditors.

Slow growth troubles the Indian economy

by Paul Zykofsky in New Delhi
and Ramtanu Maitra in New York

The Indian economy stagnated in 1982 and in specific sectors, showed considerable difficulties. This, together with indications of a potential foreign exchange crisis on the horizon, gives the lie to the frequently heard assertion that India does not face the debt and balance of payments problems now plaguing other developing nations.

While it is true that India does not have a high level of indebtedness by current standards, this can change in the proverbial "overnight"—under conditions of economic crisis.

One of the most disturbing factors to the government at present is India's depleted foreign exchange reserves. India borrowed \$5.6 billion in 1982 from the International Monetary Fund (IMF) to shore up reserves and balance its increasing trade deficit. Since the government has drawn \$2.2 billion of the loan already, the decline of \$350 million in reserves in absolute value between December 1981 and December 1982 has become a matter of serious concern to the finance ministry. The country's foreign exchange reserves, excluding gold and SDRs, stood at \$3.9 billion.

During the last calendar year, because of a weak monsoon in the major kharif-growing areas and a chronic shortage of generated electrical power, India's grain production fell short of the announced target by 5.4 million tons. Although not immediately affecting the domestic food situation, any further deceleration in this season's production would impose sharply increased quota requirements in the next period.

India's industrial production, which grew 8 percent in 1981, suffered in 1982 because of lack of available power, shortages of agricultural raw materials, and an extended textile strike. In the manufacturing sector, the growth rate, which was close to 5 percent in 1981, was even more sluggish. Some industries also suffered from the Reserve Bank's credit squeeze; a slight relaxation of credit curbs in recent months is expected to yield some results.

Although the budget for fiscal year 1983-84 has not been passed before the parliament as yet, there are indications that cuts will be made in certain key sectors. Minister of State for Energy Chandra Shekhar Singh told newsmen in February that no new power projects could be taken up in 1983-84 because of financial problems. This means that, while a 10 percent shortage in power generation continues to slow down industry, the energy ministry will be under pressure to shelve at least five hydroelectric projects, since no budget provision has been made for them.

The other factor which hurt the economy last year is the longest textile strike in India's history. The strike, which has entered its second year, has resulted in a loss of over 48 million man-days and a production loss of at least \$1.5 billion. However, the financial impact of such a long strike goes well beyond direct production losses. The textile machinery industry, for example, is presently burdened with an unsold inventory of at least a quarter of a billion dollars.

Any real upturn in India's economy in 1983 will be a big surprise. However, most disturbing is the fact that the *productivity* of India's industrial sector is in decline. Recently the president of the Punjab, Delhi, and Haryana Chamber of Commerce, V. P. Punj, speaking at a national forum, pointed out that to increase productivity "requires instruments of production as well as the will to produce."

Although there is no dearth of "will to produce," what Punj referred to as the "instruments of production" is a matter of concern to India's industrial experts. The continuing slow growth of India's industrial sector, the result of indiscriminate and unfocused investment during most of the 1970s, has failed to generate the required rate of capital formation. One problem is the use of outdated machinery. The lack of adequate infrastructural facilities is another. These productivity problems can only be resolved through a sustained expansion of existing plants, with state-of-the-art technology.

The effect of such slow economic growth on India's Sixth Five-Year Plan (for the period 1980-85), which was reviewed in December at its mid-term, is palpable. The plan was drawn up to achieve an overall growth rate of 5.2 percent annually, but available figures indicate that even if conditions become as favorable as expected by the planners, the annual growth rate cannot exceed 4.5 percent.

India's foreign debt situation has not as yet reached an alarming proportion of its export income, but the nation's debt-servicing charges and loan repayment commitments are mounting steadily each year, and will become a serious factor in 1984 when repayment of the IMF loan is to begin.

However, there are certain redeeming features that emerged out of the 1982 economic review. Despite the production shortfalls in both the agricultural and industrial sectors, the government kept the general price increase to only 2.8 percent over the previous year's, against an increase of 8.6 percent in the corresponding period in 1981. The food-grain stocks (India imported several million tons of grain from the U.S. replenish stocks) and sugar stocks will help the government to hold the price line in the agricultural sector. The Indo-Soviet trade pact signed in December is expected to increase exports, mostly agricultural, to \$2.0 billion in 1983, and help associated manufacturing sectors.

Also encouraging is the growth in aggregate deposits of the commercial banks in the Reserve Bank of India. Between March 26 and Dec. 3, 1982, they rose by as much as \$4.8 billion.

Officials have indicated that the government will soon take a second look at the interest-rate structure.

Aeritalia space chief: 'We could help LDCs'

Dr. Ernesto Vallerani is the Director of the Space Division of Aeritalia, a company in the state-owned group IRI of Italy, and a member of the Club of Life. He was interviewed in Italy on Jan. 24, 1983 by Giuseppe Filippini.

Filippini: The American Space Shuttle will carry the Spacelab into orbit at the end of September. What prospects does this technology open up for European and American industry?

Vallerani: With the Spacelab we are at a turning point: Sept. 30 is an arrival date for the newest experience that industrial and scientific research as ever had in Europe and which crowns ten years of involvement in the space sector, a sector where up to now the U.S.A. and U.S.S.R. were almost exclusively involved.

Projects, in terms of space systems, are principally of three types.

The first are those directed at vanguard technologies each of which, however, represent a branch in its own right, such as the Surveyor and so forth. The second are the systems utilized for communications, where the technology has already been set up and we are confronting more of a commercial problem: how to reduce costs and increase utilization.

The third are those that we could define as Great Projects, which require a big commitment, technological and financial. The Spacelab is one of these projects, as well as the U.S. Space Shuttle. On the one hand, these great projects tend to be affected by an upturn or downturn in the economic situation. But they will never be cancelled, because they are catalyzing projects, which perform an indispensable role, and around them in fact the long-term space enterprises mature. They are the reference point for developing technology.

Among these projects there is also Spacelab, a unique opportunity for the Europeans to remain hooked up to the development of aerospace technologies and to the prospects that such technologies already offer to industry and scientific research. With Spacelab we are getting into the subject of orbiting systems, and from this standpoint, we are not at an arrival point but a departure point.

Spacelab should represent for us the calling-card which guarantees the quality of our technology for international relations. First, the Europeans were in a sense shut out of the

advanced development of aerospace technology; and now they have an important part—we will have to see to what extent Europe will succeed in playing it.

The manned space station is the prospect of the future, and it, too, represents a challenge for Europe. It would be absurd to delay now what has been the crowning of 10 years of work, and throw away everything—the prospects and the men.

To speak of a space station means to go to the heart of technological development at the highest level. If the Europeans do not understand this, the United States will inevitably remain the only Western power having such a technology, and they will hold tight to it, and they will be right to do so. We are seeking a mediation; space systems are destined to evolve very rapidly in the future, and the first steps are decisive. The modules of the space lab will be key to making these first steps. They are modules that we will build. The United States will take advantage of them because in that way the U.S.A. can concentrate on the development of other technologies. The United States finds this set-up very convenient and understandable.

Does it benefit the Europeans to do that? By itself, without U.S. technology, we could not do anything but maintain the hook-up with U.S. technology; to be involved is key. In this way we shall build the space station together.

Filippini: In Europe there are more than 12 million unemployed, as in the U.S.A. The Third World is collapsing under poverty. In this situation, when the official policy of governments is budget cutting, with scientific research the first to go without even talking about the cuts that industries are carrying out, the approach you present is obviously against the grain. What types of responses have there been by industries and government agencies to the perspectives of scientific and technological research which the Spacelab offers starting next fall?

Vallerani: We are conscious of the gravity and reality of the ongoing economic crisis, and we are worried about the direction things are going. We are engineers and we do not want to give out speculative recipes. But we know that investments and research are languishing, and what we can say is that things cannot go on like this. The trend must be reversed. Whoever will have the courage and strength to do it will undoubtedly be the long-term winner.

The danger is that, already, people often cannot see something that goes beyond a few months or a year. But man has always embarked on undertakings that went beyond his own generation, within limits. Acting in this way, we are in line with the continuity of humanity. We must free ourselves from a simply utilitarian vision. The exploitation of space offers this possibility. It makes us renew the thrust toward great and complex enterprises.

When it comes to investment in space, we are asked: and when will the books balance? The problem cannot be posed in just that way. We have to let a portion of the investments

be made and not presume an immediate return; even NASA today is too tangled up in having to immediately give an accounting of the investments it makes. It ought to be left freer.

We have undertaken to feel the pulse of Italian industry, to check out its availability to use the Spacelab for technological research. Relative to what we were expecting, we are satisfied. Various persons, research centers, and agencies are interested—all people who understand the possibilities opening up.

This new phase starts on Sept. 30. Man can remain in space for long periods. This has already been proven. Spacelab is the testing-ground for so many industrial and technological adventures, to prepare new products and new instruments that will improve living conditions on earth. But this is only the tip of the iceberg.

Once the results from the first experiments begin to be seen and the advantages that chemistry, physics, medicine, and so forth will derive from it become visible, then the cost-effectiveness can begin to be established. It is enough for there to be one new product decisive for the improvement of one or more productive sectors in the economy, for a new line of production to be immediately unleashed. A space shop can be installed, and that way there will be a true verification of the possibilities on the horizon, and then everything can develop.

Right now, the complete proof is not far off, even from the standpoint of economic cost-effectiveness. Soon we will be able to look at space through the entrepreneur's lens. We just need the various modules of the Spacelab to be put together, and to stay a long time in space in such a way as to be regularly visited, and then the experiments broadened. Skylab was the first laboratory put into orbit, in 1973; but then nothing further was done. There has been a vacuum on the U.S. side and the traditional absence of Europe and Japan for more than 10 years. The Russians, meanwhile, with their various Salyuts, have increased their space presence. We have to take up the Skylab line again with a long-term project. If this line had been followed, we would now be 10 years ahead.

But to get from here to doing something concrete, is a long road. Now we are moving a bit with the CNR [Centro Nazionale di Ricerche, the Italian government R&D agency] to see to what extent it is possible to support a series of selected projects. Under the apparent indifference, there is interest; perhaps there is a lack of information.

Even U.S. industry is moving, unfortunately, very slowly, initially above all in the chemical and pharmaceutical industries. Johnson & Johnson and McDonnell Douglas have already agreed on a mission; the movement is slow but steady. Given the American pragmatic mentality, very much affected by events, I think that the response to using space will go in waves; this is my idea. But I think that as soon as a product is made in space which is also adequate from the economic

point of view, the race will start. There are about 60 firms that are starting to go toward this path, and in Italy there are four or five interested firms. We have even found some bewilderment: to whom, we were asked, will the ownership of the new technology of the product made in this way go? This is unjustified, [since] NASA does not make any such demands of a share in ownership, but only guarantees the security of the flight.

Filipponi: How is it possible for countries in the developing sector, in such grave economic conditions, to use these new technologies for the purpose of development? Do you already have contacts, and are there proposals?

Vallerani: Space products are sophisticated and very advanced, and the emerging sector is in difficulty because of the lack of basic technology. But we have spoken with the foreign minister about proposing to African and Middle Eastern countries that are close to Italy, if they were interested in using the Spacelab, to get them into the project. Despite our efforts, I must say that this contact has not taken place. We have practically no relations with governments or institutions of developing countries in envisioning the exploitation of Spacelab's potential at this time, even though this would be important, either as a simple matter of knowledge, or because through this, one could see how to choose a series of key experiments and experiences together.

The next 10 years will still be for research and preparation, after which there will be full exploitation. We have to furnish this possibility to the developing countries. We would like a component of the developing sector to tell us what they need, and what plans they have.

For the moment, Spacelab can be used to amplify the possibilities of knowledge of resources of these countries, to focus and better evaluate the possibilities for development such as for making a constant analysis of the moisture of the soil, which is key information to make certain choices in agriculture and so forth. And on the subject of agriculture, following up from simple observation, we could pass to the development of capacities of large-scale intervention from space to modify and improve the climatic situation in vast areas of the earth, thus obtaining revolutionary changes.

Right now, we have to do the first phase of information-gathering and studying of the atmospheric phenomena and their relations with the activity of the sun, to then intervene correctly on a large scale from space. Once these phenomena are understood, we can increase the temperature of certain key areas of the developing countries on certain selected days, which would multiply the productivity of the harvests, and that kind of thing. This is what space can offer, opening perspectives unthought-of today. Space in a certain sense is like the ocean, of which we exploit only a tiny part near the surface but nothing of the rest. Right now we only use space for communications, but in reality the possibilities of exploiting space are unlimited.

The cost of production swindle

Although most farmers don't know it, USDA is decoupling price supports from actual costs of production.

The Cost of Production Standards Review Board, an institution few farmers or farm organizations even know exists, held a quiet meeting in Washington, D.C. Feb. 11 to discuss current changes in USDA accounting procedures that will have drastic effects on the heavily indebted farm sector.

The board was reviewing the contents of papers written by two members of the USDA's Economic Research Service. The papers documented how USDA accounting methods for setting price supports have been "decoupled" from what it costs the farmer to grow food and maintain his ability to keep producing.

A spokesman for the House Agriculture Committee admitted to *EIR* in a late-February interview that, under the new methods, determining price-support levels would be "totally arbitrary and haphazard."

Price supports were first established in the 1930s, when farm earnings had totally collapsed in the world depression. The term "parity" was first explicitly used in the Agricultural Adjustment Act of 1938. Parity originally meant that base prices were set at a level guaranteeing that farmers could keep pace with the industrial sector of the economy.

Until the 1977 farm bill, the parity concept was used as the base of all price supports—i.e., farmers were guaranteed at least that some percentage of their costs, including machinery, fertilizers, and the costs of credit, would be taken into account when the

government set baseline prices below which commodities cannot be sold. But the 1981 farm bill, which is just now going into effect, stated that even cost of production—any consideration of keeping farms profitable—was no longer a criterion for price supports. This bill set up the review board now determining what, if any, steps the government will take to ensure that farmers can keep growing food.

Undoubtedly the most devastating aspect of the new accounting methods will be the fact that debt service will no longer be considered as a "production cost" for farmers. Debt service—which amounts to as much as 30 percent of their overall costs for farmers in some states—is "too vague" a figure, too dependent on levels of inflation to be taken into account by the USDA, according to David Harrison and Dr. Milton Erickson, the authors of the review board papers.

No member of the board, which includes seven farmers, three government officials, including the head of the Kansas City Federal Reserve, apparently made any objection.

Harrison and Erickson's recommendations are made on the basis of the fraudulent claim that setting price supports on the basis of cost of production had led to serious "over-investing" by farmers in the recent past.

In the early 1970s, farmers made heavy investments in both land and machinery on the basis of readily available credit. Land values rose as a result, causing farmers to invest even more—using their inflated-price land

as collateral. Farmers were guaranteed higher prices every year, the report authors argue, as their debt service costs rose.

It is this "over-investment," not the contracting world market and the explosion of interest rates since Paul Volcker took over the Federal Reserve in October 1979, which is the cause of the current cash-flow crisis in American agriculture, according to Harrison and Erickson.

With land values declining as depression sets in, farmers are unable to get the loans they require to keep operating throughout the year, to say nothing of any new investments in land or machinery. Given that they must maintain debt-service costs, whether the USDA recognizes this operating cost or not, more and more farmers will be driven to bankruptcy.

"The farmer will just have to find another way to get increased price supports. Producers can no longer use the cost of production to justify increased support prices," Harrington told *EIR*.

One of the most serious aspects of this situation is that so few farmers are aware of what is going on. Another spokesman for the review board admitted that "most producers don't even realize that the cost of production is no longer linked to government price supports."

A Georgia farmer told *EIR* that most farmers in that state had no idea that they did not get their annual price increase for the 1982 crop because of the new accounting methods. Indeed, only price supports for milk, tobacco, and peanuts are still officially linked to any assessment of farmers' production costs, but even for these farmers, costs are largely being ignored by the USDA. Thousands of farmers, taken unawares, could face economic disaster.

Business Briefs

U.S. Economy

Morgan: 'there will be no recovery'

Spokesmen for Britain's Morgan Guaranty bank in New York said March 9 that there will be "no recovery" in the United States. Talk of a recovery is "just for public consumption," in the words of Morgan's representative to the Ditchley Group creditors' cartel.

Although Morgan chief economist Rimmer de Vries is saying that there will be a U.S. recovery and that it is not time to "throw in the towel yet" on the old Bretton Woods system, "We don't really believe this will work," the banker stated. "What recovery?" he said. "I don't really see a recovery. Rimmer is just saying that for public consumption."

Morgan's Ditchley representative hinted that Morgan wants the new Bretton Woods talks to go forward, and is just lulling its victims in the Third World and the U.S. Congress with recovery talk. After all, Morgan wants the U.S. government to officially join the Bank for International Settlements (it is currently officially represented there by Citibank, though the Treasury and Federal Reserve are de facto members), he said, implying this will only happen if people see that the Bretton Woods system doesn't work.

The Morgan executive said that the Ditchley Group bankers' Institute for International Finance will be meeting in Zurich, Switzerland at the end of March, "to discuss the progress so far" of the creditors' cartel.

Debt Policy

Administration studies new Bretton Woods

The Reagan administration has set up a special Interagency Group on Debt to monitor the world debt situation, a Treasury official confirmed March 4. The group is studying "future contingency plans" for a new Bretton Woods monetary system under a supranational IMF dictatorship.

"This interagency group is looking at

debt problems and at what the global debt strategy of the U.S. government should be," according to Donald Templeman, head of the Office of Developing Nations Finance under Assistant Secretary of the Treasury Marc Leland. The debt group is a subgroup of the Senior Interagency Group—International Economic Policy (SIG-IEP) of the cabinet secretaries, which runs U.S. foreign economic policy, he said.

The debt group is on the assistant secretary level and is chaired by Leland, with heavy input from his Deputy Tom Leddy, who is said to support the Felix Rohatyn plan for a worldwide "Big MAC" bankers' dictatorship.

While the group's current policy track is austerity programs, IMF expansion, central bank bridge loans, enlarged commercial banking, and "free trade," the Treasury officials said that "for the future, we are also studying innovative ideas of how to deal with the global debt picture. We are doing contingency planning in case our five-point program does not work."

The treasury official confirmed that a faction inside the administration, led by Assistant Secretary of Commerce Lionel Olmer and National Security Council economist Norman Bailey, is pushing the idea that "we need a new Bretton Woods," and using the threat of a debtors' cartel to motivate it, according to the Treasury source. "They're saying: 'Suppose some group of countries decide to shoot themselves in the foot and declare a joint debt moratorium?' Mr. Olmer is particularly interested in this aspect."

Foreign Exchange

Currency crisis adds to interest rate pressures

Belgium's announcement March 8 that the country's central bank lending rate will rise from 11 to 14 percent indicates that the sharp rise in American interest rates since March 4 has spilled over into international markets. According to well-placed European financial sources, the Belgian maneuver took place in the context of preparations for a general "realignment" of European currencies within the European monetary zone,

which maintains fixed relationships between major currencies.

Since March 4, the rates for short-term Treasury bills have increased by about half a percent, from about 7.8 to about 8.3 percent, while the value of long-term bonds has dropped by three full percentage points. Observers are predicting rough times on the bond market; the Montreal *Bank Credit Analyst*, an influential journal read by oligarchic fund managers, predicts that long-term U.S. Treasury bonds' interest rates will rise from less than 11 percent now to 13 percent over the next month.

The financial sources claim that the West German mark will rise by 5 percent and the French franc will fall by 5 percent, in response to continued heavy pressure against the French currency. The first week in March, the French central bank spent \$1 billion of its low reserves to prevent a franc collapse, and the short-term interest rate for French francs in the Eurocurrency market—reflecting speculative sales of the franc—rose to 32 percent.

In a related development, the British pound slumped below \$1.50 and the Australian dollar was devalued by 10 percent March 8, in response to heavy flight capital from Australia.

The currency revaluations and interest rate jumps result from the immense world debt rollover bulge this month, and the U.S. Treasury's incredible \$40 billion refinancing requirement during the next five weeks.

Banking

Argentina and Venezuela stop paying debts

The Argentine government announced on March 7 that it has postponed "indefinitely" payment on \$1.4 billion in state-backed private debt due during March and April. The amount represents what was left after Argentina unilaterally "rescheduled"—five years into the future—\$4.8 billion of debt from this same category last December.

Now, not even the remainder can be paid, bringing the total on which Argentine authorities have imposed a moratorium to \$6.2 billion.

In addition, Argentina is still \$2.7 in arrears on payments due during 1982, and one U.S. banking executive reports that Argentina has not paid a cent on interest or principal since last November.

An op-ed in the March 7 issue of the Buenos Aires daily *La Nacion*, which is close to certain army circles, stated that the bankers are organized into a cartel, alluding to the Ditchley group of bankers; joint debt renegotiation is therefore the only solution for the Third World.

Wall Street sources say that Venezuela has begun to default on private sector payments for March. Since exchange controls went into effect at the beginning of March, Venezuelan businessmen have simply stopped making payments. "They're just sitting and waiting for the government to give them preferential rates" in exchanging bolivars for dollars, one consultant said. "If I were a banker, I'd be looking to see if four or five other countries might be getting into similar trouble."

Since December, the Caracas government has been trying to refinance \$8.7 billion in government-backed short-term obligation due in 1983. Before April 1, \$2.5 billion of this must be paid, and an additional \$3 billion from other state and private-sector borrowers.

The banks continue to deny Venezuela further credit. Neither the banks nor Caracas officials know exactly what is due when, but anything over \$5 billion seriously endangers the country's exchange reserves, which stand at \$8.7 billion—and only about half of this is liquid.

Oil Industry

Greatest oil drilling collapse ever in U.S.

1982 marked the most severe collapse in drilling activity for gas and oil in the history of the U.S. petroleum industry, according to industry accounts. From an all-time high on Dec. 28, 1981 of 4,530 rigs active, the count plummeted down to 2,379 by Oct. 18, 1982. At year-end, the count was still about 40 percent below its high and despite slight increases since, there is no substantial pros-

pect in sight of recovery.

This dramatic decline can be attributed to the falling world crude oil prices and the deepening U.S. economic depression. An estimated 1,000 independent oil and gas producers went into bankruptcy or closed doors last year. Regional banks in Texas and Oklahoma are reported in precarious condition because of their oil loan portfolios. The collapse of the "oil-boom" of 1979-81 marked the last phase of descent of the U.S. economy to the depression.

Economic Recovery

Consumers lag economy as retail sales decline

Consumer sales in February fell 0.4 percent below the revised figure for January, the Department of Commerce reported March 11. This third consecutive loss in consumer sales has seriously weakened the "consumer-led recovery" theory of the financial press, business think-tanks, and the administration.

Dropping auto sales were responsible for nearly all of the January to February loss. Auto sales in January fell by 3.9 percent from December, while February sales slipped an additional 2.4 percent, despite continued manufacturers' subsidization of auto loan interest rates.

Compared to February 1982, retail sales have climbed 4.0 percent this February, but, when adjusted for inflation, that figure is slightly below the year's early sales. This sales slump, occurring despite a 8.6 percent growth in consumer credit expansion in January, may indicate problems in consumer debt, with consumers refinancing old debt or renegotiating accumulated debts. The Federal Reserve has ceased reporting consumer debt repayments as of February.

Albert Sommers, chief economist at the Conference Board, a business-oriented think-tank, told the *Wall Street Journal* that he "refuses to be disturbed or alarmed at the latest sales figures." Since factory orders and the hours of work per week were rising, there will be a strong March recovery in retail sales, leading to a "strong recovery that will pick up statistical evidence as it goes along."

Briefly

● **AUTOMOBILE** producers are engaged in "deliberate overbuilding" which will result in accumulation of "very heavy inventories" by the end of March, according to a senior industry official. The expansion of auto production, a mainstay of the claims of "recovery," resulted in an inventory buildup of an additional 50,000 cars in both January and February. The companies are producing to avoid the costs of layoffs, according to the official. "We are watching these inventories carefully. Where are we going to get the sales when disposable income looks so bad?"

● **JAPANESE** companies in Brazil are being forced to severely scale down operations or withdraw altogether as a result of the current economic chaos due to Brazil's debt crisis, according to the *Japan Economic Journal*. Some corporations are facing bankruptcy. Except for special projects such as the Tubarao Steel Mill, most Japanese firms are reconsidering any future investment in Brazil. Out of the 467 Japanese companies registered with the Brazilian central bank, 66 have already closed down entirely or have withdrawn capital, according to a June 1982 survey by the São Paulo office of the Japan Overseas Enterprise Association.

● **LIONEL OLMER**, who is a top collaborator of the Club of Rome and the Wharton School, is telling the U.S. Cabinet that there will be no economic recovery, but rather a world trade collapse, under the current old Bretton Woods IMF-programs. "Our concern is that what prevents an international banking collapse may *not* prevent a world trade collapse," said the Commerce undersecretary's top aide March 9, speaking of the IMF consortia deals. "We're particularly concerned about U.S. trade. We were decimated last year with a \$6 billion loss in U.S. exports to Mexico. What if there is no recovery? That's what we're afraid of."

How the *fondi* created the U.S. budget disaster

by Criton Zoakos

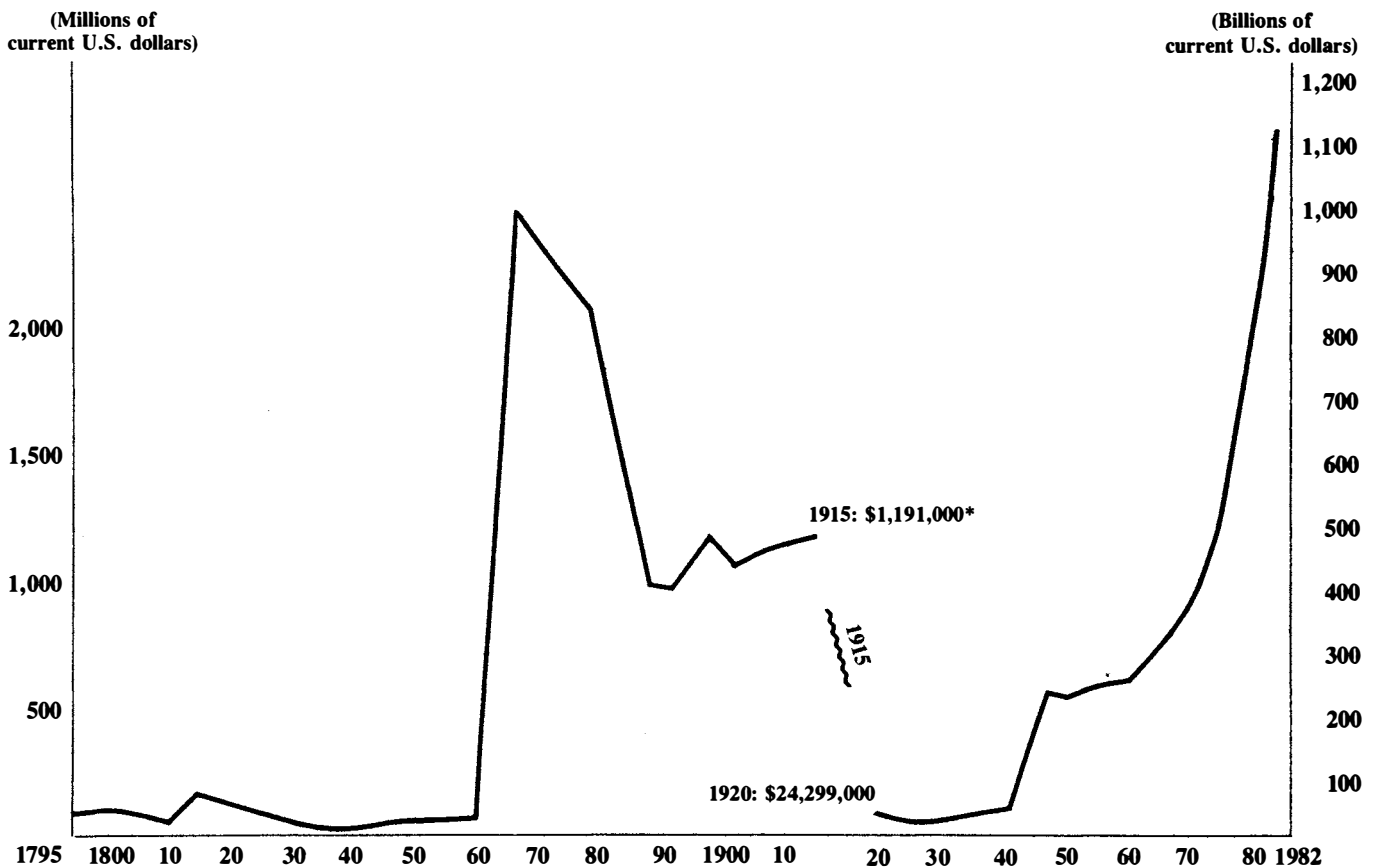
The total debt of the U.S. government is now approximately \$1.3 trillion. It is projected to become as high as \$1.6 trillion by the end of 1984. This is the size of America's GNP measured in 1972 constant dollars, or about 50 percent of GNP measured in current dollars. Never before in its entire history has the United States experienced such staggering levels of indebtedness. The management and manipulation of this debt is nominally in the hands of four major investment houses which dominate the market in U.S. Treasury securities: Morgan Guaranty Trust, Goldman Sachs, Salomon Brothers, and Citibank, controlling approximately 75 percent of the market, followed by Merrill Lynch, Bankers Trust, and the rest of the New York banks.

These institutions are merely a front for the owners of U.S. government debt, the creditors of the nation. These owners are not, as *New York Times* mythology has it, average citizens and impersonal corporations, but a tightly knit mafia of powerful oligarchic families controlling both the ostensible "institutional investors" and the investment banks and brokerage houses which call the shots in the government debt markets.

These families, among them the Harrimans, Mellons, Astors, Auchinclosses, Cabots, Lodges, Biddle-Dukes, Phipps, Vanderbilts, Whitneys, Morgans, Peabodys et al., are defined as families, not so much by biological blood-line continuity as by the income-receipt and political clout of the accumulated fortunes, the *fondi*, around which the biological families are organized. The *fondi* of these families have, increasingly since the 1880s, intermarried and integrated with the ancient family fortunes, "old money," of Europe, especially the *fondi* organized around the British monarchy. It is these interests which now control the \$1.3 trillion national debt of the United States. As our creditors, they are dictating our national economic policy, and as formulators of our national economic policy, they have imposed this unprecedented level of indebtedness.

What is most notable is the staggering rate at which the national debt has grown since August 1971. In 1971, before the dollar was taken off the gold standard, it stood at \$397 billion. Within a decade it grew by over 300 percent. By

Figure 1
Total interest-bearing U.S. government debt outstanding at end of fiscal year



Source: U.S. Treasury Department.

*Government debt shifts into billions of dollars after 1915.

comparison, during the Civil War, national debt grew by approximately \$2 billion; during World War I, it grew by about \$22 billion; during World War II by about \$150 billion. The increase from 1971 to 1983 is about \$1,000 billion, greater by a whole order of magnitude than all the previous debts of the United States (see **Figure 1**).

In essence, the United States has been in the equivalent of a war with the family *fondi*, its creditors. The war is one-sided, given that the *fondi* are conducting a systematic battle designed to capture and destroy the last remnants of the state's policy-making institutions, while the state is still not fighting back. The state has carried out policies which led to the present indebtedness, and these policies were dictated by the family *fondi*'s creditors. Under the general rubric of "post-industrial society," these policies caused the collapse of industrial productivities, and the massive shrinkage of the taxable base of the nation, thus a relative decline in government

revenues. This forced the government to borrow to cover the massive deficits. Each time dependence on the creditors grows, the United States' bondage to these creditors grows.

As a result, for 1983 the federal government will pay approximately \$89 billion in interest payments on the federal debt. This is the third largest budget expenditure item after Social Security and defense. It is also almost half the size of the budget deficit itself. The United States is fast approaching the point of having to borrow for the exclusive purposes of providing interest payment to the holders of the national debt. But more significant is how the annual deficits of each of the recent years stacked up, forcing the government to this large scale borrowing.

Forget the myth that Social Security outlays cause the deficit. Although the small expected 1983 shortfall is counted as part of the deficit, the fund receives no Federal revenue.

Furthermore, U.S. defense spending itself is not as

big as it appears if one takes into account plowback into industry which generates taxable income, etc. There are two major sources of budget deficit during the era of "post-industrial society" policies: First, lost government revenues as a result of the shrinkage of the economy's taxable base; second, actual added expenses such as unemployment benefits, increased payments of interest on the public debt, and so forth.

For example, we have calculated the "Volcker factor" in the federal deficit thusly: Since October 1979, Fed Chairman Paul A. Volcker applied a deliberate de-industrialization policy, forcing the economy to live in a regime of 18 to 22 percent interest rates. This caused the following losses to the federal budget: 1) losses in corporate and individual tax revenues as a result of the decline in economic activity; 2) increased payments of interest on public debt; and 3) increased payment of unemployment benefits. In rough estimation, the picture was as follows:

- During 1980, the federal deficit was \$59.6 billion, lost corporate and individual tax revenues were \$21.2 billion, unemployment benefits were \$16 billion, and payment of interest on public debt was \$52.5 billion.
- During 1981, the federal deficit was \$57.9 billion, lost corporate and individual tax revenues were \$33.7 billion, unemployment benefits were \$15.4 billion, and payment of interest on public debt was \$68.7 billion.
- During 1982, the federal deficit was \$110.6 billion, lost corporate and individual tax revenues were \$109.8 billion, unemployment benefits were \$21.2 billion, and payment of interest on public debt \$84.7 billion.
- For 1983, projected unemployment benefits are about \$32 billion, projected losses of corporate and individual taxes, about \$94 billion, and interest on public debt will depend on the interest rates which will prevail over the year. A federal deficit of over \$220 billion is almost a certainty.

Volcker's crushing interest rates are merely one of the many instrumentalities by which the family *fondi* have imposed "post-industrial" policies, and what we have roughly calculated above is only a small measure of the total damage

done to the taxable base of the national economy by this post-industrial nonsense. One gets a better sense of the damage done to the government's ability to raise funds by reviewing the evolution of our economy's composition since the mid-1960s. Thus in 1965, production of tangible goods in manufacturing and agriculture made up over 32 percent of the Gross National Product; in 1982, tangible production represents about 22 percent of GNP. Also, during 1965, worker productivity was growing at over 4 percent per year, while in 1982 it grew at less than 0.5 percent. During 1965, the goods manufacturing sector of the economy was receiving 33 percent of GNP (in the form of wages and industrial profits), and personal interest and dividend income was no more than 8 percent of GNP. Today, the goods manufacturing sector is awarded 22 percent of GNP and personal interest and dividend income receives 14 percent of GNP.

In short, the problem of the federal budget is not that we spend too much, but rather that we do not produce sufficiently for the government to raise more tax revenues at lower tax rates. We have lost this ability because the "creditors" of the nation, the oligarchic family *fondi*, have imposed, since the mid-1960s, an insane policy of de-industrialization. The intent was to turn the United States into a "service economy," of the type appropriate to a rentier, coupon-clipping, "gentrified" society. As a result, they have killed the goose that laid the golden egg.

The *fondi* control directly 35 percent of the national debt, including major portions of foreign, household, and private non-bank financing, (see **Figure 2**) and by means of leverage, all 100 percent of it. To ensure continued payment to the debt without abandoning their policy of de-industrialization, they now propose to gut the already inadequate national defense. If they succeed, neither the United States nor their social power within it will survive. The alternative is to scrap the whole package of "post-industrial society" policies and reorder the nation as a growing industrial power along lines proposed by economist and Democratic party figure Lyndon H. LaRouche, Jr. No palliative to the federal budget crisis will serve.

Figure 2
Ownership of U.S. government debt including U.S. sponsored agency debt
(Percent)

Debt holder	1957	1960	1965	1970	1975	1980	1981	1982
U.S. government accounts	19.3	18.6	18.7	22.5	21.4	16.2	15.2	13.3
Federal Reserve	8.7	9.2	12.0	14.2	13.5	10.8	10.4	9.4
Foreign	2.5	3.5	3.9	4.5	9.5	11.1	10.5	9.8
Household	25.6	24.9	23.5	24.1	21.8	23.4	23.7	21.0
Non-financial corporations	5.9	5.7	4.1	1.7	2.0	0.5	0.5	0.8
State and local governments	4.5	5.0	6.9	6.1	4.4	6.6	6.8	8.5
Commercial banks	22.0	21.5	19.5	17.4	17.1	14.2	13.6	13.4
Private non-bank finance	11.7	11.6	11.4	9.4	10.3	17.2	14.3	23.5

Source: U.S. Department of the Treasury.

Why Reagan cannot balance the budget

by Richard Freeman

When Ronald Reagan ran for President in 1979, and again in early 1980 after he was elected, he produced figures showing that the U.S. budget would be in balance by the end of fiscal year 1983; in fact, it would have a surplus of \$5 billion. As most people know, this won't be even remotely true. The U.S. budget deficit is churning wildly out of control. In the short run, the Reagan budget for 1983 has created a wild scramble for a limited supply of funds, and threatens to push up interest rates to 13 or 14 percent by the summer and abort the "recovery." In the long run, the Reagan budget will continue to lock the United States into a high-interest rate, depression-ridden, post-industrial economy, which will push the budget more and more out of balance.

When the President released his new budget packages for fiscal year 1983, in the course of announcing the fiscal year 1984 budget proposals, he disclosed that the 1983 budget will have a projected deficit of \$207.7 billion, an off-budget deficit of an additional \$17 billion, and \$60 billion further in spending for federally sponsored agencies whose debt securities are backed by the moral obligations of the U.S. Treasury—a whopping total of \$285 billion.

Additionally, this \$285 billion doesn't count \$8 billion that "former" Morgan Guaranty Trust bank board member and current U.S. Secretary of State George Shultz are urging the President hand over to International Monetary Fund. Moreover, the on-budget deficit will be held to \$207.7 billion only if Gross National Product (GNP) grows at the rate the Reagan White House is predicting, 3.1 percent for the fourth quarter of 1982 to fourth-quarter 1983 in real (inflation-adjusted) terms. *EIR* estimates that real GNP—which still does not accurately measure economic activity—will grow at most by 1 to 1.5 percent in 1983; this means adding another \$21 billion in lost tax revenues to the deficit. This brings the grand total of U.S. government deficit and borrowings for fiscal year 1983 to \$285 billion, plus \$8 billion, plus \$21 billion—or \$314 billion. We are a long way from the balanced budget that the Swiss-inspired "supply-side" economics hoax was supposed to produce.

In the five weeks between the middle of March and the last week of April, to supply its borrowing needs, the U.S. Treasury is planning to crash the credit markets for \$40 billion in borrowings. Everybody else is trying to get money while they can, and the competition for credit has already pushed up short-term interest rates by half a percentage point over the last few weeks. A Treasury official told *EIR* on

March 2, following the cut in the banks' prime lending rate from 11.0 to 10.5 percent, "We think that's the last cut in the prime rate. We expect to see it rise again soon."

That interest-rate increase—perhaps to 13 or 14 percent—would mean a jump in the Reagan administration's cost of financing Treasury debt and thus poses a giant problem for the dearly desired "economic recovery." It must be borne in mind that real interest rates today—the nominal rate of interest minus the inflation rate—are already 6 percent, and have been at or above this level since Paul Volcker took over the Federal Reserve in the fall of 1979. This real rate of interest is three to four times the previous historical level. *The U.S. has never had an economic recovery when the real rate of interest is above 1.5 percent, and 1983 will be no exception: corporations and consumers can't carry such high financing costs and still retain enough to spend freely.*

If there is to be even a minimal level of "recovery," then such sectors of the economy as auto, housing, machine tools, steel, and so forth must be able to borrow roughly \$270 billion. Yet if these sectors borrow \$270 billion, while the Treasury and the agencies it backs borrow \$313 billion, then the total net new borrowing requirements of the public and private sector combined are no less than \$583 billion, or 40

Figure 1
Sources and uses of U.S. Treasury funds
(Billion current U.S. dollars)

	Average third and fourth quarter 1982	1983 (estimated)
Borrowing	285.2	314.4
Funding sources		
U.S. sponsored agencies	5.5	5
Private non-financial	134.3	140
Federal Reserve	23.3	20
State and local government	57.1	20
Commercial banks	41.8	40
Households	- 14.3	15
Foreign	19.1	- 12
Corporations	18.5	10
Borrowing gap	0	91.4

Source: Federal Reserve Board flow of funds

percent more funds than were borrowed during the previous highest historic level. That magnitude of funds doesn't exist. The total amount of net new savings in the economy—the major supply of funds along with foreign inflows—is estimated to be approximately \$220 billion this year. The flow of foreign funds into the U.S. economy this year will perhaps add \$10 to \$20 billion. Thus, the total amount of new funds needed at \$583 billion is more than double the projected supply of funds at \$240 billion. The borrowing requirement needs of the Treasury alone would more than consume the savings in the economy.

How is the gap to be covered? Of course, past savings can be looted. This destroys the ability of banks to lend even for previously committed capital formation, i.e., for economic growth. The only other solution is for the Federal Reserve Board to print money, that is, to meet the Treasury debt with dollars printed out of the clear blue sky—a process called “monetizing the debt.”

For the second half of 1982, the Federal Reserve monetized debt at a \$23.3 billion rate (see **Figure 1**). But the Fed would have to print money at a \$70 to \$80 billion rate to finance the Treasury debt, and even that may not be enough.

Such money-printing, under the current high interest rate regime, would create “wheelbarrels of cash for a loaf of bread” hyperinflation, as in Weimar Germany. The Federal Reserve Board is already advancing along that path; but Paul Volcker admitted on March 8 in congressional testimony that he may have to desist.

Thus, within the current universe, dominated by Friedmanite and Keynesian formulas, *the U.S. budget cannot be balanced*. If the Fed doesn't print new money, then Treasury debt securities, which finance the deficit, will crowd out all other borrowers from the credit market—Treasury debt is preferred by many investors because it has the highest level of guarantee—and there goes the economy. If the Fed prints like mad, the U.S. currency will be grossly debased, triggering a dollar crash and hyperinflation. (This would occur not because Treasury debt per se is inflationary, but because *past a certain magnitude*, public debt has the destructive potential cited above.) The result, as is starting to occur, is higher interest rates, among other things, and no potential for economic recovery. And without an economic recovery of even the inadequate scope Mr. Reagan is expecting, the U.S. budget deficit will get larger and larger, year by year.

Figure 2
Refuting the quackery of Milton Friedman

Year	Budget deficit (-) or surplus (+) as percent of GNP	Money supply growth	Inflation rate
1982	-4.8	8.5	3.4
1981	-2.0	6.4	8.9
1980	-2.3	6.6	12.4
1979	-0.7	7.1	13.3
1978	-1.4	8.3	9.0
1977	-2.4	8.1	6.8
1976	-3.1	6.7	4.8
1975	-4.4	4.9	7.0
1974	-0.8	4.4	12.2
1973	-0.4	5.5	8.8
1972	-1.3	9.2	3.4
1971	-2.0	6.5	3.4
1970	-0.1	5.2	5.5
1969	+0.4	3.2	6.1
1968	-0.7	7.7	4.7
1967	-1.7	6.6	3.0
1966	-0.2	2.5	3.4
1965	0	4.7	1.9
1964	-0.5	4.7	1.2
1963	0	3.7	1.6
1962	-0.7	1.8	1.2
1961	-0.7	3.2	0.7
1960	+0.5	0.7	1.5

Source: Federal Reserve Board; Department of Commerce, Bureau of Economic Analysis; Department of Labor.

Why Friedman is wrong

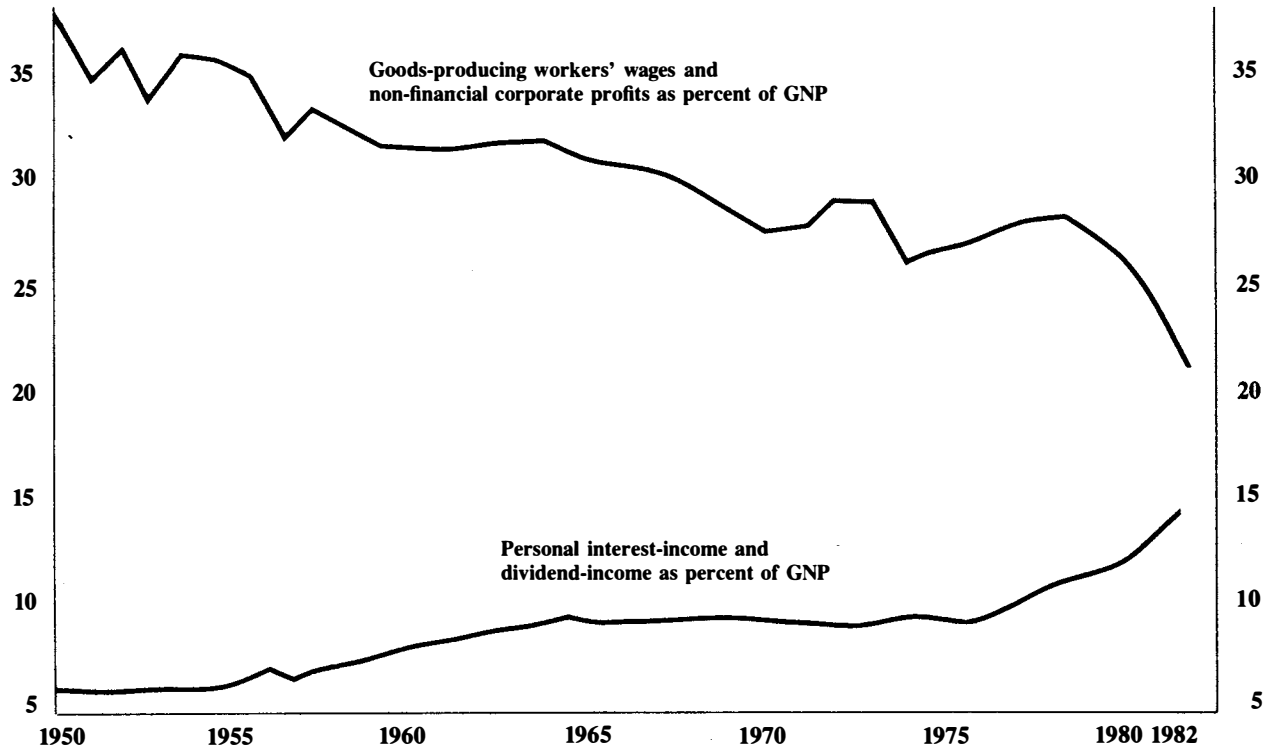
When discussing the budget, one must first discard all excess baggage, namely the outlook of monetarism or Friedmanism, or any other “ideological cultism.” The cult argument asserts that: 1) the reason we have large budget deficits now is because not enough budget-cutting was done in the past; and 2) inflation is caused by budget deficits; i.e., to get rid of inflation, one must cut the budget.

Since this idea exercises such a pervasive influence on both conservatives and liberals, it is necessary to prove a preliminary point: Milton Friedman is a lying fraud.

The core of Friedman's argument, devised by the Swiss-controlled Mont Pelerin Society, is that government budget deficits must be financed by printing money (not true if there is a decent savings rate as a result of economic growth), and that printing money—the Fed “monetizing the debt”—is the biggest reason for the increase in money supply. This second point is also false. The largest creator of credit and money is the banking system, through the “multiplier”: extreme monetarists, acknowledging this fact, therefore propose “100 percent reserve banking.”

Let us follow Friedman's argument to the end, by means of **Figure 2**. If Friedman's claims were true, each time the deficit as a percent of GNP went up from the previous year, that would imply an increase in money supply, and that, in turn, would imply an increase in inflation. But the statistics show that the three components haven't moved in tandem at any time in the last 22 years. Friedman's theory was not borne out even once. Even luck would give a higher correlation. And when, between 1975 and 1979, the deficit as a percent of GNP declines stepwise year by year, the inflation rate explodes.

Figure 3
The domination of the Gross National Product by rentier-finance
 (Percent)



Source: Department of Commerce, Bureau of Economic Analysis

So much for Friedman and his “common sense.” Why his monetarist theories have so many adherents requires an explanation other than empirical validity. It is no secret why Friedman himself nevertheless upholds this theory. Friedman has publicly admitted that he is an admirer of Hjalmar Schacht, the Nazi finance minister, who instituted fierce budget-cutting austerity in Germany and destroyed the productive labor force, plant, and equipment of that nation, as well as other portions of Europe. The slave-labor death-camps, where prisoners were fed as little as possible until they were used up, was the essence of Schacht’s program.

How an economy works

What caused the U.S. budget to fall so out of balance has nothing to do with a lack of budget-cutting.

A budget reflects the activity of the underlying physical economy. No spending contractions or tax increases can be effective in themselves. The only policy that will succeed is to redirect credit flows to expand the real base of the economy, thus to increase revenues.

Gross National Product and other indices explain nothing fundamental. Rather, the reader should begin from the basic understanding of an economy that is embodied in *EIR*’s LaRouche-Riemann economic model. The model hardly has

to be introduced to people knowledgeable in economics: it is the only economic model, government or private, to have accurately predicted the behavior of the U.S. economy over the past 13 quarters.

The model begins by examining the total product of an economy. The portion that pays for the maintenance of the skill and cultural levels of the *productive* labor force is designated *V*, or variable capital. That portion which pays for the maintenance of the equipotential of plant and equipment is designated *C*, or constant capital. What remains of the total product after deducting *C* and *V* is *S*, or the relative surplus of the economy. This too can be divided into two parts: *d*, the overhead expense, which includes both necessary overhead expenses—doctors, engineers, firemen—and also unnecessary ones, such as croupiers, most bankers, and most economists. What remains of *S* after *d* is deducted is the portion of the total product that could be reinvested to technologically upgrade the next cycle of production, or *S'*. The goal of an economy—and of the national budget as a subsidiary part of this overall process—is to maximize *S'* relative to the costs of production. This can be expressed as seeking increased second-derivative values for the ratio $S'/(C + V)$; increasing this ratio means increasing the technological level and thus the efficiency of energy flows in the physical econ-

omy, to move ahead of the eventual exhaustion of resources as defined by the current mode of production.

The overwhelming bulk of the U.S. budget deficit must be categorized as *d*. Nonetheless, much of the *d* in the budget is necessary—providing for the aged, those in need of medical benefits, and so forth. This is what any civilized society does. But the budget deficit also represents much unnecessary overhead. For example, the current real 25 percent level of U.S. unemployment is paid for by government unemployment benefits and other programs like welfare, food stamps, job training, etc. It is the growth of overhead in the economy, and therefore in the budget, which is the major problem of the U.S. budget.

The real physical base of the U.S. economy has been destroyed in favor of financing overhead. This process of destruction goes under the name of transforming the United States into a “post-industrial” heap of luxury office buildings, computer personnel, white-collar paper pushers, and Dope, Inc. enterprises. This shift was by no means necessary, nor was it guided by the “invisible hand.” Rentier-financier interests, controlled by the Anglo-Swiss oligarchy’s financial command centers, the *fondi*, have guided this shift, to obtain vast holdings of corporate, government, and household debt, and parasitize the U.S. industrial base, crippling its industrial, agricultural, and population growth potentials. These *fondi* dictated the decisions which moved the United States into

a post-industrial universe:

- Lyndon Johnson’s “Great Society” program. Under the guidance of anglophile Treasury Secretary Henry Fowler and the Tavistock Institute, the NASA space program, which acted as a “science driver” to the U.S. economy, was drastically reduced in favor of “programs for the poor.” It was decided that minorities and other “poor people” would never again be integrated into the productive industrial mainstream of the economy, but would instead constitute a permanent army of the unemployed.

- The August 1971 decision to take the U.S. off the gold standard. This allowed the Eurodollar market to become a second, offshore, unregulated U.S. banking system, operating illegally under the control of the *fondi*. Now “valued” at \$1.7 trillion, the Euromarket is the major cause of double digit inflation. Also, as the dollar has increasingly become a speculative instrument, U.S. producers have increasingly come to depend on foreign manufactures produced below the cost of production. Since 1979, the United States has run a manufacturing trade deficit.

- The Henry Kissinger-engineered 1973 Middle East war, which delivered the first oil shock. Kissinger was operating under the direction of the British Foreign Office, as he admitted in a May 10, 1982 speech in London. The oil shock brought U.S. unemployment to 7.5 percent, caused a 10 percent drop in industrial production, and softened up the U.S. economy for future shocks.

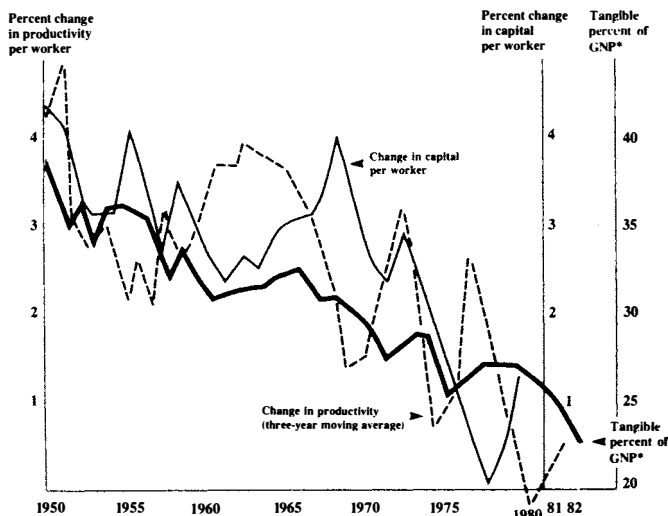
- The British Petroleum Company-Aspen Institute-engineered toppling of the Shah of Iran in order to launch a second oil shock.

- The October 1979 “interest-rate massacre” conducted by Paul Volcker, which pushed U.S. interest rates to their highest levels in 200 years. Volcker used this move to force on the U.S. economy his policy of “controlled disintegration,” which imposed zero and then negative industrial growth. The policy was spelled out publicly by the Council on Foreign Relations’ *Project 1980s* study, for which Volcker was a director.

Because, starting with the slash in the NASA space program, the U.S. economy lost its industrial-agricultural momentum and took on the character of a post-industrial financial supermarket, the following resulted: From a ratio in 1945 of two goods-producing workers for each non-goods producing worker in the economy, in 1979 there were two non-goods-producing workers for every goods-producing worker. By January, 1983, after three and a half years of Volcker’s industrial massacre, for each goods-producing worker there were almost *three* non-goods-producing workers.

At the same time, the combined debt of U.S. corporations, farms, households, and federal, state, and local governments skyrocketed, especially after Volcker raised interest rates. From a level of \$1.7 trillion in 1970, the combined U.S. debt level surged to \$5.3 trillion in 1982. This debt represents another level of overhead which must be serviced, a tremendous drag on the economy.

Figure 4
America’s shift to post-industrial society lowers productivity



*Tangible percent of GNP is the goods-producing workers’ wages and non-financial profits as percent of GNP

Source: Department of Commerce, Bureau of Economic Analysis; Department of Labor, Council of Economic Advisers

Figure 5

The collapse in U.S. profits and taxes

(Billions of current U.S. dollars)

Year	Profits at 9 percent annual growth	Tax at 46 percent rate	Tax at 40 percent rate	Tax at 35 percent rate	Actual profits	Actual tax liability
1983.....	737.1	339.1	294.8	258.0	190.0 ^e	63.7 ^e
1982.....	676.3	311.1	270.5	236.7	175.4	58.8
1981.....	620.4	285.4	248.2	217.1	232.1	81.2
1980.....	569.2	261.8	227.7	199.2	242.4	84.7
1970.....	240.4	110.6	96.2	84.1	75.4	34.2
1960.....	101.6	46.7	40.6	35.6	49.8	22.7
1950.....	42.9	19.7	17.2	15.0	42.9	17.9

Source: Department of Commerce, Bureau of Economic Analysis

Let us examine those productive/overhead ratios which directly affect U.S. government revenues and expenditures. From the standpoint of Milton Friedman, John Maynard Keynes, and all GNP fetishists, there is no important distinction between interest and dividend income on the one hand, and goods-producing workers' wages and corporate profits (the real "tangible portion of GNP") on the other; both represent taxable income. But in the final analysis, only goods-producing workers' wages and corporate profits represent the fund that expands the economy and puts tax monies into the Treasury. Personal interest and dividend income—*mostly non-productive income*—are fundamentally deductions from Treasury revenues, under current tax policy. Thus the shift of the United States from goods-producing to non-productive activities, the shift into a depression-ridden post-industrial economy not only added overhead to government expenditures, but also cost it vast amounts of revenues.

This can be seen in the following way, as summarized in **Figure 3**. Between 1950 and 1982, the real tangible portion

of GNP (goods-producing workers' wages and corporate profits) plunged from 37.6 percent to 22.4 percent of GNP, while the personal interest and dividend portion more than doubled from 6.5 to 14.4 percent of GNP. This shift cost the U.S. government revenues in two ways.

First, as **Figure 4** shows, the drop in "tangible portion of GNP" as a relative weight in the economy ensured that the amount of capital deployed per worker would fall. Productivity, unless one believes in Schachtian slave-labor, is a product of capital intensity. Thus between 1977 and 1982, the U.S. productivity increase was one-fourth its level for the entire decade of the 1950s and 1960s.

The drop in productivity, along with the recurrent oil shocks and Volcker's high interest rates, cut drastically into profits, and thus tax revenues from those profits. Consider what would have happened if, since 1950, corporate profits grew steadily at a real 7 percent annual rate, and inflation grew at a 2 percent rate, so that profits in nominal terms rose at a 9 percent yearly rate? The 7 percent real corporate profit

Figure 6

What the Volcker controlled-integration policy has added to the U.S. budget deficit

(Billions of current U.S. dollars)

Fiscal year	Unemployment benefits	Interest on public debt	Lost corporate and individual tax revenues	Volcker add-on	Deficit
1979.....	9.8	42.6	0		
1980.....	16.0	52.5	21.2	32.4	59.6
1981.....	15.4	68.7	33.7	54.5	57.9
1982.....	21.2	84.7	71.9	109.8	110.6
1983.....	31.9*	89.0*	93.9	140.2	207.7*

Source: Office of Management and Budget, Commerce Department

*Reagan administration projections

growth rate is only half the level of profits that industries achieve when they are growing rapidly. The 2 percent inflation rate is very low, less than half the average rate during this period, but justified by the assumption that productivity in the industrial sector is high.

The results are shown in **Figure 5**. At this modest rate of growth of profits, U.S. profits in 1982 would have been \$676.3 billion, or 3.9 times what they actually were, at \$175.4 billion. The tax liability of the corporate sector would have been from \$178 billion to \$252 billion *greater* in 1982 than it actually was, depending on the effective tax rate. This alone would have closed the budget gap *and given the United States a surplus*. Moreover, had corporate profits grown at this rate, the Social Security fund would be perfectly sound today; and corporate Social Security tax rates could have probably been cut to half their current levels.

The growth in personal interest income—a product of the Volcker incentives to “financial services”—effected the opposite process, a loss of revenues. In 1982 personal interest income stood at \$371.8 billion. If this income had been earned as goods-producers’ wages, instead of interest income, the United States would have taken in \$30 to \$60 billion more per year in taxes at the same tax rates.

The Treasury Department calculates, according to an internal study, that 14 percent of total interest income went unreported. That is definitely an understatement, but it represents \$52.1 billion. Since the effective tax rate on personal income is 30 percent, that means a loss of \$15.6 billion in tax revenues—an amount larger than the entire welfare budget, or the first few years of the MX missile program.

But of course there are also many ways to “legally” avoid taxes on interest income. Establishing an account for dependents, one can deduct \$3,200 of interest earned per year, for example. Most earners of interest income are in the upper income brackets, and can shelter this income by other devices. Moreover, only \$110 to \$125 billion, or a third of the total \$371.8 billion in interest income, is earned by individuals. The rest is earned by foundations, partnerships, and trust funds, most of which are directly or indirectly controlled by the *fondi*. Foundations pay no taxes. Trust funds pay minimal taxes.

Crude GNP figures confirm the hypothesis

A second method of quantifying the devastation of the U.S. tax base through the shift towards a post-industrial economy, is to examine the loss of revenues by estimating the difference between the GNP growing at a certain specified rate, and what actually happened (see **Figure 6**).

Keeping the inflation level constant, one assumes that for every \$1 of GNP there is 20 cents in tax revenues, a ratio that has held for the past decade. When growth comes to an end, workers are out of work, employers have reduced sales and profits, and tax revenues drop.

For the 1971 and 1979 period, calculating the gap be-

tween actual GNP and that which would have been generated at a 5 percent growth rate (a rate achieved four times during those years), the United States lost \$164.4 billion. Since the total combined government deficit in this period was \$269.8 billion, this means that stunted growth was responsible for *61 percent* of the entire deficit. The apparent shortfall in Social Security financing; the growth of welfare, and food stamp outlays; the strains on the defense budget, etc. were not the *cause* of this budget drain, but rather an *outcome* of the contraction of the tax base.

Starting with Volcker’s October 1979 credit massacre, the United States entered a new geometry. If the Reagan administration’s fiscal year 1983 federal deficit projection of \$207.7 billion holds true, then the fiscal 1980 through 1983 budgets will have produced a combined budget deficit of \$433.8 billion!

Of this amount, Volcker’s high interest rates will have produced added expenditures and lost revenues of \$336.9 billion, or *78 percent* of the total. The revenues Volcker caused to be lost, plus added expenditures for higher interest payments on the public debt and increased unemployment benefits, are almost the size of the entire U.S. outstanding government debt built up from 1787 until 1970.

This was calculated by determining the difference between what interest on the public debt would have been each year had interest rates not been raised, and what unemployment benefits would have been if unemployment stayed the same as in 1979, but payouts were adjusted upward for inflation.

Paul Volcker’s “anti-inflation” program is the largest generator of the U.S. budget deficit, by an overwhelming margin, yet David Stockman, George Shultz, Tip O’Neill, and Walter Mondale are mute on this point when they draw up the list of what should be cut from the budget.

Collective suicide

It has been shown that 1) the Friedman justification for budget-cutting is based on pure fraud and 2) the shift into post-industrial society is the primary obstacle to tax cuts and budget surpluses. But some people—and the majority of congressmen as well as the Oval Office—still believe that budget-cutting is the only option to pursue.

This view was championed by the head of the Financial Studies Division of the International Monetary Fund in an interview on Feb. 9. There should have been \$60 billion to \$80 billion in additional cuts in the fiscal year 1983 U.S. budget, on top of the \$42 billion already applied, he said, and cuts of increasing proportions should be applied in successive years. This gentleman was frank enough to concede that such a policy would perpetuate the depression, and fail to transfer funds from the government to the private sector. “If you tell me the U.S. private sector is going to have any new demand for funds, I would laugh. Industry will not be getting much in the way of new funds. There must be no new

credit in the economy.”

U.S. Secretary of State George Shultz and Treasury Secretary Donald Regan, joined by Budget Director David Stockman, are nevertheless pressing for deep cuts in the fiscal year 1984 budget, cuts which the Congress will now debate. The Shultz-Regan-Stockman budget document, released by the President in February, calls for:

- freezes on federal workers' pay increases and on the spending levels of most social programs, which means cuts when adjusted for inflation;
- cuts in the benefit levels of unemployment insurance;
- a cut in farm price supports by \$8 billion, and a substitution of costly, unworkable crop-exchange programs, along with cuts in the agricultural extension program;
- a proposed six-month delay in the cost-of-living escalator clause for Social Security;
- cuts in the basic military research programs for anti-ballistic missiles;
- a freeze on infrastructural programs, including dams, irrigation, and so forth.

These cuts and freezes total roughly \$30 billion. The states and localities, once the pass-through of the 5-cent-per-gallon oil tax for highway construction is deducted, get almost nothing, although revenue-sharing and the “new federalism” were supposed to have increased the weight of local government.

Over the previous two fiscal years, 1982 and 1983, record-shattering \$97 billion was already cut from the budget (or added on to revenues through such frauds as “user fees”), and yet these years will have the highest combined fiscal deficits of any two years in history. Now, Reagan is being told by a coalition of Democrats and Republicans that even this level of austerity is insufficient. “Slash Social Security,” demands the “conservative” Heritage Foundation. “Cut defense!” demands the “liberal” Brookings Institute. “Raise taxes!” cry both sides.

If education, Social Security, and job training programs are chiseled back, the intellectual and moral fabric of an economy weakens, eventually undermining productivity. To cut those portions of the budget which represent real tangible product—infrastructure projects such as waterways, canals, ports, NASA, nuclear energy—is to sabotage those programs that provide for the future of America by increasing the efficiency of the economy. It is possible to cut irrigation projects for one year; but what are the costs when water runs out in a region?

It should be noted that if personal income stagnates, government spending on defense and on transfer payments—unemployment benefits, Social Security—is providing two of the only active sources of income which end up paying for either consumer or industrial goods. The IMF's proposal to cut the social “safety net” and defense will not only make the United States defenseless against foreign attack, but mean a further direct reduction in economic activity and loss of tax

revenues. The problem of the U.S. budget is exemplified by the fact that while in fiscal year 1982, tax revenues were \$618 billion, in fiscal year 1983, they are projected to be only \$598 billion.

Obviously the United States cannot continue in this mode. The budget constitutes a time-bomb which threatens to be detonated by the very post-industrial strategy and budget-cutting policies which created the deficit in the first place.

The budget must be guided by the policy of Alexander Hamilton, the founder of U.S. industrial capitalism, who managed to build the economy and reduce foreign debt, while overcoming a domestic budget deficit which was as severe as anything that this country had seen until the present time. Hamilton treated the budget as a planning document for development: Hamilton asked, what internal improvements—rails, canals, waterways, ports, highways, city construction projects—could the budget facilitate in order to expand the commerce, and thus the revenue base? He knew that for every dollar spent on internal improvements in the budget, \$4 or \$5 could be generated, and thus healthy amounts of taxable revenues. Hamilton also saw the budget as a tool for building education and skill levels, and defending the country—as opposed to Thomas Jefferson, who under the evil influence of his Swiss-born and -controlled Treasury Secretary, Albert Gallatin, wanted to cut military outlays, in order to “balance the budget.” That nearly lost the United States the War of 1812, and hence national sovereignty.

Above all, for Hamilton and other leaders like economists Henry Carey and Erasmus Peshine Smith, who devised the economic policies of the Lincoln administration, the budget was not the center of economics—as it is stupidly treated today—but rather a subordinate aspect of overall economic policy, which begins with a directed credit policy, and fosters rates of high-technology growth in agriculture and industry.

To make the budget process work, the Federal Reserve must be put under government control; Paul Volcker must be fired; and monetarism laughed out of Washington, D.C. The Treasury would be authorized to issue Lincoln style gold-backed U.S. reserve currency notes (see Economics section); the notes would be issued to the private banking system at from 2 to 4 percent interest rate, for up to half the value of a bank's loan. The banks would issue these note-issue loans by the Fed only if the banks are lending to productive goods-producing industries, that is agriculture, manufacturing, mining, construction, transportation, and utilities. To unproductive borrowers, banks can lend at the going interest rate—be it 10, 25, 80 percent.

In short, credit must once more be funneled to the productive base of the U.S. economy at preferred rates, and the non-essential, non-productive sectors of the economy compelled to bear more of the fiscal burden. This will reverse the shift towards the post-industrial society, and generate a genuine recovery.

Battle over the IMF erupts at Non-Aligned summit

by Peter Ennis in New Delhi

"Humankind is balancing on the brink of the collapse of the world economic system and annihilation through nuclear war." With these words Indian Prime Minister Indira Gandhi initiated deliberations on the world's most pressing economic and political problems at the opening of the Seventh Summit of Non-Aligned Heads of State and Government on March 7 in this city.

The five-day summit brings together the leaders of close to two-thirds of the world's population from 100 developing nations in Africa, Asia, Latin America, and Europe. Taking place in the midst of the worst economic crisis since the Great Depression of the 1930s, discussions and speeches delivered thus far have highlighted the effect of the crisis on the developing countries, and the need to take urgent measures to bring about a world economic recovery.

The host government of Indian Prime Minister Indira Gandhi has been largely successful in its stated goal of focusing the conference on the universal economic crisis and avoiding divisive political issues which have previously split the Non-Aligned movement into various "radical versus moderate" camps. The thorny issues of Afghanistan, the Iran-Iraq conflict, and the question of who will represent Cambodia in the movement were successfully defused. The Cambodia issue had been expected to be most difficult, but the Indian government was able to gain relatively easy agreement on the compromise formula of keeping the seat empty, denying representation to both the Heng Samrin government in Phnom Penh (which India recognizes) and the deposed regime of mass murderer Pol Pot.

The key debate over strategy on international economic issues has been heated. Within the conference working committee on economics, it has erupted into an open brawl, with

two of the IMF's prime satrapies, Pakistan and Jamaica, making an open bid to mortgage the very existence of the developing countries to an expanded IMF. India, Nicaragua, and several other countries are continuing to insist that the Non-Aligned countries must firmly demand a New World Economic Order.

In particular, India has proposed the immediate convening of an International Conference on Money and Finance for Development to carry out comprehensive changes in the IMF-World Bank system, and the adoption of the principle of "collective renegotiation" of developing-sector indebtedness. Nicaraguan head of state Daniel Ortega, backing up India, has called for the formation of a "debtors' cartel" to force the creditor nations to the bargaining table.

The outcome of this battle will determine whether the industrial north crumbles together with the developing sector under an IMF bankers' cartel dictatorship, or whether there is a chance for a real economic recovery.

Debt restructuring required

The tenor for the heads of state summit was set by Prime Minister Gandhi in her inaugural speech on March 7 (see page 30). Mrs. Gandhi warned that the current crisis was not limited to the developing countries. She asked: "Can any one of us—large, small, rich or poor, from North or South, West or East—hope to escape" the dangers of economic collapse and nuclear war?

To solve this crisis the Indian prime minister called for the summit to "devise a coherent program of measures to be taken immediately to help developing countries in areas of critical importance." Among these, she stressed the need for "a major debt restructuring exercise."

She also emphasized the “urgent need” to hold an International Conference on Money and Finance for Development to carry out comprehensive changes in the Bretton Woods international monetary system “which is now recognized as out of date, inequitable and inadequate.”

The issues raised by Prime Minister Gandhi were reiterated and elaborated on in some of the other speeches by heads of state and government in the past days. Many leaders have condemned the existing international economic order, subjecting the IMF to particularly bitter attack, and have vividly described the impact of the current crisis on their already weak economies.

The most comprehensive treatment of these issues was given by Cuban President Fidel Castro, outgoing chairman of the Non-Aligned movement. After a lengthy and often inflammatory discussion of the political crises which have broken out during the past period, Castro illustrated the way in which developing nations’ terms of trade have deteriorated in the past years.

“It is not surprising, under these conditions,” Castro said, “to see the extraordinary increase in the underdeveloped world’s external debt which in 1982 surpassed the \$600 billion figure. . . . This huge debt . . . is in itself a denunciation and conclusive evidence of the irrationalities and inequities of the present international economic order.”

Battle erupts in economic committee

The simmering debate over a Non-Aligned strategy on these issues broke into the open on March 8, when Pakistan put on the table a resolution providing backing to Algeria’s position that North-South negotiations should be conducted in “two phases,” the first of which would not challenge the IMF system.

The Pakistani position was presented by the dictatorship’s planning minister, Mahbub ul-Haq, who until recently was a vice-president of the World Bank and is a leading colonial agent. Haq lied to reporters that his proposal was backed by many delegations, a claim vigorously denied by a spokesman for India, who privately denounced Haq as “an agent of the World Bank” and insisted that his proposal would be trounced.

Earlier, Indian Foreign Office official Romesh Bhandari had clarified the meaning of the Indian proposals at a press briefing, emphasizing that the proposals were based on rejection of the Bretton Woods system as “outdated, inequitable, unjust, and insufficient to deal with the type of financial and monetary problems which the world is now facing.”

Privately, an Indian official underscored the official Indian position that the proposed monetary conference be “full-fledged,” and with “powers to conclude treaties.”

For a debtors’ cartel

The Indian initiative got a powerful boost on March 9 from Nicaraguan head of state Daniel Ortega. In a speech to the summit, Ortega said that in the face of the strategy of the

creditors, “We need a strategy of the poor, impoverished debtors.”

“In just the same way as the private international banks, the industrialized free-market economies and the international organizations have their own institutions and strategies,” Ortega stated, “it is just, and even a duty of the poor countries to establish an organization of debtor countries.”

This would make it possible, he continued, to “unite the debtor countries in one organization based on universal voluntary participation; launch efforts and actions that would lead the creditors to seriously consider the necessity of a new international economic order; and, ensure that the solution of the debt problem is not unilateral, but rather contemplates the massive transfer of resources that would allow our countries the possibilities of development.”

Such a common organization of debtor countries, Ortega said, “could well be called the ‘New Delhi group.’ ”

Pakistan’s planning minister made a second proposal, that a “rescheduling facility” be established within the IMF to subsidize developing sector debt payments with funds raised by the sale of IMF gold stocks and new issues of IMF funny money, SDRs. The special “rescheduling facility” would not only handle official debt but would have jurisdiction over private debt as well, and would therefore closely coordinate with the international private banks, Haq said.

The private banks would have to agree to convert some of their short term debt into long term debt and perhaps lose some non-performing paper, but in exchange the banks would gain the benefit of greater IMF surveillance over developing countries, according to sources familiar with Haq’s plan. The plan is nearly identical to one floated by Lazard Frères banker Felix Rohatyn, author of the New York City austerity program.

The Pakistani proposal was fully endorsed by Jamaican Prime Minister Edward Seaga, the Caribbean deputy of David Rockefeller, in Seaga’s speech to the heads of state. By issuing this proposal through the Pakistanis, the agents of the IMF-World Bank and its offspring the Brandt Commission hoped to prevent the debate inside the economic committee from “getting out of control.”

A new dimension

However, sources familiar with the economic commission deliberations report that an unprecedented level of participation in the debate by dozens of countries that are normally passive has added a new dimension. The reason for this, he said, is that “so many countries are under immense pressure from the economic crisis that they are actually interested in every paragraph of the final communiqué.”

This was reflected by the prime minister of the Caribbean island of Grenada, Maurice Bishop, who in response to a question from NSIPS at a press conference today stated that he was “fully supportive” of the idea of a debtors’ cartel which could exert pressure on the North for establishing “a fundamentally new monetary system.”

“The IMF has 200 times as many enemies at this confer-

ence as it has friends," Bishop told the press. "I can give you a long list of countries who as recently as last November opposed saying anything against the IMF who are now actively campaigning for debt cancellation."

The work of the economic committee will undoubtedly extend beyond its deadline. A "working group" to hammer out differences among committee members on the policy draft, consisting of Sri Lanka, Algeria, India, and Bangladesh, has been formed.

As of this writing, one day before the conference is to conclude, the economic committee of the Non-Aligned summit is closeted in a final round of grueling negotiations over strategy to be taken by the developing countries for a new world economic order.

The entirety of the committee's work on peripheral issues has been completed, but heated debate continues on the most fundamental points:

- 1) The nature and scope of the International Conference on Money and Finance for Development proposed by India;
- 2) What to do about the debt crisis of the developing countries; and,
- 3) How to pursue "global negotiations" with the "North" which would reorganize the entire postwar economic system.

The committee is holding what is expected to be its final session on March 10, where the differences on these issues will be thrashed out.

According to informed sources, as of 1 a.m. on March 11, the state of the debate on these three key issues was as follows:

1) **International monetary conference:** The committee has reportedly agreed that the Non-Aligned summit will call for the convening of such an international monetary conference. However, the committee is still negotiating how to motivate the convening of the conference. The committee has definitely decided that the focus of the conference will be the mobilization of financial resources "for the exclusive use of development of the developing countries."

One source said: "It is still to be decided whether a final communiqué will state that the conference is designed to create a new monetary system. However, it is safe to say that since the existing monetary system does not now finance Third World development, by focusing the conference on the issue of Third World development it does, in effect, call for a new monetary system."

This is a setback for the IMF and its main instrument at the conference, Pakistan, which has been openly lobbying against the Indian proposal that the conference focus in on economic development. Pakistani officials have been saying directly that "a new Bretton Woods conference" is what is needed, one that would have a limited scope and would not question the functioning of the existing IMF system.

2) **Developing-sector debt:** Sources report that the final communiqué will call for "collective renegotiation" of de-

veloping countries' debt. However, this issue has been the focus of a particularly sharp fight, especially among Latin American nations. Cuba, Nicaragua, and several other Latin American countries have been saying the developing countries should directly demand the cancellation and/or overall rescheduling of developing sector debt, while Jamaica and Argentina have been leading the campaign to remove all reference to collective renegotiation from the communiqué. Those two countries have been insisting that debt renegotiation be maintained on a bilateral basis and not take on a multilateral character.

The Pakistani proposal for creation of a centralized debt-rescheduling facility within the IMF has not received any support. Word rapidly spread at the conference on Thursday that the Pakistani proposal was in fact written by Felix Rohatyn, and this report was featured in the Indian press on March 10.

3) **Global negotiations:** India has reportedly compromised with Algeria that global negotiations should take place in two phases, the first phase dealing with less contentious issues while the question of the future of the IMF is avoided. India agreed to this, preferring to put political priority on the convening of the proposed international monetary conference.

Decisions in the Non-Aligned movement must be made by consensus, so it is still too early to predict the final outcome of the debate. However, it is clear already that the summit will emerge with some momentum on the part of the developing countries toward resolving the current global economic crisis through collective debt renegotiation and focusing North-South talks on the creation of some form of a new international monetary system.

(Next week the *EIR* will carry a full report on the Non-Aligned summit and its conclusion).

Mrs. Gandhi: 'Humanity balancing on the brink'

The following are excerpts from Indian Prime Minister Indira Gandhi's opening speech to the Non-Aligned summit in New Delhi on March 8.

"Humankind is balancing on the brink of the collapse of the world economic system and annihilation in a nuclear war," India's Prime Minister Indira Gandhi said.

Should these tragedies occur, can any one of us—rich or

poor, large or small, North or South—hope to escape? Let us analyze the economic crisis. We of the developing world have no margin of safety. We shall be the first and worst sufferers in any economic breakdown.”

What has happened since the last Non-Aligned summit in Havana in 1979? “Since Havana there have been four successive years of stagnation or decline in the world economy. World production regressed by 1.2 percent in 1981, and trade stagnated last year. Unemployment in developed countries now exceeds 30 million. . . the highest level since the Great Depression. In poorer countries, where unemployment is chronic, the situation is particularly harrowing.

“Since 1979 the current balance of payments deficits of the developing countries and their debt burdens have doubled to \$100 billion and \$600 billion respectively. Medium and long-term lending to them fell by over \$10 billion. Concessional assistance has rapidly declined. . . . The export earnings of developing countries have gone down by \$40 billion over the last two years. Commodity prices which were declining have collapsed. The levels now are the lowest in the last 50 years. Developing countries get less for what we produce, while we pay more for the industrial goods we import. Interest rates are at an all-time high.

“In spite of Ottawa, Cancun, and Versailles, the dialogue between the developed and developing countries has not been begun. Only a few in the North realize that the sustained social and economic development of the South is in its own interest. Thus, we ask not for charity or philanthropy, but sound economic sense. Such cooperation between North and South will be of mutual benefit.”

Need new international economic order

“The Non-Aligned Movement has stood firmly for a thoroughgoing restructuring of international economic relations. We are against exploitation. We are for each nation’s right to its resources and policies. We want an equal voice in the operation of international institutions. We reiterate our commitment to the establishment of a new international economic order based on justice and equality. At this meeting we should also devise a coherent program of measures to be taken immediately to help developing countries in areas of critical importance. We should outline a strategy for follow-up action for the forthcoming Sixth Session of the U.N. Conference on Trade and Development (UNCTAD) and other major international conferences. An international conference on money and finance for development, which is not weighted in favor of the North, is an urgent need. Problems of money and finance also burden the countries of the North and have to be solved in a mutually beneficial manner. Such a conference should suggest comprehensive reform of the international monetary and financial system now recognized as out of date, inequitable, and inadequate. It should facilitate

the mobilization of developmental finance for definite vital areas such as food, energy, and industrial development. A major debt restructuring exercise must be undertaken. The debt problem of developing countries has assumed an unprecedented dimension, and servicing alone absorbs over one-quarter of their total export earnings.”

Prime Minister Gandhi called for greater economic cooperation among the developing countries—so-called South-South cooperation. She also emphasized that “each of our countries must strengthen its domestic base of science and technology, and collectively we should devise more effective mechanisms for the pooling of our experiences.”

Steps to carry “development, independence, disarmament, and peace are closely related. . . . ‘Without peace,’ my father [former Indian Prime Minister Jawaharla Nehru] said, ‘all our dreams of development can turn to ashes.’ It has been pointed out that global military expenditures are 20 times the total official developmental assistance. . . . The hood of the cobra is spread. Humankind watches in frozen fear, hoping against hope that it will not strike.” Prime Minister Gandhi went on to condemn the notion “that tactical nuclear weapons are usable in ‘limited wars’ ” and “the untenable doctrine of deterrence.”

Mrs. Gandhi concluded by noting that “the paradox of our age is that while weapons become increasingly sophisticated, minds remain imprisoned in ideas of simpler times. Technically the colonial age has ended, but the wish to dominate persists. Neo-colonialism comes wrapped in all types of packages—technology, commerce, and culture. It takes boldness and integrity to resist it.”

‘Our task’

“The eyes of the world are upon us. People in India and in all our countries have high expectations from our deliberations. Let us decide here:

To demand more purposeful steps to carry forward the democratization of the international system and to usher in a new international economic order;

To call for an international conference on money and finance for development which will devise methods to mobilize finance for investments in the critical areas of food, energy and industrial development; and,

To reassert our commitment to collective self-reliance.

Nationalism does not detach us from our common humanity. What a marvelous opportunity is ours, with the immense knowledge and increasing capability. Let us grasp it, though it be in the midst of danger. Faith in the future has brought so many across the continents and oceans to meet here. We are here because we do believe that minds and attitudes can and must be changed, that injustice and suffering can and must be diminished. Our world is small, but it has room for all of us to live together and to improve the quality of life for our people, peace and beauty.”

'American System' solution to poverty proposed by John Paul II

by Valerie Rush

In June 1982, during President Ronald Reagan's visit to the Vatican, Pope John Paul II called upon the United States to act as a force for progress in the world, in line with the great traditions of American history. During his early March 1983 tour of Central America, the Pope again raised his voice on behalf of those principles once commonly known as the "American System"—the notion that human life is sacred, and that the only road to enduring peace is through economic development. The Pope invoked two papal encyclicals, Paul VI's *Populorum Progressio* of 1967 and his own 1981 *Laborem Exercens*, to drive home these themes.

Speaking to hundreds of thousands of impoverished peasants in Panama, Pope John Paul II offered modern production techniques as the answer to the hunger and misery which has made the Central American isthmus a maelstrom of violence. This speech, monitored on radio broadcasts in South America, went unreported in the United States.

Citing *Populorum Progressio*, the encyclical in which the Roman Catholic Church went on record saying that debt payment must be subordinated to the economic development needs of nations, the Pope pledged the Church's support for "urgent programs and reforms" which could free the rural populations from economic backwardness. In Guatemala, speaking to 1 million Indians, he called on the government to pass legislation guaranteeing not only their civil rights but also concrete means for their "normal development" as citizens of a modern age.

In San Pedro Sula, Honduras, Pope John Paul II gave this message to a delegation of Central American workers: "The worker has to be aided technically and culturally to qualify himself for development with the purpose of liberating himself from injustice. . . . The method for ending violence and warfare among social classes is not to be ignorant of the injustices, but to correct them."

The Pope also supported the "incipient process of industrialization in Central America" that will produce "for you [the workers] a more important role as leaders in your countries."

In Haiti, the Pope attacked the voodoo and primitive

cults, saying that the Church is against "certain syncretic practices inspired by fear of forces that one does not understand." He attacked also the sects that "lack the true apostolic message." In Port au Prince, Haiti, before an audience of 150,000 to 200,000 people, the Pope demanded an end to "misery, starvation, and degradation."

The papal tour, undertaken at great personal risk, has thus provided the basis for transforming one of the most volatile strategic tinderboxes into a zone of technology-vectored economic progress, should the U.S. government decide to make its policies on the basis President Franklin Roosevelt envisioned as the American Century at the close of World War II.

So far, Washington's actions in the region have been to exactly the opposite effect.

On March 10, President Reagan gave a speech calling for the United States to send an additional \$110 million in arms into El Salvador, to fuel that country's civil war. Reagan's advisers are telling him that the United States must defend the "democratic" Magaña government from the encroachments of pro-Soviet forces. But the population-control fanatics in the State Department are on record as viewing the Salvadoran carnage as the means to their murderous goals. In an interview *EIR* published in March 1981, a State Department official referred to El Salvador as a "model" population war and applauded the elimination of women of child-bearing age.

No superpower intervention

For precisely this reason, the Pope did not hesitate to denounce superpower intervention in Central America. In Costa Rica, his first stop, he pleaded for an end to the national security doctrines used to justify such interference. The people of this region can solve their own problems, the Pope insisted—a view that was seconded editorially by regional papers [see below].

The Pope's stopover in Guatemala challenged the State Department's model genocide regime in the region, the bi-

zarre government of born-again fundamentalist Riós Montt, who has proliferated "Protestant" cults across Guatemala in attacks against the Catholic communities. Without naming any names, John Paul II denounced in his speeches leaders who permit their people "to suffer misery, contempt and injustice." He spoke to 1 million Guatemalan Indians, who have been the target of Riós Montt's Dark Age-style campaign of extermination by religious warfare, saying: "I ask that your resources be respected and above all the sacred nature of your lives be safeguarded, that no one for any reason scorn your existence, because God forbids us to kill and orders us to love one another like brothers."

As important as the content of the speeches was the fact that they brought together millions of Catholic citizens, since large gatherings of any kind had been prohibited in Guatemala as potentially subversive. Riós Montt's reaction may be gauged by the fact that a private meeting between the Pontiff and the dictator reportedly lasted only six minutes. Riós Montt was said to have interrupted the Pope at least three times before stalking out.

The oppressed "must not be carried away by the temptation of violence," however. In Nicaragua, John Paul II's mission was to denounce the "absurd and dangerous" creation of parallel or "people's" churches being promoted there and elsewhere by left and right schismatics.

He said, in reference to the radical priests in Nicaragua who have disobeyed papal orders to abandon their government posts, that "no Christian, and much less a person with a title of special consecration within the Church, can make himself responsible for breaking Church unity." Such unity, he said, is vital to counter the manifold forms of materialism and hedonism that threaten to destroy humanity.

But the government of Nicaragua, based on the Sandinista party that led the revolution of three years ago, lent itself to the provocations of the Jesuit order which heads the so-called Theology of Liberation current and controls broad aspects of Nicaraguan policy.

According to Vatican radio, while John Paul II tried to give an open-air homily, "organized groups of Sandinista activists situated in the first rows and using loudspeakers chanted political slogans almost without interruption." The Pope's words were either drowned out or silenced by unexplained microphone failures.

Leaving Nicaragua, the Pope said he was "spiritually discouraged" by his trip there.

What policy for El Salvador?

In El Salvador John Paul II repeatedly emphasized the need for dialogue to end the violence and initiate political and economic reforms, but he stressed: "The dialogue that the Church asks for is not a tactical truce to strengthen positions so that the fighting can continue, but a sincere effort to respond with a search for opportune solutions to the anxiety, the pain, the exhaustion of so many." He insisted that "no one must be excluded from the effort for peace. . . . The Love

of Christ the Savior does not permit us to enclose ourselves in the prison of egoism that denies authentic dialogue, ignores the rights of others, and classifies them in the category of enemies to be combatted."

Observers from all political camps have identified these words as papal backing for the one-year-old Venezuelan-Mexican peace initiative, consistently rejected by the Reagan administration and the Magaña government in San Salvador. The peace initiative calls for mediated negotiations between the government and the guerrilla opposition.

The day the Pope arrived in El Salvador, the government announced that new elections would be held in December 1983, instead of in 1984 as previously planned. This amounts to a very different strategy from the Pope's "tactical truce." George Shultz's State Department has convinced President Reagan that by giving a "democratic" tinge to the Magaña government, the U.S. can continue to increase funding, advisers and military involvement in El Salvador. On March 6, the U.S. Ambassador to El Salvador Deane Hinton gave a U.S. television interview saying that as long as the U.S. continues to supply arms to the Salvadoran government, the war will continue.

Thomas Enders, the Assistant Secretary of State for Inter-American Affairs, was quoted by *New York Times* columnist Flora Lewis saying that as long as the guerrillas continue their strategy of "prolonged warfare," then "we must demonstrate that we, too, can persevere." Enders, one of the State Department's most rabid population reduction fanatics, helped Henry Kissinger bring the Pol Pot regime to power in Cambodia.

Excerpted from an editorial in the Colombian daily, El Espectador, March 7, "The Pope in Hell":

The Pope has not gone [to Central America] on a courtesy call, but to bring a message of peace: the most binding. The desire of Russia and the United States to be the protagonists in the Central American case, where there should be only Nicaraguans, Salvadorans, Hondurans, Guatemalans, Panamanians and Costa Ricans, is repudiated by the people of those countries. The Holy Father is identified with them, and his visit is a memorable historic happening. . . .

The Pope has gone to the Inferno. But his presence very probably will turn Central America into a heaven, because beyond the evil and the foreign 'interference,' the natural goodness of the people of those countries. . . . is predisposed to forming a Christian civilization in this part of the world. To them has come the Pontiff, with his unique charisma. . . . We Colombians can play a role in that problem, a role we have abstained from playing before because of historic stupidities; a role as friendly mediators, far from the antipathies of powers like Russia and the United States. . . . Colombia, Mexico and Venezuela are the countries which should fulfill the role of friendship and collaboration, of good understanding in the Caribbean region.

West German electoral outcome means greater instability ahead

by Rainer Apel in Bonn

Those Germans and their American friends who wheeled and dealed to return the government of Christian Democrat Helmut Kohl and Free Democrat Hans-Dietrich Genscher to power in Bonn in the March 6 election are now euphorically toasting their success as a victory for NATO. While it is indeed fortunate that a "red-green" coalition of a radicalized Social Democratic Party (SPD) and the neo-fascist Greens were avoided, the oh-so-clever deals which secured the current outcome have in truth aggravated the instability in the Federal Republic.

The Greens entered the federal parliament for the first time, with 5.6 percent of the vote (as their parliamentary spokesman, Otto Schily a former lawyer for the terrorist Baader-Meinhof, promptly declared: "We will make sure that democracy becomes 'indiscreet.'") The Free Democratic Party (FDP), which was on the verge of extinction due to voters' resentment of Genscher's whorish switch from his coalition with Social Democrat Helmut Schmidt to the Christian Democrats last October, made a "miraculous" election-eve comeback and re-entered the parliament with 6.9 percent

Greens in the Bundestag

The 27 Green deputies to the German parliament include the following:

Petra Kelly, who is campaigning for setting up a euthanasia center for children suffering from cancer. Miss Kelly herself makes no secret about her ideas being inspired by Elisabeth Kübler-Ross, the international organizer for euthanasia.

General Gerd Bastian, former commander-in-chief of the 12th tank division of the German army in Würzburg. Bastian is part of the international network of ex-NATO military men such as Italy's Gen. Nino Pasti and U.S. Adm. Gene Laroque, who have joined the peace movement.

Otto Schily, lawyer in West Berlin and former prominent trial defender of Baader-Meinhof terrorists. His brother is the director of an Anthroposophic clinic in the city of Witten in the Ruhr region, a clinic tied to the euthanasia movement and also to Islamic fundamentalist operations.

Roland Vogt, a key organizer of Green Party international operations. Vogt was among the first European ecologists to meet Libya's dictator Muammar Qaddafi in Vienna and later in Tripoli, on a personal invitation by the

dictator and supplier of terrorist hit squads against U.S. President Reagan. Vogt, formerly with the black oligarchy's *Ecoropa* organization in Brussels, is an adherent, like Petra Kelly, of the feudal concept of a "Europe of the regions," a Europe based on tribal structures to be built after the destruction of the presently existing national boundaries.

Jürgen Reents, formerly the publisher of the communist-leftist weekly *Arbeiterkampf* in Hamburg, an adherent of the "direct action" groups inside the green-fascist movement.

The biggest scandal in Bonn is not the fact that these spokesmen made it into the parliament, but that the other, so-called democratic parties seem to have nothing against them. Friedrich Zimmermann, a leading member of the Bavarian Christian Social Union and minister of domestic security, merely requested that the Green deputies respect the "dress code of the house," that is, suits and ties. Ralf Dahrendorf, the director of the Free Democratic Party's Friedrich Naumann Foundation and former director of the London School of Economics, in the latest edition of the paper *Liberal*, supported the entry of the Greens into the federal parliament. He said that in this way the *Staatsparteien* are forced to give answers to uncomfortable questions.

On election night itself, 50 Green supporters burned a rocket made of wood and paper in front of the parliament. Petra Kelly was present. Since this was in the area of the "security zone," they were all prosecuted.

(a party must get 5 percent to qualify). The Christian Democrats (CDU) and their Bavarian ally, Franz-Josef Staruss's Christian Social Union (CSU), together got 48.8 percent; the Social Democrats fell from 42.9 percent in 1980 to 38.2 percent.

Helga Zepp-LaRouche, the national chairwoman of the European Labor Party (EAP), commented when the vote tallies were known: "This government won't last past October-November 1983. The hoped-for 'upswing' will not occur; on the contrary, the government will try to implement painful austerity measures and to drastically cut the living standards of the population, while unemployment will rise massively month by month. A financial collapse triggered by the insolvency of especially the big Latin American debtor countries, Brazil, Argentina, and Venezuela, might happen even by the end of this month. . . . At the same time, the hordes of the Green so-called peace movement will plunge our country into violence and a quasi-civil war, allegedly over the issue of the Euromissiles. The same forces which are right now arming themselves to destabilize the country and all of its institutions, who are publicly discussing a plan to 'occupy the Bundestag' [parliament], will now have daily access to that very parliament. The Kohl government will therefore fall even within the year, because of the economic collapse on the one hand, and on the other because Chancellor Helmut Kohl will not have the guts to remove the Greens from parliament as an unconstitutional force and a danger to our democratic republican system."

Mrs. Zepp-LaRouche announced that her party is preparing itself for new elections in the state of Hesse in summer of 1983 and for new federal elections by December or early 1984. In the meantime, she said, the EAP will escalate its campaign to have the Greens declared unconstitutional, under the provision in West Germany's Basic Law which forbids the reconstitution of fascist parties. The fact that the Greens will now have access to crucial intelligence and top-secret matters of German national interest makes such a measure even more necessary than before, she said.

Mrs. Zepp-LaRouche campaigned as the chancellor candidate of her party, on the basis of a program for a New World Economic Order. As the founder of a new international institution called the Club of Life, she advocates dismantling of such organizations as the International Monetary Fund and the Bank for International Settlements, and the issuing of low-interest credits to developing nations, which could then purchase high-technology industrial goods in the industrial countries, making possible a rapid economic recovery. Although Mrs. Zepp-LaRouche's brief exposition of her program in four two-and-a-half minute television broadcasts during the election campaign drew voluminous testimonies of popular support, the party's national vote total remained less than 0.1 percent, reflecting the rigid structure of German party politics, the media blackout of the EAP, and also the illusions of the population about the likelihood of an "upswing." Of all the parties active in the election race, only

the EAP addressed the issue of the economic crisis, while each of the "major" parties focussed on such issues as "the death of the German forests because of environmental pollution."

The fact that the EAP, despite its low percentage, doubled the officially counted number of its voters from about 7,000 in 1980 to nearly 15,000, now indicates the party's potential for building a national machine.

Election maneuvers

The new Bonn government majority of the CDU and FDP is the result of behind-the-scenes maneuvers by influential interests in London and Washington, who wanted to prevent a landslide victory for the Christian Democrats and an almost certain failure of the FDP liberals to reach the 5 percent threshold. A CDU/CSU majority would have meant the near-certain entry of Bavarian conservative Franz-Josef Strauss into the cabinet as foreign minister, replacing Genscher (whom then-U.S. Secretary of State Cyrus Vance once characterized as "our strong tower in Bonn"). Strauss represents a "wild card" on the usually pre-orchestrated German political scene.

So the leadership of the Christian Democratic Union, increasingly dominated by neo-Malthusian "post-industrialists," made the decision to jeopardize its chance for an absolute majority and pass numerous votes over to the FDP in order to guarantee the return of the junior partner (whose program combines environmentalism with Friedmanism) to the parliament. Election-eve "Strauss the bogeyman" articles in such publications as the weekly *Der Spiegel* magazine facilitated this process.

The March 6 vote was an overwhelming rejection of the SPD and its pro-ecologist, pro-nuclear freeze candidate for chancellor, Hans-Jochen Vogel. Most stunning was the SPD's loss of its traditional stronghold, the Ruhr region, to the CDU. In the Ruhr, the Greens were kept at only 3 percent and the CDU won the most votes, despite the fact that the Ruhr has been the region worst hit by the Kohl government's austerity policies. This outcome reflects the disgust with the party of the SPD's former base in the trade unions. Since the demise of Chancellor Schmidt (and his abdication of responsibility for the future of the party), the SPD has slid rapidly down to the level of the Greens.

The Greens' entry into the parliament despite widespread hatred of the "eco-fascists" reflects the fact that the SPD leadership decided to hoist the Green Party over the 5 percent threshold by passing a portion of its own votes to them, particularly those of the "Jusos," the SPD youth.

Two days before the election, *The Times* of London issued an editorial call for the Greens to be voted in. "What is desirable is a government neither dominated by Herr Strauss nor unduly influenced by the Greens. Yet, provided they are clearly in opposition, the latter could be a valuable new element in West Germany's parliamentary life," the paper wrote. "They represent a genuine force in German society, and would probably benefit from parliamentary experience."

It is said in Germany that both Western and Soviet intelligence conduits poured money into left-wing SPD circles to help get out the Green vote. This, naturally, was to the disadvantage of the SPD, but its chairman, Willy Brandt, did not seem to mind. Brandt is a product of the U.S. East Coast establishment (he was created by the State Department's Eleanor Dulles), which has an interest in bringing the Greens into the parliament to help whip up a mobilization against the stationing of U.S. missiles by the end of 1983. The parliamentary fraction of the Green Party will serve as a transmission belt for the extraparliamentary mass mobilization against the missiles and NATO, and will help to paralyze the government in Bonn, while furthering the partial U.S. disengagement from Europe.

Newly elected Green deputies announced on television on election night that they will raise hell in the country, and that they consider the Bundestag a tribune favorable to their goal of making the country ungovernable in order to prevent the stationing of the missiles on German soil (see box). This "ungovernability" is a policy also favored by the SPD leadership, especially by its defense policy spokesman, Egon Bahr of the Palme Commission on disarmament, who announced in a public debate Feb. 8 that "we will unleash a wave or resistance in the streets which will make the stationing of rearmament weapons impossible."

Given such impending blood in the streets, the best outcome would be a breakup of the new governing coalition, and new elections. New elections would enable the European Labor Party to expand its campaign for the New World Economic Order, which is not difficult to recognize as the only hope for export-oriented German industry.

The industrial slump starts to accelerate

by George Gregory in Bonn

EIR asked a leading director of the Dresdner Bank in Frankfurt on March 4 whether he could explain why even Dr. Helmut Schlesinger, known for years as the "best economist the German Bundesbank has ever had," was propagandizing about a "German economic upswing." "That is an easy question," replied the Dresdner Bank director. "That is what he is paid for."

Later, *EIR* talked to the chief economist of the German Bundesbank itself, Dr. Dudler. We asked Dr. Dudler whether it was still true that the Bundesbank thought that a world economic recovery and, therefore, also a German recovery, depended on a recovery of the U.S. economy. Dr. Dudler said, "Of course, and we are convinced that there are unmistakable signs of a U.S. recovery."

In September 1981, *EIR* published the following evalu-

ation: "The German economy will be lucky indeed to reach zero-growth in 1982, and real growth is more likely to be minus 1 to minus 1.5 percent—because by mid-year Germany's export markets will collapse under the effects of International Monetary Fund (IMF) policies." In fact, it is now officially acknowledged that West Germany registered negative 1.2 percent growth in 1982; however, in November 1982, the West German Bundesbank was still writing in its official bulletin that "the recent fall-off of exports has come as a totally unexpected development."

The reality now

After the number of jobless increased by between 150,000 and 200,000 per month over the past five months, West German *official* unemployment statistics for the month of February claimed an increase from January to February 1983 of only 48,800—to a total of 2.536 million unemployed, or 10.4 percent of the now-registered work force. This is taken, especially by Labor Minister Norbert Blüm, as the surest sign of the "recovery."

This recovery is a hoax, at numerous levels.

- Before U.S. Federal Reserve Chairman Paul Volcker's "controlled disintegration" interest-rate regime hit West Germany, the "dependent work force" totaled 22.95 million people. Now, this total is between 22.2 and 22.0 million. By simple calculation, at least 750,000 people have disappeared from the work force. At present, without other statistical frauds taken into account, there are 3.28 million unemployed in West Germany. In June 1982, *EIR* said that West German unemployment would be at or over the 3 million mark at the very latest by the end of the first quarter of the year. (In German, that's what is known as *Volltreffer*, a bull's-eye.)

- Official unemployment statistics do not include employed persons who work less than a full 40-hour week; persons on "short-work" are counted separately. However, even aside from the drastic increase in short-work over recent months, independent studies by the I.W. Institute associated with the Federation of German Industry have shown that the average hours worked per week is actually 30.1 hours. Thus, 25 percent of those still formally employed are "under-employed." Add 25 percent of a total work force of 22 million (or 5.5 million persons) to official "unemployment," and one begins to paint a picture of a West German work force so demolished that it is hardly in a better condition than the American. (So much for trade unions' demands to "cure unemployment" with shorter work time by instituting the 35 hour week.)

- Other forms of "hidden unemployment" have not even been included in this calculation.

- If the planned destruction of the German steel work force is not reversed through a New World Economic Order, at least 78,000 of over 100,000 now on short-work may be considered de facto laid off, *EIR* has calculated. The same holds for the 40,000-person work force in the northern shipyards, as well as for a high proportion of the 120,000 skilled

machinery workers now on short-work. Large numbers of layoffs and greatly increased short-work have been withheld from the official registers. (In West Germany, companies must pre-announce layoffs or short-work.) But the crisis even extends to short-term bailouts of firms that are ready to close their doors at a moment's notice. In Ludwigshafen, for example, one of the few quasi-industrial cities in Chancellor Helmut Kohl's home state of Rhineland-Pfalz, the state government has agreed to subsidize electricity supply to the Alcan aluminum smelting plant because Alcan announced that, although its order books still look good, it can no longer afford the costs of drawing electricity from non-nuclear power plants. Shutting down a 5,000-worker plant would not "look good" for Kohl.

For the purpose of the elections, the bankruptcy of the Klöckner Steel Company has been forestalled. The only question for the Ruhr under the International Monetary Fund's world monetary dictatorship is death with a "bang" or in a "hospice" through death-with-dignity financial cartelization. Steel companies are still losing 100 DM per ton of steel produced, and will lose more when the German auto sector (which is 58 percent export dependent) finds out that the collapse of exports that began in October 1982 is continuing. Steel foundries are now facing production cutbacks due to the 1981 to 1982 collapse of orders for construction steel (minus 22.8 percent), steel structures (minus 31.1 percent), machinery (minus 8.2 percent), and vehicles—which have just begun to collapse (minus 5.9 percent)—for a total contraction of minus 12 percent.

One of the chief problems here is that steel foundries, like aluminum smelters, cannot afford electricity produced by means other than nuclear power plants. The only factors allowing a brief pause before the dam breaks are the current CDU government policy of subsidizing interest rates on housing by 2.5 percent and the fact that firms rushed at the end of 1982 to collect the grants on investments initiated by the Schmidt government.

Since the German construction sector has collapsed by more than 55 percent since 1974, a little activity here will not do any harm, but hardly any good for the economy as a whole. The Bonn government and the German Bundesbank are praying like Indian medicine men that Third World debt does not blow up in their faces. That is why the German government has adopted the incredible policy of only providing additional export-credit insurance to Third World countries that have totally submitted to the IMF—the best guarantee that immense losses like those of the Hermes credit insurance company will expand. The drop of the price of oil might indeed save West Germany 7 billion DM, but at this time the benefit is like that of the "Hoover moratorium" of 1930—the rate of bankruptcies in West Germany is still increasing. In 1982 West Germany had 15,877 bankruptcies (*EIR* had expected 16,000). These bankruptcies alone represented a loss of 160,000 to 200,000 jobs, according to the official calculations of the Bundesbank.

France casts ballots against zero growth

by Dana Sloan

After casting his own vote in the first round of the nationwide municipal elections March 6, French President François Mitterrand told reporters that he would go back to the Elysée Palace and watch the election results come in "with interest, but without apprehension." However, it was widely expected that Mitterrand's Socialist Party and its coalition partners would suffer some heavy losses in the elections to elect the mayors of French cities. When the results came in, the combined pro-government parties had polled only 39.74 percent of the vote, compared with nearly 52 percent when they constituted the opposition in 1977, the last time such elections were held.

If President Mitterrand had nothing to worry about from the standpoint of his immediate survival in office, the implications of the vote should have given him reason to reflect on his policies and advisers. The constitution of the Fifth Republic was written by Charles de Gaulle precisely in order to guard against a system, as exemplified by the Fourth Republic, in which the President was a mere figurehead, carrying out the whims and designs of the political parties and their controllers. During the summer months of 1982, Mitterrand, a politician of the Fourth Republic, after being in office nearly a year began to grow into the shoes of the Fifth Republic, and took the first steps in the direction of cleaning out the mess of utopians, zero-growthers, and "post-industrial" fanatics who were running the show in his party and government. The municipal elections have given Mitterrand a clear and urgent mandate to make further moves in that direction.

The results of the first round of the elections, which will be confirmed by the second round of runoffs March 13, were not so much a defeat for the entire Socialist Party, as they were a defeat for the clique of Malthusians that has been given control over economic policy.

The environmentalist candidates (who have just made it into the West German Bundestag) and the extreme-right National Front were kept under the 1-percent mark on the national average. But in areas of extreme economic hardship, they made significant breakthroughs, notably in new urban centers like Besançon, where the greens got 9 percent, and in one Paris district where the National Front's Jean-Marie Le Pen came in third with over 11 percent. Le Pen's campaign

was run entirely on the basis of the “big lie” that immigrant workers, heavily concentrated in that district, take away French jobs. This xenophobia, and the irrationalist anti-technology belief structure fostered by the greens, are the stuff of which fascism is made.

The overall results for the city of Paris, however, should give Mitterrand something else to think about. In 18 out of the 20 districts (*arrondissements*) of the city, the Socialist Party-led slate was swept aside as though by a tidal wave by the supporters of the incumbent Jacques Chirac, leader of the Gaullist Party. Chirac garnered an average of 55 to 75 percent of the vote per district, compared with the 15 to 30 percent of the Socialists, who were led by Paul Quiles. Quiles, an avowed opponent of nuclear energy and technological advance, came in second even in his own district.

The second or third most powerful figure in the Socialist Party in terms of official status, Quiles exemplifies the problem that surrounds Mitterrand. Whether they are considered “leftist,” as in the case of Quiles, or “moderate,” as in the case of Finance Minister Jacques Delors and Planning Minister Michel Rocard, the Malthusians have too much power. During the final weeks before the elections, Delors and Rocard—aided on the outside by the head of France’s second largest trade union, the CFDT’s social-fascist Edmond Maire—deliberately sabotaged the government’s standing in the eyes of the electorate by stating that the solution to France’s economic woes is austerity and “rigor.”

Cabinet shake-up

The pressure is now intensifying for Mitterrand to reshuffle his cabinet, and possibly oust Prime Minister Pierre Mauroy—whose position is not helped by the fact that he did not win his seat as mayor of Lille in the first round, and will have to face the test of the runoffs. Political mouthpieces as seemingly diverse as the *Financial Times* of London and the “radical” French daily *Libération* are calling for a cabinet shake-up to eliminate the old boys, such as Prime Minister Mauroy and Interior Minister Gaston Defferre.

The case of *Libération* is worth examining in more detail for what it indicates about what is really going on behind the scenes in French politics. Some months ago, a consortium headed by Jean Riboud, chairman of Schlumberger, Ltd., took financial control over the newspaper. A longstanding adviser to François Mitterrand, Jean Riboud has so far rejected every official post that has been offered him, including that of France’s ambassador to Washington, on the grounds that none would give him anywhere near the power and influence that he now wields as head of a giant financial and political empire. The editorials in *Libération* in the two days following the elections all called for Mauroy’s head to roll, and on March 9 specified that the cabinet should be streamlined and headed by a “super minister.” Jean Riboud, who was the first of Mitterrand’s associates to sound the trumpet

for economic austerity, has frequently been named as a possible candidate to succeed Mauroy.

Le Matin de Paris, which is pro-socialist, has called for the constitution of a “third-force” cabinet, with Edmond Maire taking over the position of minister of labor. This “third force” began taking shape when Mitterrand fired Minister of Cooperation Jean-Pierre Cot, a factional ally of Planning Minister Rocard. Cot’s links to Amnesty International, the terrorist support group, and his rejection of high-technology transfers to the developing sector countries made him the chief wrecker of Mitterrand’s Africa policies. Cot, Maire, Delors, and Rocard, with Jean Riboud behind the scenes, have declared war on Mitterrand—and now demand to get promoted.

Together the Malthusians, whether considered moderates or radicals, threaten to bring into being mass movements of the environmentalist left and extreme right. For the moment, President Mitterrand has all the cards in his hand, but he will have to move quickly and ruthlessly to drive out his enemies, and he may not be given a second chance once the international monetary and financial dam breaks.

The tug of war for Mitterrand’s mind

by Laurent Murawiec in Paris

Addressing the House of Parliament of India some weeks ago, French President François Mitterrand left a lasting, positive impression upon his audience as he underscored “the necessity of creating a new international monetary system” and “inaugurating a new world economic order.” Staffers at the presidential headquarters in Paris, the Elysée Palace, however, will explain to visitors that “we know that the International Monetary Fund policies inflicted on developing countries just aggravate their plight and further contract the world economy—but since France does not rule the world, we’re just trying to strengthen the IMF and alleviate its conditionality.”

In the gaping difference between these two opposite viewpoints rages a violent and world-historical struggle in Paris, with massive foreign interference and implications for the rest of the world. The fight is for control of the French president’s policy and his very mind.

The Malthusian parasites

Ensnared in the powerful presidential staff and the even more powerful finance ministry, an alliance of monetarist practitioners and Malthusian ideologues is pressing the pres-

ident to play the game proposed by U.S. Secretary of State George Shultz. Finance Minister Jacques Delors, a left-Christian creature of Jesuit masterminds, explains that "for most of the Third World, it's the IMF or nothing. I am therefore proud to lead the battle for the strengthening of the IMF while fighting for an alleviation of its conditionalities."

Special presidential adviser Jacques Attali, an intellectual of the style known in Washington as the "cocaine set," whose eulogies of euthanasia and suicide have a real aura of perversity, has been put in charge of North-South affairs as well as of preparing the crucial Williamsburg "summit" next May, by the president himself. Attali has prepared a wildly utopian "20 proposals for the Third World" as a special French contribution to that summit—a document that focuses on "telematique" [cybernetics + telecommunications] in utter disregard of the reality of financial ruin and economic devastation of these nations.

The advocacy of austerity without, even if painted with Delors's Jesuit brushes or Attali's futurist fantasies, is complemented by advocacy of austerity within. "There is no miracle solution; there is no magical remedy. We must choose between the present and the future. In the next few years, the sacrifices and the efforts we may be called upon to accept *might be terrible*," Delors drones in speech after speech.

After close to two years of policy-control by the Malthusian-monetarist alliance, the French economy is straining. In spite of months of price-and-wage controls, January inflation figures hit close to 10 percent in annual rate. While Delors and Attali collaborators were saying a few months ago that "we induce a recession in order to reduce the trade deficit," recession is here but the January foreign trade figures were in deficit by a stunning 9.6 billion francs—close to \$17 billion.

"I will not hesitate to tighten another notch if need be," Delors has kept on repeating. Rumors of a new, third devaluation of the currency are rife. It is widely expected that the post-election days will spark a wave of speculation, especially if the CDU-CSU-FDP coalition strengthens the German currency as a result of winning the March 6 election.

"All the top French banks have tightened their belts and buckled their helmets in expectation of the shock of the repayment and rollover date at the end of March," a well-informed broker reported. "This is not only for international loans but also the very heavy domestic maturities. At present, the *petites et moyennes entreprises* [small and medium enterprises] are not getting one centime. They're getting nothing and many are going to crash in the weeks ahead."

Ironically, even the Socialists appointed in the last two years to head the big, nationalized industrial corporations are in a state of permanent rage at the Socialist government for having loaded them with huge companies being choked or starved by present policies.

France, in short, under such policies, is rapidly approaching the breaking point at which domestic weakness and dis-

order forbids any bold, active foreign policy—which was the aim of the monetarist-Malthusian alliance in the first place. So, where's the president's design? What is the meaning of his good words on Third World development.

The contradiction so glaring between words and deeds reflects the tug of war for Mitterrand's mind. When King Hassan of Morocco and President Bongo of Gabon recently asked Mitterrand in public that France provide their nations with nuclear energy, they expressed not only the Third World's drive for development but were also encouraging the French forces that are trying to tip the balance of policy against the Malthusians.

Twenty-five years of General de Gaulle's Fifth Republic have immensely strengthened the *Colbertiste*, or "productivist" strain in especially the higher spheres of the all-powerful civil service—the layer that makes the country tick. The recent ouster of "ideologue" Socialist Jean-Pierre Cot as Cooperation Minister and his replacement by a personal associate of Mitterrand bore witness to their reassertion of strength.

The traditional forces of the "French Empire," colonial interests and assimilated merchant and financier forces, which helped Mitterrand ascend to power and thought they had struck a deal with the British Empire for global spheres-of-influence power-sharing, have by now recognized there is no room for a "French Empire," nor for a sovereign French military nuclear deterrent in the "New Yalta" envisaged by the British and their friends in Moscow.

As a result, they are groping to recreate the kind of alliance and policy typified by General de Gaulle and, to some extent, his successors.

The damage of two years of "socialism," however, is such that anti-Malthusian forces are rather acting by means of the press and the media, books and opinion-making, and attempted forays to capture President Mitterrand's attention, than by straightforward political means. The political campaign around the local elections exhibited the most revoltingly hollow posturing and rhetoric-mongering in memory—even declared anti-Malthusian political leaders such as neo-Gaullist leader Jacques Chirac are only concerned with petty, immediate electoral gain.

In the weeks ahead, the accelerated deterioration of the economic situation is bound to provoke growing social tension. The Jesuit fascist head of the CFDT labor union, the country's second largest, Edmond Maire, announced recently that new, severe austerity medicines had to be administered to the body economic, and "tough sacrifices" to be accepted by workers. His accomplice, Planning Minister Michel Rocard, also a creature of religious orders, demanded the waning away and death of "the obsolete vertical apparatuses such as the state, the political parties, the unions and the church" (!) and the inauguration of "horizontal democracy" where sacrifices are accepted in the name of "*autogestion* (self-management)]."

Italian Communists surrender to the Venetian oligarchy

by Marco Fanini in Milan

The 16th Congress of the Italian Communist Party (PCI), which took place here between March 2 and 6, was truly “historic,” as of the Italian newspapers described it.

Officially, the party took its distance from Moscow in one of the three major policy decisions, and the one underlined by the press in and out of Italy. The real story is that the “pro-Soviet” current of the PCI—a party notoriously recalcitrant about swallowing orders from Moscow—played a key role in turning the PCI over to the Venetian and Roman oligarchy, which runs the environmentalist “peace” movement with the complicity and financial aid of Moscow.

At this congress in fact, the PCI abandoned completely the nationalist streak in its identity which had made it a potentially positive force for Italy—and which often led it to ignore “left-wing” allegiances, especially when it came to fighting the “red” side of terrorism. Capitulating to the power of the Venetian-centered family fortunes, the PCI accepted the proposal for a technocratic government made two years ago by Sen. Bruno Visentini, President of the Olivetti Corporation and of the feared Venetian Cini Foundation, the most powerful and secretive “cultural” think tank in the West. The technocratic government is, in effect, an emergency government of so-called experts chosen from outside the traditional party framework, technocrats who would be answerable to none of the labor, farm, or industrial constituencies which are the mass base of Italy’s two important political parties, the PCI and the ruling Christian Democracy.

Moreover, the PCI also accepted the economic plan for Italy and the viewpoint on the present international situation which is precisely that of the Italian oligarchy. Through the mouth of its secretary, Enrico Berlinguer, the PCI accepted the proposals made by Carlo De Benedetti, the general manager of Olivetti and an “assault” financier, for the de-industrialization of Italy, and for investments limited only to the field of “telematics,” electronics, and alternative energies.

De Benedetti is not just the chief executive officer of Olivetti (nor, for that matter, is Olivetti “merely” Olivetti); he is the financier singled out in the late seventies for a top international award by former U.S. Secretary of State Henry Kissinger, and he is reputed to be the real controller of the Swiss-based Bank for International Settlements chief, Fritz Leutwiler. Olivetti Corporation, in turn, has distinguished itself since World War II (at least) as the hotbed of the most virulent brand of zero-growth ideology, and the major funder

and organizer of every “sociological” project leading to the various brands of terrorists bred on Italian soil.

The subservience of the PCI leadership to this anti-industrial-capitalist brand of finance was complete. Berlinguer spoke in his opening speech to the 16th Congress of the need to call a new Bretton Woods conference, thus allying himself with Henry Kissinger, the Ditchley Group, and Giovanni Agnelli, the auto magnate and *bête noire* of the Italian labor movement, which the PCI nominally leads!

Berlinguer is a man of the left. Therefore, he specified that *his* Bretton Woods should also include the socialist countries and the developing sector. Yes to the dictatorship of the IMF—but a dictatorship with a “human” face.

‘Stalinists’ end democratic centralism

The 16th Congress also signaled the end of so-called democratic centralism, that is, of party discipline, and the prohibition on creating international organized factions, or currents, as they are called: Thanks to the destructive work carried out by the leader of the internal left, Pietro Ingrao, a leader who had always been kept on the sidelines because of his fascist past, the principle of so-called “direct democracy” was introduced for the first time into the PCI.

The party apparatus had tried to stop Ingrao in the pre-congress phase when 14,000 locals of the PCI with a total of about 400,000 activists had debated the issues to be voted on. Ingrao colluded astutely with the leader of the pro-Soviet minority, the man the press likes to call a “Stalinist,” Armando Cossutta. Cossutta, with his pro-Soviet line had, in the course of the last two years, de facto sanctioned the right of a pro-Soviet current to exist inside the party.

Once the precedent had been created, Ingrao jumped in and imposed the right to exist for all the factions, calling it “Democracy of the Base,” in substance, anarcosyndicalism. Ingrao was the leader who got the most applause of the congress. He said that the PCI is at a turning point, and it must become an open party—“open” to youth, to minorities, to homosexuals, to prostitutes, to drug users, etc.

The preparatory regional PCI conferences that fed into the national congress were orchestrated to bring about the clear-cut triumph of the “post-communists,” the term that Alfredo Reichlin, Ingrao’s man and likely the new number two in the party, introduced to refer to his own faction and, by extension, the PCI as a whole. The weekly *L’Espresso*,

owned by the noble Caracciolo family and closely tied to environmentalist and terrorist circles as well as to the Socialist Party, gave in its pre-congress issue a list of how each of the regional PCI conferences had voted on the three key items (splitting with the Soviets, internal party democracy, and the issue of NATO, i.e., the disarmament question).

Most interesting of these was the “internal democracy” vote, based on the document submitted by Ingrao. In those cities in which internal democracy was brought in for a vote at all, (i.e. in about two thirds of the PCI locals), the obviously orchestrated votes averaged between 70 to 80 percent in favor of Ingrao’s resolution. The overwhelming favorable vote was particularly visible in the Red Belt, the Tuscany and Emilia regions of north-central Italy, where the PCI has long dominated local governments, and where the vote in favor was typically in the 90 to 99 percent range!

Party secretary Berlinguer merely fell into the trap that had been set for him. For example, in his opening remarks Berlinguer had attacked the Italian Socialist Party (PSI) as a corrupt, overbearing, fascist-learning party. When subsequently the head of the Socialist Party Bettino Craxi, called “Benito” because of his resemblance to Mussolini, took the podium of the PCI congress to extend greetings and made a very seductive speech inviting the PCI to join an alliance of the two parties of the Italian left, Berlinguer could find nothing better to do than hasten to correct his aim and admit that a PCI-PSI alliance would be an excellent thing.

Therefore the results of this congress are:

- yes to the left alternative together with the Socialist Party and the ecologist Radical Party—which, by the way, has taken the lead in proposing “green” electoral lists on the model of West Germany’s Green party (see p. 38):
- yes to the abolition of party discipline;
- yes to the formula for the economic program of, the technocratic government;
- no to the Soviet model.

The charade of ‘distance from Moscow’

Cossutta’s role in paving the way for the advent of the classic “anti-Soviet” Ingrao should throw a shadow of suspicion on the strategic meaning of the PCI’s “rejection of the Soviet model.” In reality, the Italian party’s distance from the Soviet model went back to the postwar leadership of Palmiro Togliatti, and the PCI had never been tied hand and foot to the Soviets, as some naive fools believe. On the contrary, since Andropov rose to power late in 1982, the ties between Moscow and the PCI have been reinforced. The head of the Foreign Office of the PCI, Giancarlo Pajetta, said in a recent article in the weekly *Oggi* that, since Andropov rose to power, relations between the two communist parties have improved notably and the Soviet press no longer attacks the PCI.

What does Andropov want from the PCI? First, that it fight against the stationing of the Pershing missiles (the “Euro-missiles”) on European soil and for the “green” environ-

mentalist peace movement, which has already infected Germany and gets money from Moscow; secondly, support for the disarmament and deindustrialization plans which are weakening Italy and therefore the West as a whole.

Berlinguer said yes to both of these demands and even praised the nuclear “freeze” movement of former World Bank head Robert McNamara, the man whom the PCI press excoriated for years—when he was Lyndon Johnson’s defense secretary—as the “Butcher of Vietnam.”

The ‘historical compromise’ or a coup?

Once upon a time, the classical position of the PCI was what in the early 1970s was dubbed the historical compromise, that is the alliance of Catholics and Communists—keeping in mind that the PCI wins 30 percent of the popular vote and the Christian Democracy gets nearly 40 percent. The rest of the Italian parties really do not amount to much.

An alliance of that kind was not impossible. It was tried with a certain success—before Winston Churchill’s Cold War was adopted by Harry Truman—by Christian Democratic Prime Minister Alcide DeGaspari and PCI leader Togliatti; it was fully successful during the 1950s, when the PCI’s head Luigi Longo supported the oil and economic policies of the president of Italy’s national hydrocarbons agency, ENI, the legendary Enrico Mattei, a Christian Democrat who was then assassinated; and it was tried again in 1978 by Aldo Moro, the Christian Democratic Party president, Prime Minister Giulio Andreotti, and Enrico Berlinguer. That attempt was brought to a brutal end by the kidnap and murder of Moro.

Three times, therefore, the policy of the historical compromise, the only policy that could give a stable government to Italy, was violently interrupted.

Today, the nationalist faction of the PCI which had been represented by Enrico Berlinguer has completely collapsed, and the PCI is just another gang, which is competing with the PSI and Christian Democracy for power. The economic plans are the same for all of the parties; they are those of Olivetti’s Carlo De Benedetti, and in the presence of this bankruptcy of the parties the gloomy shadow of an emergency government—a de facto coup which will impose mass layoffs, austerity, and IMF conditions, is looming over Italy.

No internal political factor has the force to block such a process, which is so far advanced now that it is no exaggeration to speak of a coup d’etat and the return of the monarchy in Italy. There are oligarchical circles in Italy and in America who imagine that the return of the monarchy in Italy, Greece, and Portugal may stabilize NATO’s southern flank.

Meanwhile, King Humbert of Savoy is about to return to Italy, playing on his serious illness and Italians’ sentimentalism. It is more than symbolic of the long way the Communists have come from their Resistance past that the PCI itself has consented to King Humbert’s return; the poor old man, they say, has the right to die in peace, forgetting that thanks to the Savoy, Italy underwent 22 years of Fascist dictatorship.

The Italian republic is moving toward a 'technocratic' coup d'état

The following analysis is excerpted from an Open Letter to the 16th Italian Communist Party Congress by Fiorella Operto, secretary-general of the European Labor Party of Italy. In the concluding section of the Open Letter, not reprinted here, Operto urged Italians to "play the American card" by linking up to the U.S. National Democratic Policy Committee led by Lyndon LaRouche.

The XVIth congress of the Italian Communist Party begins on the same day that 127 governments of the Non-Aligned countries are meeting in New Delhi, India, to decide what action to take in response to the collapse of the postwar monetary system and the global depression. The debts of the developing sector are unpayable; the only solution is a moratorium on the debt and a new world monetary system to lead to the rapid industrialization of the South. . . .

Italy, with its \$55 billion external and \$400 billion internal debt, could easily join the cartel of debtor nations!

The Italian economy is collapsing. It is not possible to speak of an upswing. No internal Italian solution exists. What is the Italian Communist Party (PCI) promising to do in these circumstances? For now, the PCI proposes only an incomes policy and the demand of a role for itself in a "government of technocrats." In such a government, the "technocrat" whom the PCI would propose—as witnessed by PCI pronouncements to date—would be that of the speculator and asset-stripper Carlo De Benedetti.

Amintore Fanfani: fascist corporatist

In an interview granted some months back to the PCI's newspaper *Unità*, the Geneva-Venice financier from the Olivetti corporation, De Benedetti, having first pronounced the Italian economy to be bankrupt, spoke of the need to proceed as rapidly as possible to the naming of a new Duce or Commissar, as he termed it. In De Benedetti's description, this commissar's role would place him above the political parties, trade unions, and other existing institutions. He would thus face no impediments to making the necessary cuts of public spending, of the labor force, and of overall productive capacity.

The social pact recently negotiated by the professor of corporativism and the fascist mystique—Prime Minister Amintore Fanfani—is nothing but the first stage of a similar fascist program. That pact saw the trade-union leadership agree in fact and in principle to cutting the cost of living escalator as part of an agreement to co-manage austerity policy. Those parties and trade unions who willingly contribute to the reduction of wages, social services, and industry, will inevitably lose membership and social support in a formula directly proportional to the cuts forced upon the economy.

It is not difficult to predict that very soon the Italian Communist Party and the trade unions will be weak and internally divided to the point where they will be unable to counterpose effective resistance to internal subversion and the most drastic forms of fascism.

The 1.2 million official unemployed, if added to those currently laid off, those seeking their first employment, and those who have given up any hope of finding employment, bring the real unemployment figure to about 5 million. That is approximately one-fourth of the work force. Let us not forget that when Hitler took power in Germany, there were 6 million unemployed in that country.

The point of no return, the point, that is, at which the PCI and trade unions will no longer be able to mobilize sufficient forces against fascism, may already have been reached.

The same argument can be made with respect to the country's Catholic forces and the [currently ruling] Christian Democratic Party. The public spending cuts so often demanded by De Benedetti and the Bank of Italy are directed towards destroying completely the financial and power base of those Catholic strata which, through the efforts of its great men of the past, had created the entire system of state-owned heavy industry that had secured for Italy a solid industrial sector in the postwar years.

The IMF's plan is to return the Italian economy to the agricultural-pastoral standards of the Mussolini period and to reduce the population by fully one-third, as the minister of finance, Francesco Forte, has proposed.

On the other hand, the Bank of Italy's investment policy and the concomitant placement of the mafioso Lelio Darida

in the position of Justice Minister indicate clearly which are the sectors which the Fanfani government is prepared to support. That is, those speculative and illegal activities such as the recycling of drug monies, gambling, housing speculation are now judged the only profitable activities. . . .

As Fanfani announced in the recent national council meeting of his Christian Democracy (DC), cutting the cost of living escalator and increasing taxes are only the beginning of what the government has in store. Besides a possible devaluation of the lira and a new increase of interest rates, Fanfani projected the suspension of numerous social services.

Which social services will be those to first feel these cuts? Unemployment benefits? Health services? Schools? Over the coming months a Third World scenario is being readied for Italy that will include levels of unemployment that could reach up to 50 percent. What will the PCI do then, and the trade unions?

Fanfani warned that "Either we accept these cuts or we will be faced with a repetition of Weimar conditions." Fanfani, as an expert on corporativism, knows that soon there will no longer be—or perhaps there no longer exist now—any credible opponents to fascism. This is even better understood by Fanfani's controllers, those who pull his strings. In the 17th-century salons of the Palazzo Chigi can be found—plotting—the scions of the noble house of Colonna and Merzagora and, above all, the "black soul" of Fanfani, his wife Maria Pia Vecchi Fanfani. Dividing her time between this Venetian-controlled carnival and the secret rites of those military orders of which she so longs to be a part, the ambition-ridden Maria Pia conspires to corrupt and eradicate the nation's republican institutions.

After Fanfani, the coup d'état

The Fanfani government may well be the last of a republican Italy. But, there will be no black shirts or retired generals carrying out the coup. The coup, rather, will have the smooth faces of the technocrats whom Visentini and De Benedetti wish to install in a future emergency government.

The reality is this: after the November 1980 earthquake and subsequently, an institutional framework was created to deal with emergency interventions into crisis situations. This institutional framework intersects various ministries, including the foreign, internal, treasury, defense, scientific research, transportation, postal, and telecommunications ministries, together with the national research council, and the national energy commission. This institutional structure is named CIC (Committee for Interministerial Coordination), to which is also attached the Ministry for Civil Protection, a ministry created by elevating the status of what formerly was a simple executive committee.

This "emergency structural framework" was invested with means of action and is absolutely independent of Parliament, the parties, and of the ministerial bureaucracy. It is empowered to intervene, manage, and exercise control over every

crisis situation, spanning economic crises, natural calamities, social chaos, energy crises, and so forth. . . .

The CIC is today perhaps the only structure which, in cases of institutional collapse, would have the capacity to intervene quickly and without hindrance from state bureaucracies. It would be able to control various credit structures, food distribution, the transportation and communication grids, as well as energy distribution. It would be able to do this inside and outside Italy's national borders.

Inside the military, the CIC has already invested an initial 600 billion lire to secure for itself a paramilitary capability. These investments have involved purchases of transportation, including planes and helicopters, as well as other requirements for rapid mobility and deployment in periods of emergency. . . .

How might an actual coup d'état come about? Let us imagine the eruption of a few crisis situations as the economic depression worsens. Imagine a prolonged strike in the transport or other crucial sector capable of paralyzing the national economy, or imagine the possible danger of a new eruption of Mount Vesuvius that could be seized as a pretext to unleash the "emergency mechanism." At that point, the functioning of Parliament, the government and the parties is automatically superseded, democratic liberties reduced, and other measures taken in the name of enabling an efficient intervention into the crisis spot. The CIC might decide to isolate the zone or sector undergoing the crisis, placing communication under control while the mass media issues continuous bulletins. A staff of technicians substitutes itself for the structure of government, and the crisis situation is prolonged until the technicians become the actual government of the country.

The CIC in turn is part of a supranational structure from which it takes its actual orders. This is the structure associated with certain factions and aspects of the European Community and the International Monetary Fund. It is the EC which is now deciding, for all Europe, which steel plants must be shut down and which allowed to survive, and similar questions. It will be NATO that gives the orders to the CIC in case of a CIC intervention into a crisis situation outside Italian borders. The CIC is in a computer link with the U.S. National Security Agency and with other similar agencies such as the American FEMA and NATO.

When the Italian Communist Party, therefore, invokes the necessity for a government of technocrats (as Berlinguer did again in his keynote speech at the PCI party congress in Milan), let it be aware that it is actually calling for the creation of a coup capability which is ready to realize the new fascism with the aid of technetronic computer technology.

Humbert is already dead

Giorgio Almirante (head of the neo-fascist MSI party) stated on Feb. 17 to the press: "Fascism is no longer a priori precluded." Humbert of Savoy, the so-called king of Italy, will shortly be in Italy despite the strictures against this writ-

ten into the Italian constitution. A Communist Party member from Teramo sent King Humbert a postcard saying, "I am a Communist, but I wish for you to return to Italy" [*Il Giorno*, Feb. 27, 1983].

Apologia for fascism and the restoration of the monarchy are leading Italy towards the final crisis, towards the prospective coup d'état, and yet everything is being accepted by the population and by all the parties, the PCI included. King Humbert's spokesman, Falcone Lucifero, stated, "The king appreciated the abstention of the PCI during the vote taken in parliament on abrogating the relevant passage of the constitution to allow the king's return to Italian soil."

'The point of no return for Italy may have already been reached. When the Communist Party invokes the necessity for the government of technocrats, betraying its earlier role as the vanguard of the anti-fascist Resistance and the spokesman for labor and independent business, the party should be aware that it is actually calling for the creation of a neo-fascist coup capability. The Roman Catholic sponsors of state-owned heavy industry have now abdicated in the same way.'

The Italian parties, including the "independent left," were furthermore unashamed of their attendance at a conference sponsored by the neo-fascist MSI in Amalfi recently, dealing with "the reform of the constitution." Since then, the Communist mayor of Predappio was unable to hold back from celebrating the centennial of Mussolini's birth.

. . . Yet it has not been the Italian people who have opted for abrogating the constitution and allowing the king to return. What is occurring rather is a monumental psychological warfare, a mass brainwashing, which has been prepared for years by a press and media that are themselves generally dominated by Freemasonry. The mass media is nothing other than the instrument of the so-called "black nobility," with the Duke of Kent, Queen Elizabeth's cousin, presiding as the world-wide head of Scottish Rite Freemasonry.

Operation "Sympathizing with Fascism" was launched with a series of books written by Renzo de Felice that sought

to demonstrate that Fascism had been something good until it got unfortunately mixed in with the very evil Hitler, who spoiled it. Many Freemasonic writers, including Michael Ledeen of the Haig State Department and British historian Denis Mack Smith have continued to produce apologies for Il Duce in book form to the point that the joint Socialist-Communist Milan city government actually prepared an exhibition on the 1930s.

For three long months, millions of visitors absorbed the message of the exhibition. That is, that in the 1930s things were going well, and fascism was a fact of Italian history, and a good one. In addition, some industrialists and fashion designers linked to the Socialist Party have organized a lobby in favor of "Made in Italy" labels as a relaunching of autarky. All this has been accepted with a smile by the average Italian, who thinks he is witnessing merely a cultural revival. Matters have thus escalated to the point that the year 1983 has been proclaimed "The Year of Il Duce."

But who decided this? Parliament? President Pertini? No. The decision to make this the Year of Il Duce was taken by the Freemasonic mass media.

And the Italian population has been taken in by it all. They have even believed that King Humbert is still alive. Humbert, however, died in London, and at this moment his body is already in a state of decay.

His entourage wants to make it seem that he is alive, just as occurred in Spain with Generalísimo Franco, in order to force Parliament to allow his return. What will happen has already been recounted by the famous American writer Edgar Allan Poe in his story, "The Strange Case of M. Valdemar." This latter was mesmerized shortly before dying, placed in a form of profound hypnosis. When he awakened, he shouted at his doctor, "Let me sleep; I'm dead."—and as he issued his terrible shouts he dissolved into a putrid liquid.

The hypnotized King Humbert will be transported to Naples, with the Italians unwilling to take from him the right to die in Italy. . . . At that point it will be possible to say that the king has truly died, and mass funerals will be held. A half million old monarchists and the curious will file past the coffin, mixing with all the crowned heads and the nobility of Europe in what will become an exultation of monarchism.

A fantasy? No. This has been programed in detail by the "black" nobility at a meeting that took place in London in the course of the festivities for the wedding of Prince Charles and Lady Diana.

The head of the old Fascist Party, Alessandro Pavolini, had developed in the last days of the Republic of Salò (Mussolini's last government) a project code-named "Eggs of the Dragon." The operation referred to a group of trusted men who were to revive and restore the fascist idea even after the collapse of the fascist regime. The "dragon's eggs," who were to emerge only at a much later date, include among others: Pietro Ingrao (the top Communist Party leader whose line emerged triumphant in the course of the just-concluded party congress), Prime Minister Amintore Fanfani, Giorgio

Almirante (head of the neo-fascist MSI party), Licio Gelli (head of the now-condemned secret Masonic lodge Propaganda-2) and others.

End of the parties and advent of the cults

How can it be that Italy is faced with a coup d'état and a simultaneous monarchical restoration without the democratic parties in the country becoming aware of the fact?

The truth is that in the past 12 to 18 months there has occurred a shift in the ideology of Italians that has involved the profound transformation of formerly held values and of postwar institutions. As Italians emerged from the Second World War, they adhered to certain ideologies which became gradually consolidated. There was the communist ideology expressed by the PCI; the ideology of Catholic social doctrine on the basis of which the Christian Democracy was founded; finally there was anarchosyndicalism.

The communist ideology revolved around hatred and condemnation of the two Fascist decades, the Hitler dictatorship, and the right wing generally. A rally of the MSI—the regurgitation of the Fascist Party—any threat to the constitution, or even merely an incursion of fascists into Milan, Turin, or Genoa was sufficient to spark a mobilization of those networks of Communist workers who had held on to their rifles—and kept them well oiled—from the partisan days throughout the years.

The danger of a “fascist coup” brought together the Communists and those militants who, although they might not follow the line of the party day to day, felt themselves to be part of an institution which at the appropriate moment would swoop down into the piazzas against any threat of insurgent fascism.

The victories of the labor struggles were viewed by the militants on the one hand as being the acquisition on their part of a portion of the profits of management, and on the other hand as the premise for a policy of reforms, civil progress and the democratic transformation of society. Today, this ideology is dying and is no longer attracting new adherents. The 16th party congress of the Communists is preparing to celebrate the funeral of this former world-view.

Within the Christian Democracy a similar process has occurred.

For the Christian Democratic activist, the well-being of the family and the expansion of services and of industry were congruent with that Catholicism which, refuting liberalism and class warfare, wished nonetheless to see progress and development. The state was understood therefore as being of necessity Christian Democratic, since the DC would ensure the well-being of the family, albeit on the basis of certain parochial and nepotist practices. Always, though, liberty was judged paramount.

Under the present general secretary, Ciriaco De Mita, the DC has adopted a more liberalized structure which has repudiated the party's own fundamental social doctrine, its essence and traditions. As for the anarchosyndicalists, where

are they today who merely two years ago would not speak of a “Fanfani government” but rather of “Fanfascism”?

There have been cruder examples of this death of the previous ideologies. There was the world congress of prostitutes held in the city of Pordenone, under the combined sponsorship of the Socialist, Communist, and Radical parties. There is the predominance of homosexuality among political leaders, actors and industrial managers. There is the widespread diffusion of the drug culture, something which the left once judged to be a strictly right-wing phenomenon. There is finally, the issue of morality, which today no one dares to raise.

Each of these examples—and there are many others—points to a radical modification of the Italian's criteria of judgment, of our views as to what is right and what is wrong. Today, Mussolini and Fascism are considered not altogether bad; they represent the reappropriation of the Italian population's history and past, which for the 70-year-olds is nostalgia and for the youth is the latest fashion.

In this monstrous process of corruption of Italians, the masks of the ideologies collapse to give way to the profile, unchanged, which Madame de Staël made of the Italians: the Italian as a jolly devil who can neither truly love nor truly hate, despite his apparent emotional exuberance, and who is for this reason amusing. This Italian is atavistically passive and fatalistic, loves to remember the past, focusing on genealogies, and can always be trusted to survive one way or another. But he cannot truly organize himself, is completely unadapted to scientific activity, and instead very predisposed to music and poetry. He makes do with very little, requiring only the sun, a plate of spaghetti, and a mandolin.

By accepting that profile of romantic impotence, the otherwise disillusioned Italian will find himself facing two possible roads to survival: either becoming a depressed and completely passive Mastroianni, or an aggressive careerist, a modern manager dedicated to never giving a sucker an even break. In the case of the PCI, the Italian will find himself facing a working class *kapo* committed to defending austerity, public spending cuts, industrial “restructuring,” and worker mobility until the recreation of Mussolini's “Labor Agency” to manage the concentration camps.

This behavioral change will be led by support of the new cult, the pseudo-Christian doctrine of *gnosis*. What is actual knowledge, that which makes it worthwhile to act? For the large masses, the new cults will be practiced by following the catchwords of the post-industrial society, ecologism, “peace” and disarmament, rights of minorities and the cosmic fraternity. The new prophets will respect the image of poverty, of the simple common sense of the people against the “abstruseness” and arrogance of science. These new prophets, as we are witnessing already, will be the Franciscan monks—who are in the forefront of organizing to bring about this post-industrial society, the adherents of Eastern Orthodoxy, the “repentant scientists,” ex-generals, ex-fascists who switched to the left, and vice versa.

The strange case of the Men of the Trees and the battle to stop ABM defenses

by C. L. Magister in Wiesbaden

Investigators for the *Executive Intelligence Review* in Europe have determined that the leading quack-science advisers to the British royal family have mounted an international campaign to stop the early development by the United States of space-based anti-ballistic missile systems that would protect the West from incoming Soviet nuclear warheads.

These royal family sycophants who detest the social and political effects of broad technological advances, are, not surprisingly, coordinators of the international "environmentalist" movement, through such cultist organizations as the World Wildlife Fund, the Fauna Preservation Society, the London Zoological Society, and the odd "Men of the Trees" organization.

The missing link?

On March 20-23, the Queen's favorite bestialist, Lord Solly Zuckerman, head of the London Zoological Society, will visit the United States for a conference on "The Nuclear Menace," funded by Rockefeller family money. Lord Solly has told friends that "I am writing a great deal about" the potentiality of development of energy-beams; he is disturbed by the potential of this weapons system "to endanger our continuation as a species." The zoological lord stated that he is working to stop energy-beam development with State Department Deputy Secretary Spurgeon Keeney and with Massachusetts Institute of Technology Professor Kostas Tsipis, an outspoken opponent of energy-beams.

"Tsipis is very good on this subject," Lord Solly exclaimed. "I don't know anybody sound who has refuted his arguments against e-beams." Lord Solly also mentioned certain senior contacts of his at Harvard working toward the same effect.

Lord Solly is unquestionably the "dean" of royal family scientific and science-related espionage operations for the past 40 years, beginning with his stint as scientific adviser on planning to the Supreme Allied Command in the 1940s, and continuing through the next decades as a leader in several top-level policy-planning committees, including the Committee on Future Science Policy, the NATO Science Committee, the Defense Research Policy Committee, and the Central Advisory Committee for Science and Technology. From the 1960s to the present, his activities included stints

as a special adviser to Prime Minister Harold Wilson and to Lord Mountbatten.

In these capacities, Zuckerman was instrumental in establishing the Club of Rome International, the command center for anti-science kookery and global population reduction. He also arranged for the British Royal Society funding that launched the International Institute for Applied Systems Analysis (IIASA) in Vienna, which has recently been exposed by intelligence sources as a British conduit for passing confidential information from the United States to the Soviets.

In 1983, Zuckerman caught headlines internationally for holding a press conference in London with the former head of the British Imperial Defense Staff, Lord Carver, a fanatical opponent of energy-beam development, who is chief military adviser to the Club of Rome/Aspen Institute European Security Study (ECSES) project founded by the recently deceased Club of Rome theoretician Carroll Wilson of MIT. The press conferences, held to warn against "first use" of nuclear weapons and to accelerate the greenie movement in West Germany and elsewhere, were coordinated with simultaneous conferences in the United States by such "peace" advocates as McGeorge Bundy and Robert McNamara.

Lord Solly's zeal against high-technology weapons development to prevent war is linked, observers believe, to his beyond-normal affinity for non-human species.

Speculation in certain informed quarters has centered on the possibility that Lord Solly himself might even be a clue toward discovering the "missing link" between ape and man. His own autobiography is entitled, *From Apes to Warlords*. His first two books, written in 1932-33, were entitled, *The Social Life of Monkeys and Apes* and *Functional Affinities of Man, Monkeys, and Apes*. In 1980, he authored *Great Zoos of the World*, which is reported to be an Aesopian accounting of the history of the British Parliament. He heads the "Fauna Preservation Society," which he describes as the "operational" arm of the World Wildlife Fund in "fighting for the defense of endangered species."

Lord Solly is meeting in London during the week of March 7 with the pompous Earl of Bessborough, top-flight member of the House of Lords Select Committees on European Communities and Science and Technology and for years a leading figure in the kook-cult side of NATO science policy

in Brussels. Bessborough's family on the maternal side is the French-Swiss Protestant de Neuflyze family, which has been at the center of efforts to subvert the United States since the Declaration of Independence in 1776, and today runs Schlumberger-de Neuflyze-Mallet banking interests.

The Earl plans a trip to the United States this month to spy on American capabilities in "remote sensing by satellites," and to investigate U.S. military potentialities to develop energy-beams. He boasts about top-flight contacts at CalTech and MIT through which he penetrates U.S. scientific circles.

For years the Earl has headed an organization which goes by the name "Men of the Trees." The organization is so strange that even Lord Solly Zuckerman almost choked on hearing of the Earl's role in coordinating this international cult. Zuckerman plans to discuss this subject with the Earl during their private meeting in London the week of March 6.

The Men of the Trees, which will hold an international conference in Northampton, United Kingdom, on May 2, was founded in 1922 by Sir Richard St. Barbe Baker, reportedly as an outgrowth of the British Rural Reconstruction Organization, a group of "mother earth" worshippers who advocated back-to-the-land policies and during the 1930s expressed openly pro-Nazi views.

St. Barbe Baker was a devout member of the Bahá'í sect, established in the 1844-63 period by the Freemasonic-linked "Baha'ullah," a fanatic who declared himself to be the new "Christ and Messiah," and the harbinger of the "spirit of the new age." Bahá'í leaders in London today warn that the Baha'ullah was "poetic but fierce, he forecast the unprecedented ferment coming on the heels of mankind." They claim that "we are now entering the period of chaos and confusion, we're starting in it right now, it is the age of transition to the age of spirituality. This may mean wars."

Bahá'í leaders, who claim to provide much of the membership of Bessborough's "Men of the Trees" organization, say they also have a "great deal of impact" on the environmentalist movement. Bahá'í agents were instrumental in establishing the Manchester University "Religious Experience Research Center" in 1969. They propagate the pseudo-scientific ideas of Belgian kook Ilya Prigogine, a member of the Club of Rome.

Baker, the mentor of Bessborough's cult operation, was key in setting up the U.S. Civilian Conservation Corps during the New Deal, under the rubric of "re-forestation as a solution to unemployment." After World War II, Baker helped establish the international green/fascist movement, with a "Charter for the New Earth" written in 1950. He also established the EcoWorld and the Children of the Green Earth.

De Neuflyze/Bessborough himself frets about the state of "forests in the developing world," and works with Prince Philip's World Wildlife Fund to stop projects in the Amazon which have been initiated by "rapacious Brazilians." He has deployed one of his relatives, Charley Munn, as a spy to Brazil to monitor Amazon development projects.

Two of the Earl's published books include *A Place in the Forest* (1958) and a *Return to the Forest* (1968).

'E-beams are crazy nonsense'

The pulse-center for British-Swiss-Venetian dirty operations against energy-beam development is the Trieste, Italy Center for Theoretical Physics, headed by Pakistani scientist Abdus Salam, a member of the Club of Rome. Salam received a Nobel Prize in physics for work done at the London Royal College of Physics, where he trained the father of the Israeli hydrogen bomb, Yuval Neeman, now minister of science and technology in Israel.

Salam, a Muslim Brotherhood cultist, began his holy war against beam weapons at a luncheon sponsored by the Royal Academy of Morocco in November 1982. During that luncheon, he suddenly turned to British defense specialist Lord Chalfont and blurted out, "What do you think about this nonsense about charged particles and e-beams?" Chalfont, a total incompetent on scientific and defense matters who is an associate of Henry Kissinger, regards the Salam line as definitive. From his offices at Lazards Frères in London, Chalfont told a caller "Salam regards the e-beam idea as crazy, and is convinced that nobody can possibly be near the state of the art on this technology. He thinks that reports of Soviet developments toward a viable laser or charged-particle defense technology are nonsense." Salam also met Kissinger privately at that Academy affair.

Chalfont himself is propounding that energy-beams can be made "irrelevant" by mass development of cruise missiles, which are "not susceptible" to particle beams. Nobody has apparently informed the idiot that cruises are susceptible to being shot down by current state-of-the-art defense systems accessible to deployment by the Warsaw Pact.

Salam's Trieste Center runs systematic brainwashing operations against nuclear scientists. It was founded in 1964 with seed money from the Trieste-Venice Torre e Tasso family, the Italian branch of the Regensburg, West Germany Thurn and Taxis dynasty. Prince Raimondo Torre e Tasso, with the cultist Prince Saruddin Aga Khan of Geneva, is planning a secret conference in June to profile energy-beam weapon developments. Lord Solly Zuckerman is a featured speaker. Another is Club of Rome co-founder Alexander King, the science adviser at the British embassy in Washington in the immediate post-World War II period. King indicated to a Club of Rome source the week of March 6 that he fully shares Salam's views on the energy-beam, and is advocating as a substitute using "refined micro-electronic technologies" for defense purposes—an idea even more preposterous than the fantasies of Chalfont.

King is trying to take command over the future deployment of the "arms control movement" internationally. He and Club of Rome co-founder and president Aurelio Peccei are planning a secretive international conference in May in Kuwait to discuss "The future of the peace movements."

Storm clouds over Bangladesh

Lack of economic development resources is at the root of the current political upheavals, reports Ramatanu Maitra.

Student demonstrations erupted on all major university campuses in Bangladesh during January and February, creating a serious challenge to the 11-month-old government of Chief Martial Law Administrator (CMLA) Lt. Gen. Hussain Mohammad Ershad. The government's fierce response resulted in at least five dead and hundreds wounded. The issue was the Ershad government's effort to carry out a policy of "Islamicization."

General Ershad's pro-Islam push is motivated at least in part by the aim of tapping funds from the oil-rich Arab nations to shore up Bangladesh's collapsed economy, since this nation of 95 million has been subjected to the most destructive regimen of IMF conditionalities. But Ershad may lose his government along with the hoped-for Arab funds. As the student response shows, any effort to impose an alien religious-cultural identity on the secular, Bengali-speaking people of Bangladesh, whose culture is rooted in the subcontinent, is not just foolish and backward, but is a project that is doomed to fail. In the process, the chance to make the kinds of urgent economic reforms necessary in Bangladesh will be lost.

With the conditions prevailing in the northeastern region of the subcontinent, it is particularly crucial that Bangladesh establish a stable economy. The recent upheavals which resulted in insane massacres in Assam have their root in the immense poverty that reigns in the region. As chairman of the Group of 77 developing nations, moreover, Bangladesh should be expected to set an example of leadership in this regard.

The language issue

The recent trouble in Bangladesh started in early January, when, at the recommendation of Education Minister Majid Khan, General Ershad proposed the introduction of Arabic, along with Bengali and English, as a compulsory subject for primary education. Majid Khan, who had a long career as a diplomat in the Middle East, is noted for his Arab connections.

The move provoked an immediate hostile reaction not only among the students but also among opposition leaders, who criticized Ershad for his efforts to impose an "alien culture" on Bangladesh. Sporadic incidents in universities in Dhaka, Rajshahi, and Chittagong led to organized clashes between the local police and student federations. In Dhaka

University, in particular, the hostilities took an ugly turn when Islamic Chhatra Shibir, the pro-Islam student group which supports the government in its move for Islamization and the concurrent program of introducing Arabic into the education system, became a natural target for the 14-party Chhatra Sangram Parishad. The latter denounced the CMLA's decision to give Arabic the central position in education and called for immediate restoration of democracy.

Ershad's burst of religious enthusiasm also created tension between the ruling military and the democratic opposition. Maj. Gen. Abdur Rahman, a zonal martial law administrator and a close associate of Ershad, threatened the opposition with a military backlash if they support the "rowdy student elements." Gen. Ershad himself told newsmen on Feb. 7 that martial law regulations will be tightened in the future to prevent growing disturbances. This statement provoked former President Abdus Sattar, who in a statement on the same day alleged that the "military government has failed in its mission" to unify the country and lead the country out of the economic depression it promised.

Within a week political leaders were rounded up and a dusk to dawn curfew was imposed in Dhaka. Amongst the leaders arrested was Sheikh Hasina Wazed, daughter of late Sheikh Mujibur Rahman, the founder of Bangladesh. According to reports, Sheikh Hasina Wazed was driven off to an undisclosed destination in a military van. Several hundred students were taken to a summary martial law court and put to jail.

Despite the fact that six universities were shut down and leading opposition leaders were arrested, violent clashes continued to occur in Dhaka, Noakhali, and Chittagong.

A deeper meaning

To observers of Bangladesh's internal politics, the reaction of the student community has a deeper meaning. In 1952, when Bangladesh was a part of Pakistan (and was known as East Pakistan), the ruling Muslim league government of Prime Minister Khwaja Nazimuddin had declared that Urdu should be the only state language. Mass student rallies against the proposal were held all over East Pakistan, and on Feb. 21, 1952, 26 students were killed in a clash with police. This massacre aggravated the situation, and the demand for recognizing Bengali as East Pakistan's language was pressed more

strenuously. Mighty demonstrations featuring black banners moved through the towns of the province.

Finally, in 1954, after the united front of opposition parties dealt a crushing electoral defeat to the Muslim League, Bengali was declared one of the state languages of Pakistan, particularly since 1971, when Bangladesh became an independent nation after a brutal war of liberation, Feb. 21 is known as *Shaheed Divas* (Martyr's Day) and has become a day to re-pledge commitment for Bangladeshis.

Despite the clear message from the students, General Ershad resolved to plunge ahead. He made known his displeasure at the "non-Islamic way" that the Shaheed Divas is observed. Opposition leaders were quick to point out that the general, who had remained in the Pakistani army until 1971 and immigrated to Bangladesh only after the war of liberation was over, had apparently missed a vital phase in Bangladesh's movement for independence and nationhood which took the form of the population's refusal to accept "alien culture."

Seeking 'Islamic' identity

This is not the first opportunity that General Ershad has had to learn the population's views on this matter in his 11 months of military rule. In order to identify his nation with the "Islamic nations," Ershad sent an ambassador to so-called Democratic Kampuchea—the coalition of rebel groups backed by China and led in fact by the deposed murderer Pol Pot that is challenging the Cambodian government of Heng Samrin. In this, Ershad was only following the nod of the Islamic potentate Gen. Zia ul-Haq of Pakistan. China, which recently promised Ershad \$5 million worth of arms, and Malaysia goaded Ershad on to recognize Democratic Kampuchea. Incredibly, General Ershad seems oblivious of the fact that Pol Pot and his murderous Khmer Rouge, which forms the military arm of Democratic Kampuchea, had slaughtered Khmer Moslems during its regime.

In a March 1981 article in the French monthly *Sudestasie*, M. Hoang gave a vivid account of the atrocities Pol Pot committed against Khmer Moslems and described the wholesale slaughter of Cham villagers. The article stated: "Of the 108 mosques to be found in Cambodia before April 17, 1975, not one remained three years later. The two mosques of Phnom Penh were dynamited. Others were converted into pigsties. Koranic texts and Islamic books were seized and burned."

The Islamization initiatives are taking the Ershad government in the opposite direction from its urgent central task; putting Bangladesh's devastated economy back on its feet. There is no doubt that some of the frustrations the population recently expressed are connected to the economic holocaust that this young nation, in the grip of the World Bank and IMF, is going through.

A question of survival

At a government-sponsored economics seminar in Dhaka

last month, Bangladesh's Finance and Planning Minister A. M. A. Muhith expressed a similar concern. He said: "Without growth we simply cannot survive or maintain the fabric of the society. The demographic investment required in Bangladesh is about 8 percent of GDP, whereas our savings ratio is only 4 to 5 percent of GDP."

What Muhith is concerned about can be seen by taking a hard look at the recent review of the Second Five-Year Plan (1980-85). In December, the Planning Commission unceremoniously slashed the draft plan outlay from \$11.4 billion to \$5.0 billion, a 60 percent reduction in development expenditures. Further, it was announced at the time that 60 percent of the slashed budget would be financed by domestic resources and the rest through foreign resources.

Although the strategy of the plan, which emphasizes overall development of agriculture, irrigation, and energy with a revised projected overall growth of 5 percent, remained the same, its inadequacy is explicit if one examines conditions in Bangladesh.

Negative economic growth

Bangladesh has been held hostage to the International Monetary Fund since 1981, when the Fund froze the SDR credits committed to the government to help ease its balance-of-payments deficit, and ordered the government to slash spending and credit. Under the IMF gun, Bangladesh has successively chopped down subsidies on food and raised prices on irrigation equipment, fertilizer, and petroleum products—essentials in this poor agricultural nation. The government has also successively slashed the annual development plans—last year by \$200 million.

Moreover, the world economic depression is rapidly draining the country's foreign exchange reserves—revenues decrease as a result of the collapsed markets for jute and other primary commodities upon whose export Bangladesh depends; costs rise for imported goods. Bangladesh moved into 1983 with zero economic growth in 1982.

Yet, at an early December meeting of the National Council for Export, General Ershad himself said: "We shall have to depend progressively on our resources and that only can be done through more foreign exchange earnings through exports." This is not simply a fantasy, in light of the present state of export markets; this is the dictate of the IMF. It is a prescription to maintain Bangladesh as a backward, underdeveloped colony, in effect, an exporter of raw and agricultural commodities. It is a prescription for keeping Bangladesh as a looting ground whose population survives on a subsistence living standard.

Particularly disturbing about last year's economic results is the fact that the agricultural sector, the basis for whatever industry and exports Bangladesh has, itself contributes 54 percent toward the national income and employs 74 percent of the labor force. Moreover, Bangladesh is short of food, and intense efforts must be made to mechanize agricultural production, the only way surplus food can be produced.

Bulgarian connection leads to London

It passes through the U.S. State Department and the AFL-CIO as well, Italian investigators have learned.

The French weekly *Le Point* of Feb. 28 writes that Ferdinando Imposimato and Ilario Martella, the Rome magistrates who are investigating the "Bulgarian Connection" to the 1982 assassination attempt against the Pope, received some weeks ago a telephone call from London in which they were threatened with death if they did not cease their work. The fact that the death threats should come from London is no accident: In fact, in the course of the investigation, what is emerging is the coordinating role in terrorism of a Rome think tank, the Istituto per gli Affari Internazionali (IAI), the Italian branch of the International Institute for Strategic Studies (IISS) in London. The direction imprinted by Imposimato on the investigations makes it possible that the entire British intelligence apparatus and its allies within the U.S.S.R., which have been identified repeatedly by *EIR* as the apparent controller of terrorism, drug trafficking, and weapons, will be uncovered.

But how did one get to the Italian IAI? On March 2, Judge Imposimato issued seven arrest warrants against individuals for the attempted assassination of the leader of Solidarnosc, Lech Walesa. Named in the warrants were Ali Agca; Luigi Scricciolo of the Socialists' UIL labor confederation; Salvatore Scordo, also of the Socialist Party-linked UIL; the Bulgarian Serge Ivanov Antonov; and three more Bulgarian diplomats in Rome. The warrant is for the crime of "massacre," because the plan was for Lech Walesa to be killed during his trip to Italy in

January 1981 by a TNT explosion under his automobile. The plan was coordinated by the Bulgarians, and Scricciolo and Scordo allegedly supplied the necessary information on Walesa's movements in the Italian capital.

Judge Imposimato also ordered the search of the house of Bona Pozzoli, today the head of the press office of the Labor Minister Scotti, indicting her for "political-military espionage." Both unionist Scricciolo and Pozzoli had worked at the IAI. Pozzoli was the IAI director for 10 years, from 1971 to 1981, and Scricciolo had worked there as a researcher from 1975 to 1977. The history of Scricciolo is amazing: although he is accused by Italian justice of having maintained the contacts between the Red Brigades and the Bulgarians during the kidnapping of U.S. general James Dozier, Scricciolo has an entirely American past.

In 1975, he received a scholarship from an American foundation, he was sent to work at the IAI in Rome. In 1977, he entered the UIL with a group of former militants from the grouplet Democrazia Proletaria, an extreme left group financed by the Bulgarians. In a very short time, Scricciolo became the head of the foreign section of the UIL. He was assigned delicate responsibilities: Lane Kirkland and the U.S. AFL-CIO entrusted Scricciolo and his wife Paola Elia with maintaining the contact with Poland's Solidarnosc. Together with Salvatore Scordo, the head of the foreign office of the UIL before him, Scricciolo also managed U.S. unions' funding of So-

lidarnosc. The Italian judges found in Scordo's house the bank passbooks for hundreds of millions of lire, and they are probing the origin of these funds. Moreover, Scricciolo's wife let it be known that every week her husband visited the U.S. Embassy in Rome, keeping contacts with high-level persons protected by diplomatic immunity.

IAI documents, together with a detailed file on its employees, were found with Red Brigades Rossi, Morucci, and Faranda (sentenced to life imprisonment for the assassination of Aldo Moro), in their hideout on May 29, 1979. Who gave those documents to the terrorists?

The vice-president of the IAI, Stefano Silvestri (known in Italy for his book *The Southern Flank of NATO*, where he proposes the British strategy of out-of-area deployments in the Mediterranean) was interrogated during the trial of Moro's killers (Hearing #69) because he had told the press that, during Moro's captivity, some documents being kept by the kidnapped Italian statesman in his office had been delivered to the Red Brigades on the latter's request.

During the tragic days of the Moro kidnaping in 1978, Silvestri, together with the U.S. State Department's expert, Pieznick, and others, was part of a special team that worked alongside Interior Minister Cossiga in searching for the Red Brigades' hideout. The IAI recently sent out a communiqué delaring that they have not seen Scricciolo since 1977. But Silvestri himself said recently that Scricciolo's wife, Paola Elia, went to visit him, Silvestri, at the IAI during the Dozier kidnaping, to ask his opinion about the possibility that Dozier might reveal NATO secrets to the Red Brigades. What if the motives for the visit were different from those stated by Silvestri?

Labor's revolt against the IMF

The destruction of this country's economy is jeopardizing the decades-long alliance between the unions and the state

The 98th national convention of this country's largest labor umbrella group, the Mexican Labor Confederation (CTM), ended up Feb. 27 in a revolt against the destruction of the Mexican economy by the International Monetary Fund.

In his keynote, CTM Secretary for Economic Affairs Netzahuacoyotl de la Vega set the tone by defining the IMF deal signed by the government last December as a "contractionist commitment that raises the danger not only of halting the formation of capital and production and collapsing employment levels, but of postponing attention to the marginalization that important sectors of Mexicans are being subjected to because the government's social budget is one of the first sectors to be reduced."

Although the leading social component opposing the Fund's monetarist demands, up to now the confederation had stopped short of directly attacking the IMF deal because of fear of breaking the alliance with the state which has been the foundation for Mexico's political stability in this century. It was for this reason that labor supported the government's drastic austerity measures in early January.

The alarming effects which the IMF program is having on the economy are now jeopardizing this decades-long political agreement, and now labor leaders are targeting the officials most identified with the IMF. "What the CTM resolved yesterday, sir, is not based on theory, but on reality," de la Vega told Secretary of Program-

ming and Budget Carlos Salinas de Gortari in an interchange on the speakers' platform. Salinas is widely known here as a voice for the Wharton School's monetarist theories. De la Vega further warned Salinas the IMF-imposed measures such as high interest rates "can only be maintained for a short time."

Speaking for the government, Salinas had told the convention that the economy should not grow this year because that would upset plans to reduce the public deficit from 17 percent to 8.5 percent of the GNP, as promised to the IMF. Salinas added that such an accomplishment would not only set a precedent for Mexico but also for the whole world. The budget secretary ended up by repeating the motto calling for low-cost, labor-intensive jobs that has won him labor's animosity the most: "More jobs for every peso invested."

Labor's response to Salinas and other government officials' monetarist fanaticism has gone beyond words. Last month the Mexican electricians union (SME), one of the country's most militant unions, refused to add a surcharge on electricity bills imposed by the government. On March 3, the union organized a meeting where leaders of the Congreso del Trabajo labor umbrella group (the main sector of which is the CTM), threw their support to the SME's "tax revolt." Days before, telephone workers union leaders had threatened to follow suit and not implement a recently announced hike on telephone charges.

Workers in turn are responding to growing anti-IMF sentiment among farmers. Because of hikes in electricity and other services, the cost of water to farmers has risen six-fold in some agricultural areas. A U.S. businessman recently reported to *EIR* that a meeting he held last month with a government official in the state of Yucatán was interrupted by an emergency: The district irrigation manager was being held hostage by enraged peasants who were no longer able to afford to irrigate their crops.

Contrary to its timid calls to save the country's economic infrastructure earlier this year, labor is now sharpening its anti-IMF program. The CTM convention ended up with a plan calling for:

1) A scientific program designed to produce a qualified labor force. This resolution directly confronted Salinas's calls for "pick-and-shovel jobs" by stating that "the CTM condemns the notion of quantitative criterion."

2) Strengthening the country's capital-goods industry as the centerpiece of an economic recovery.

3) Condemning high interest rates because they "mean inflationary pressures and discourage productive investment," again an attack on Salinas, who earlier had said that low interest rates "discourage savings and reduce resources available for investment."

Labor leaders are increasingly challenging the IMF's allegations that the country's economic ills come from "too-rapid development," to point to the country's deficient scientific and technological capabilities. CTM Deputy Secretary Blas Chumacero stated to the convention. "Public education policy should be based on the principles upon which the National Polytechnic Institute was formed, so that it produces the scientists and technicians needed by the country."

International Intelligence

Colombian kidnapping aimed at Betancur?

The production manager of the Texas Petroleum Company in Columbia, Kenneth S. Bishop, was kidnapped on March 7 by an unidentified armed group who dragged him from his car in a residential section of Bogota and killed his two bodyguards. Although kidnapping of prominent individuals is not uncommon in Colombia, and is part of a rapidly growing "kidnapping for profit" business, this action is the first in some time involving a foreign business executive. Two years ago the terrorist M-19 group kidnapped and killed an executive from the same company.

There is speculation that this action was intended to fuel efforts by the military faction led by Defense Minister Landazabal to sabotage President Belisario Betancur's amnesty program and reimpose a state of siege on the country; Landazabal's faction has been pointing to "growing insecurity in the country." As past investigations, as well as the recent report by Colombia's attorney general have demonstrated, certain factions of the military directly control kidnapping and terrorist groups of both the "left" and the "right."

Shamir asks U.S. for new military backup

Israeli Foreign Minister Yitzhak Shamir briefed a closed session of the Israeli Knesset Foreign Affairs and Defense Committee May 8 on his upcoming visit to the United States. Shamir is leading what Middle Eastern sources say will be a high-powered delegation to Washington for the purpose of "redefining" the U.S.-Israel strategic relationship. These sources say that the Israelis see the United States moving into a hardline military posture against the U.S.S.R. in the Mideast, and therefore seek a greater regional military role for Israel.

From the leaks of Shamir's testimony, it appears that Israel is looking to Lebanon as

the first area of increased permanent Israeli military presence, with expected American blessings. Shamir will propose to Washington that the Lebanese crisis be resolved by establishing a joint U.S.-Israel-Lebanese army presence in southern Lebanon. In late February, an unnamed high Israeli source revealed that a proposal had already been presented by Lebanese army top brass for joint Israeli-Lebanese patrols of south Lebanon. According to this scheme, Israeli troops would withdraw from Lebanon but be allowed regular patrols across the Lebanese border.

David Kimche, the director-general of the foreign ministry, who has been in charge of U.S.-mediated talks with Lebanon and will accompany Shamir to Washington, has suddenly begun to sound moderate. Kimche now says that Israel only wants a "very limited trade exchange to symbolize the hoped-for new relationship between the countries." In the past, Israel has demanded diplomatic relations and a treaty with Lebanon before it would withdraw its troops. Lebanese sources say that Israel already has established de facto lucrative trade relations with Lebanon, and is satisfied that eventual formal relations will come as a matter of course.

JDL to be banned by Israeli government

Members of the Israeli Knesset are supporting a call to outlaw the Kach Party, that country's arm of Rabbi Meir Kahane's Jewish Defense League (JDL). "By any acceptable test, Kach is a fascist and racist group in ideology, propaganda, and terrorist methods," said Mapam Party Knesset member Ya'ir Tsaban in proposing the ban.

U.S. intelligence sources have reported that in February, Kach leader Meir Kahane called for the assassination of Lyndon LaRouche, and of Pope John Paul II.

Over the past two months, security agencies from several countries, including the Israeli national police department, have been investigating the ongoing criminal activities of the JDL and Kach. The Israeli investigation was triggered on Feb. 10 in

Jerusalem when Kach members detonated a grenade in a Peace Now demonstration protesting the Israeli occupation of Lebanon. The explosion killed one person and injured several others, including the son of Interior Minister Josef Burg.

Since that time, Kahane has called for killing "Neo-Nazis," "Jew-haters," and Arabs throughout the world, and has sent several of his Israeli-based followers in the "Hasulam" or "Kestel movement" into the United States and Europe for this purpose.

Over the first 10 days of March alone, Kach members were involved in three shootings of Arab cars and homes in the volatile West bank of Israeli-occupied Jordan, injuring a two-year-old Arab girl. Four Kach members, including two Americans, have been arrested for one of the shootings.

The Jerusalem Post on the Temple Mount affair

The March 6 *Jerusalem Post* featured a half-page article on the Christian-evangelicalist "Temple Mount" operation that begins by deriding a certain "American sensationalist journal" that "recently claimed that Henry Kissinger and the Mafia were involved in a plot to rebuild the Temple on its ancient site" in Jerusalem. "As doubtful as such information may be, there are Christians who long to see the Temple rebuilt, and they are in contact with Jews in Israel."

After this characterization of *EIR*'s explosive revelations on the Temple Mount Foundation, the *Post*, whose ownership is related by family to AFL-CIO President Lane Kirkland, presents evidence on the subject that closely follows what was printed in *EIR* six weeks earlier—except that the *Post* takes great pains to deny there is any Kissinger involvement.

The piece focuses on Stanley Goldfoot, a foundation representative in Israel, who proclaims the evangelicals to be "the real Zionists in the U.S., not the American Jews," since these Christians "feel that we are coming closer to a critical period in history and they want to help the Jews to fulfill prophecies and thus hasten the second coming of

Briefly

the Messiah." Goldfoot is impressed that the evangelicals affect 20 million people a day in the United States; "they are a great asset and they must be used as such," Goldfoot thinks.

The *Post* reports that Goldfoot is not only working with Terry Reisenhuver, head of the Temple Mount Foundation (who is "said to be involved in the oil business because he is convinced that there is enough petroleum in the U.S. to dispense with Arab oil and thus aid the cause of Israel"), but also with a tax-exempt U.S. organization in Santa Ana, California headed by the Reverend Chuck Smith, and with Reverend Ray Stedman of Palo Alto. The "most remarkable" of the American evangelicals is one Lambert Dolphin, "a senior research physicist of the science and archaeology team of the Stanford Research Institute," who has written manuals for the archaeological operations in that region.

Western press takes aim at Zimbabwe

The British and U.S. press are leading a high-profile campaign against the government of Zimbabwe, in the wake of Zimbabwean efforts to curb destabilizations in Matabeleland provinces. *Newsweek's* South Africa correspondent initiated the latest spate of provocative coverage; the British press is now spreading lurid stories claiming that Zimbabwean troops have brutally massacred civilians in repression of the unrest.

The operation that has been thrown against Zimbabwe over the last several months involves the networks of Rhodesian leader Ian Smith, a coterie of stooges that Smith unsuccessfully used in an attempt to forstall majority rule (Abel Muzorewa and Nabadinga Sithole), and the networks of Joshua Nkomo.

Nkomo, whose influence is based on an ethnic group that makes up 19-20 percent of the population, has now fled Zimbabwe to neighboring Botswana; the event is being seized on to give a lot of publicity to claims of human rights violations and brutality by the Mugabe government.

Nkomo has Soviet connections, and is also linked to figures such as Lonrho Corporation's Tiny Rowlands. The Nazi International, primarily operating through South Africa—which is following a policy of destabilizing neighboring black states—has been behind the operation inside Zimbabwe. Mugabe's alliance with white farmers who remained in Zimbabwe after independence is very important for his survival. Mugabe has now permitted these farmers to arm themselves from savage attacks on black and white civilians in Matabeleland province in self-defense.

South Africa is reportedly training and supplying the remnants of Nkomo's forces, as well as those of Muzorewa. However, by only clamping down militarily, the Zimbabwe government runs the risk of walking into the trap of prolonged ethnic or tribal conflict.

Mass sterilization proposed for Africa

The founder of the eugenicist journal *Mankind Quarterly*, Robert Gayre, in a discussion with a European journalist, recently declared that "the population explosion is a true thing. In Africa as a whole, the population should be tied down to what it was at the beginning of this century. There was a great consternation at the end of the last century that the Negro race would die out altogether. Instead they are increasing by leaps and bounds. Population is absolutely getting out of hand, and it is the wrong social types who are increasing. . . . We need wholesale sterilization and so on. This should be done, and Europe and America should stop do-gooding and giving so much aid to these countries in the Third World."

Gayre thinks that the Pope is "entirely wrong" on population. "But he's in danger. How long will he last?" He also thinks "the best work on racism is done in Sweden, by the medical people in Stockholm and Lund." He is also connected to the circles around Per Engdahl, a veteran Swedish fascist and friend of Nazi International coordinator François Genoud.

● **GORDON LAWRENCE** of Shell Oil is involved in a secret project to work with radical priests to destabilize the Marcos regime in the Philippines. Lawrence, who was involved in operations to dismember the nation of India (that were exposed in the Indian press), is working with the World Council of Churches in Geneva on this project. He was a top psychological profiler at London's Tavistock Institute psychological warfare agency in 1971-82.

● **ARTHUR KOESTLER**, Hungarian emigré British intelligence spook, is reportedly doing field work to expand his 1976 book, *Life After Death*.

● **MUAMMAR QADDAFI**, president of Libya, will be sponsoring an international conference on his "Green Book" in Libya during the month of April. Invited participants include leaders of the European "green" movement and prominent neo-Nazi leaders of West Germany.

● **YA'ACOV MERIDOR**, scion of the Maritime Fruit Carriers interests and currently Israeli minister of economic cooperation, will resign in the near-term future, Israeli sources say. "Meridor made a fool of himself by announcing that he had a special invention to save the world from using oil, and he is on his way out," the sources claim.

● **AURELIO PECCEI**, head of the Club of Rome International, will be receiving a special medal in Austria in June from the German "environmentalist" organization, Weltschutz des Lebens (World Protection for Life), which was originally set up in the 1950s by former officers of the Nazi SS. The WSL is the ideological "mother" organization for the German environmentalist (green) movement.

World Federalists direct nuclear freeze in Congress

by D. Stephen Pepper

“We are absolutely opposed to any weapons in space and we are against anything nuclear.” With these words Representative Edward Markey (D-Mass.), congressional sponsor of the nuclear freeze resolution and a leading ideologue of the movement, responded to intensive questioning by *EIR* and others at the press conference held by the nuclear freeze movement in Washington, D.C. on March 8. Markey went on to admit that the nuclear freeze would “rather leave intact the present situation [i.e., the doctrine of mutually assured destruction—MAD] than raise the possibility of defensive weapons.”

The nuclear freeze movement as a whole is indeed designed to preserve the MAD doctrine. That is why the freeze advocates are increasingly and publicly obsessed with discrediting the feasibility of defensive systems, particularly the development of energy beam weapons that can knock out ballistic missiles. *EIR* founder Lyndon LaRouche and presidential adviser Edward Teller have been the two principal advocates of the development of such systems. Both have been strenuously attacked by the freeze advocates and their controllers. At the same press conference, Randall Forsberg, a national leader of the freeze movement, ranted that for 20 years Teller has proposed that technology can bring peace, “and he’s been wrong every time.”

Sandy Persons gives orders

Directly controlling this operation is the World Federalist movement. The Washington-based leader of the World Federalists, Sandy Persons, took personal charge of the effort during the vote by the House Foreign Affairs committee on the freeze. Persons, seated in the gallery, announced the amendment to the basic resolution, which was then intro-

duced by Rep. Jim Leach (R.-Iowa). The Leach resolution is a resurrection of the so-called McCloy-Zorin agreement, named after John J. McCloy and Valentin Zorin, respectively U.S. and Soviet disarmament negotiators in 1961. The proposal, which specified total disarmament by stages, was one of the first anti-technology agreements proposed under the guise of disarmament. It also calls for such measures as the abolition of national armed services and their replacement by a global police force, administered by the United Nations. Therefore, it was never considered for ratification by the superpowers at the time. But it has been a beloved project of the World Federalist movement ever since. The Senate’s chief “freeze” advocate, presidential aspirant Alan Cranston of California, is a longstanding World Federalist and, like other World Federalists, a dedicated Malthusian and opponent of broad-scale industrial progress.

According to one of Leach’s aides, “there was an eleventh-hour lobbying campaign by the World Federalists on this thing [the McCloy-Zorin proposal]. It has been a crusade of theirs for years.” As for Leach himself, “his goals are identical with those of McNamara and Vance,” according to the aide. “Space-based weapons are Leach’s main concern,” he continued. “Watch out for attempts to develop particle beam weapons.” These remarks were in reference to the Feb. 28 press conference held by Robert McNamara and Cyrus Vance, in which the two declared war on U.S. security by calling for a \$136 billion cut over five years in U.S. defense spending, and even more importantly, the elimination of any R&D money for beam weapons.

The Leach amendment is thus revealed to be a part of the World Federalist orchestration of the campaign against beam weapons. A close collaborator of the World Federalists, Rob-



Stuart Lewis/NSIPS

Americans' fear of war is being perverted into an assault on nuclear energy in general and high-energy anti-missile defense in particular.

ert Bowman, has launched a campaign explicitly aimed at the antiballistic defense program proposed by LaRouche and Teller. Bowman, the president of the recently formed Institute for Space and Security Studies, issued a leaflet entitled "Preliminary Analysis of High Frontier Proposal," in which he explicitly attacked the entire concept of defensive weapons. These concepts, he argues, are so dangerous that even before his institute completed a study of them, it is necessary to denounce claims made on their behalf as "blatant misinformation—"none of these claims are true." Bowman will address the executive board of the World Federalists at their next meeting.

After the McCloy-Zorin amendment was sneaked into the freeze resolution as part of the preamble, freeze coordinators commented that if congressmen understood implications of the preamble, it could cause a backlash. Several Capitol Hill sources have commented that conservatives actually like the freeze resolution because it has things like on-site inspection.

The fact that some conservatives are supporting such initiatives has Wickersham, Persons, and Bowman laughing the hardest. The administration, too, has allowed its guns to be spiked. Although the President has announced his desire for a militarily strong United States, his administration has yet to demonstrate that it is prepared to take the requisite steps of initiating a crash beam-weapons defense program and announcing it to the world.

In the environment of budget pressures, the freeze proponents expect the administration to reshape military policy around conventional buildup and the so-called "projection of power," the fancy term for a world police force. Unbeknownst to the conservatives, this is precisely World Feder-

alist policy. The recent announcement by Fed Chairman Paul Volcker that the record budget deficit will cause interest rates to rise is the context in which the administration is supposed to make further concessions to the World Federalist faction to preserve the semblance of a military buildup.

The only hope for a turnaround in the U.S. strategic situation has been introduced by the LaRouche faction of the Democratic Party, the National Democratic Policy Committee (NDPC), which has brought to the public at large the military, scientific, and industrial reasons why development of space-based anti-ballistic beam weapons is the only way to secure peace. The intensity of this campaign and its effects on Congress caught the freeze movement off guard. At the press conference mentioned above, Markey and Leach were unable to formulate any intelligent response to the potential of beam weapons. One NDPCer from Tuskegee Institute threw Leach into babbling double talk after the student pressed him to admit that the freeze utterly failed to limit the danger of war from existing weapons. It was under such grilling that Markey admitted his endorsement of MAD.

Over 20 NDPC activists, representing half a dozen states, visited congressmen in a two day lobbying effort to introduce the beam weapons campaign as the "higher peace movement" in Congress. Two contrasting experiences of the New Jersey NDPC lobbyists reflect the attitudes of the congressmen. Rep. Robert Roe (D-N.J.) was genuinely taken aback when he met with his NDPC constituents, who demonstrated to him the anti-technology aspects of the nuclear freeze movement. Although he became excited about the possibilities of ABM defense, he was still planning to vote for the freeze, simply because he wished to show he was concerned about the danger of nuclear war. On the other hand, Rep. Bernard Dwyer (D-N.J.) abruptly terminated the meeting when his constituents identified the depopulation policies advocated by Vance and McNamara. Such attacks, he claimed, were "character assassination."

The most striking expression of the NDPC mobilization's effect is the fact that the National League of Cities meeting in Washington during these past days did not pass a pro-freeze resolution, despite the overwhelming preponderance of Democrats there. The NDPC lobbyists were so effective that the freezers became convinced that a resolution would be discredited even if it passed. Even though it is likely that the freeze resolution will pass the House, the momentum has shifted. With each visit from NDPC delegations from across the country, the conviction is growing within the NDPC that it is not enough to pressure Congress, it is necessary to change it. For example, in Wichita, Kansas, NDPC-endorsed candidate for City Commissioner Sheri Preston held a press conference before the office of pro-freeze congressman Dan Glickman calling on him to vote against the freeze and the IMF bailout, "otherwise we will replace you." The latest word from Glickman's office is that he is undecided on the freeze issue. The congressman knows his constituents are watching.

Four years of sabotage of U.S. beam weapons

by Robert Gallagher

In May 1977, the defense industry trade journal, *Aviation Week and Space Technology*, presented the American public with the first in-depth treatment of Soviet advances in the development of particle-beam weapon technologies on the basis of the revelations of recently retired Air Force Gen. George Keegan. Within three years, the modest U.S. beam weapons effort in progress at the time of the Keegan revelations was dismantled by U.S. Secretary of Defense Harold Brown and other officials under the Office of the Secretary of Defense (OSD).

Brown transferred the Navy and Army particle-beam weapon programs from the services to the Defense Advanced Research Projects Agency (DARPA), a recognized opponent of developing beam technologies. At the same time, Brown slashed the budgets of the Navy, Army, and Air Force high-energy laser programs, degraded the programs to mere tactical battlefield applications, and transferred the funds cut to DARPA to establish a containable program for space-based laser weapons. Under the DARPA laser weapons program, the Department of Defense (DOD) will make no decision on the feasibility of space-based laser weapons until 1987. Prior to Brown's actions, the services were projecting deployment of ground- and space-based beam weapon anti-satellite (ASAT) and anti-ballistic missile (ABM) systems for the mid-1980s.

The day following the disclosure of the Keegan revelations May 2, 1977 in *Aviation Week*, Brown issued the following statement to the press:

Senior officials of the Defense Department do not believe that the Soviet Union has achieved a breakthrough in research which could soon provide a directed-energy beam weapon capable of neutralizing ballistic missile weapons. Based on all information now available to the U.S. intelligence community, this possibility is considered remote.

At a May 30 press conference, Brown announced that it was impossible to solve the high-energy physics problems required for beam weapons development. The defense press immediately compared Brown to Vannevar Bush, who had told a Senate Committee in 1945 that development of an intercontinental ballistic missile was "impossible."

At the time of the Keegan revelations, all U.S. programs in particle-beam weapons technologies and the bulk of programs in laser weapon technology were sponsored and man-

aged by the three military services. DARPA funding for high-energy lasers constituted a mere 13 percent of total funding in the area in fiscal year 1977; DARPA provided no support for particle-beam technology programs. To date, all demonstrations of beam weapons technology have been carried out by the services.

The stated goal of these programs was the development of the entire range of beam weapons applications from destruction of artillery shells on the battlefield to space-based anti-ballistic missile systems. Most technology relevant to battlefield applications is applicable to ABM and ASAT systems, and vice versa.

In 1976, the Army Mobile Test Unit laser weapons system destroyed guided tactical battlefield missiles in several engagements, and in 1978 a Navy/TRW deuterium-fluoride chemical laser, directed by a pointing and tracking system developed by Hughes aircraft, destroyed a tethered Bell Helicopter UH-1.

Service officials repeatedly emphasized that the purpose of these tests was to demonstrate the feasibility of larger ground-based and space-based ASAT and ABM systems and win support for a well-funded program.

In January 1981, then U.S. Air Force Secretary Hans Mark—now deputy administrator of the National Aeronautics and Space Administration—announced that the results of a recent test of pointing and tracking systems aboard the Air Force Airborne Laser Laboratory demonstrated that it was possible to "now think about shooting down the other fellow's ballistic missiles without using nuclear warheads." (Nuclear-armed ABM missiles are the only ABMs deployed to date by the United States.)

As early as 1978, Air Force officials were pushing hard for \$143 million in funding to build two ground-based chemical lasers as the nucleus of an operational anti-satellite system in 1983. In 1980, the Air Force projected tests to demonstrate the feasibility of space-based laser ABM systems from the Airborne Laser Lab. Flying at 35,000 feet, the Lab was to shoot down a Polaris missile as it emerged from the sea. A second test was to involve shooting down a Minuteman III fired from Vandenberg Air Force Base.

Similarly, Navy Sealite laser program managers, who have built the most powerful laser in the Western world, the 2.2 Megawatt Mid-infrared Chemical Laser (MIRACL), proposed in 1980 to demonstrate a ground-based anti-satellite laser in 1986 against satellites in low earth orbit.

Particle beam program dismantled

The United States owes a debt to General Keegan for bringing the prospect of beam weapons and the Soviet lead in this technology to the public eye. Before he resigned as chief of the Air Force Intelligence in early 1977, there was no public literature whatever available on the subject. However, virtually every official government body who reviewed the intelligence assembled by Keegan and his associates on the Soviet Semipalatinsk particle-beam facility rejected all

the evidence of a three- to five-year Soviet technology lead. The list includes the CIA's Nuclear Intelligence Board and the Air Force Scientific Advisory Board. This official response quickly translated itself into an attack upon the existing U.S. program.

While service program chiefs called for the establishment of a distinct government agency with the mission to build beam weapons, they found their own programs disappearing under their feet.

In 1977 there existed three U.S. particle-beam weapon programs. The Navy managed a program to develop a charged particle-beam weapon for defense of aircraft carriers and ballistic missile defense. The Army sponsored two programs: development of a neutral particle beam for a space-based ABM system, and development of a powerful ground-based auto-resonant accelerator for development of a particle-beam weapon to destroy incoming nuclear-armed re-entry vehicles. The design of the Army neutral particle beam for space-based ABMs (like the DARPA charged particle beam program today) is based on fragmentary reports in the Soviet literature on the Soviets' radio frequency quadrupole accelerator.

Early in 1978 Brown and other DOD officials used their influence with the House Armed Services Committee to transfer the Navy's charged-particle beam program to DARPA. Dr. Ruth Davis, deputy director of defense research and engineering, told the House Committee that the advanced development efforts of the Navy's Chair Heritage program had to be stopped. "I have taken steps to better focus our efforts on the science and technology of charged particle beams." (Brown is a past director of defense research and engineering.) According to *Aviation Week*, DOD officials gave the rationale that major technical milestones must be reached "prior to any attempt to weaponize."

The House Armed Services Committee research and development staff, headed by Anthony Battista, told *Aviation Week* that it transferred the Navy program because it was convinced that the services were not competent to manage a cost-effective program. "When we saw plans to integrate particle beam accelerators on specific ships and knew that pointing and tracking requirements are not yet satisfied within the state of the art, we wanted the Navy's program redirected," one staff member said. The committee then eliminated the Navy's budget for Chair Heritage and added the funds to DARPA.

In late 1978, the Army Ballistic Missile Defense Command announced that Sipapu, its program for development of space-based neutral-particle-beam ABM systems, could be ready for launching as an anti-satellite weapon between 1981 and 1983. The program had advanced to the stage of construction of laboratory hardware and required additional funding to continue the pace of the effort. The funding never came. In early 1980, both Sipapu ("sacred fire") and the Army program for an auto-resonant accelerator were transferred to DARPA. DARPA did not request the funds required

for construction of hardware. The fate of the auto-resonant accelerator program was more severe. It died a quiet death at DARPA.

Brown's new interest in space-based lasers

The principal argument for the transfer and delay of particle beam programs in 1978 was that "DARPA would do a better job." That sort of lying reached new proportions in the destruction of the services' high-energy laser programs in 1980.

Early in that year, a Senate committee invited four laser-weapon experts from Lockheed, TRW, Draper Labs, and Perkin-Elmer to present their views in a classified session on the feasibility of space-based lasers for ABM applications. The four specialists told the senators that an effective space-based laser ABM system—comprised of 18 battlestations—could be built with existing technology. A smaller program, they said, could appreciably blunt any Soviet ICBM attack. The Senate then sought additional funds for space-based lasers.

The Office of the Secretary of Defense threatened to terminate the contracts of the companies that employed the men if the men were ever seen again in Washington! Several months later the DOD surprisingly reversed itself. A DARPA study confirmed the industry experts' contention that current technology had a margin over possible hardening of ICBMs' surfaces against space-based lasers. Then, in July, Defense Secretary Brown wrote a letter to the secretaries of the Navy, the Air Force, and the Army mandating them to emphasize space defense with lasers. (Imagine the puzzled looks of the services when this came out.) Brown told the services to reduce funds for early endo-atmospheric demonstrations of laser technology. It was with these very demonstrations planned by the services that they hoped to break OSD resistance to a highly funded ABM program.

All in all, \$40 million was cut from the services high-energy laser programs for FY1981 as a result of Brown's action. Together with the cuts made in the FY1980 budget immediately following his letter, these funds comprised the entire DARPA space-based laser weapon budget for FY1981. The schedule for laser weapon development released by DARPA saw a space-based system operational in the mid-1990s. United Technologies and McDonald-Douglas informed OSD that they would no longer commit their own R&D funds to supplement the government's in laser technology. One official explained: "Industry believes the country is not really serious about near-term laser weapons use, and as a result the companies are more and more reluctant to commit their R&D funds."

Both the Navy and the Air Force programs were gearing up to demonstrate lethality in the tests described above. One official said: "The major problem now is that every time a program reaches the point where the U.S. is almost ready to deploy a laser weapon system, the funds evaporate or the program changes course and starts off in a new direction."

The AFL-CIO leadership rams through George Shultz's program

by Lonnie Wolfe

When the AFL-CIO executive board concluded its mid-winter meeting at Bal Harbour, Florida at the end of February, the real controller of the American labor movement was absent from the last minute glad-handing and picture taking. Secretary of State George Shultz, proclaimed by AFL-CIO President Lane Kirkland "labor's best friend in Washington," had left a day earlier, satisfied that his good friend and fellow Trilateral Commission member, Lane Kirkland, had delivered the backing of the labor leadership for his plans for global austerity and wage gouging.

Labor expert

Over the last several months, Shultz, who increasingly directs the administration's economic policy, has met privately with Kirkland several times to discuss domestic U.S. policy, as well as foreign policy matters. Sources close to both Shultz and the AFL-CIO leadership report that the two plotted to carry out an austerity based economic program behind the backs of the White House and the labor union leadership. Their program is to slash the U.S. defense budget and raise taxes, while creating labor-intensive, low-wage jobs with government funds. It is premised on support for the supranational institutions of austerity, like the International Monetary Fund, and in later phases of the world economic crisis, the expansion of the powers of those institutions over the United States. This approach is sanctioned by Paul Volcker, as well as such figures as White House Chief of Staff James Baker and the Democratic Party chairman, banker Charles Manatt.

Kirkland rammed each key point of the Shultz program through the AFL-CIO executive, the 35-member policy board of the federation, including support for cuts in the defense budget—the first time the AFL-CIO has ever supported cuts. The executive council does not really make policy. It merely nods its collective head as Kirkland and his deputies wave policies in front of their eyes. For gullible labor leaders and union members, they made sure that the resolutions contained the appropriate anti-big business, anti-big bank rhetoric.

Shultz is well prepared for his role as the behind-the-scenes controller of organized labor. He was schooled by

brainwasher Kurt Lewin's networks at MIT in manipulating labor and business leaders alike as a labor mediator. In the early 1970s, it was then Secretary of Labor Shultz who sold the labor movement on the wage gouging "Phase I-II" Nixon austerity program. Then as now, wage-gouging against a pliant labor movement was key policy of the Swiss and London bankers who put George Shultz into his current position. The "labor movement," in turn, is well prepared for Shultz's directives, having functioned for years as a de facto arm of the State Department in many respects.

Nineteen eighty-two was the worst year for American labor in nearly 50 years. Wages rose by less than 4 percent, which amounts to a collapse in real wages even when calculated against fraudulently reduced inflation rates. By the AFL-CIO's own admission, there are more than the official 11 plus million unemployed. Yet Kirkland and the council listened to George Shultz preach about the virtues of the "recovery" and demand further sacrifice, while ratifying Shultz's program.

The resolutions

The council's principal actions bear the imprint of Shultz and his labor cronies.

- The council unanimously passed a resolution affirming the AFL-CIO's support for the IMF, stating that the AFL-CIO banks plans to refill the IMF's depleted treasury with U.S. taxpayers' money, provided certain banking reforms are enacted. These reforms, which were proposed by Sens. Bill Bradley (D-N.J.), Williams Proxmire (D-Wis.), and John Heinz (R-Pa.), under the guise of being anti-big bank, would officially turn supervision of lending to the developing sector over to the Federal Reserve. While the council resolution makes a rhetorical attack on the harsh conditionalities imposed by the IMF, the banking reforms they support would further slash credit available to the developing sector.

An economist for the AFL-CIO reported that the labor federation would do nothing to stop Congress from bailing out the IMF, because "George Shultz knows what is best for us here."

- The Council unanimously passed a resolution demand-

ing that the Western heads of state economic summit in Williamsburg, Virginia in May take up proposals to deal with "international monetary chaos." In particular, the AFL-CIO asked for a discussion of a new system of exchange rates.

- The AFO-CIO reiterated its support for a whole series of protectionist measures which could spark a trade war, further crippling the world economy. Here Shultz and the executive council appeared to disagree, with Shultz in his presentation to the labor leaders warning against trade war; but sources confirmed that Shultz wants the AFL-CIO to maintain a bombastic public posture on trade questions, so that he can use the threat of protectionist legislation to gain concessions from American trading partners.

"We really are not that far apart in private," an AFL-CIO spokesman said of Shultz's trade policies. "He is working for us in a different, more quiet way, and we are very useful to him."

- For the first time in recent memory, the AFL-CIO executive council adopted a proposal calling for a cutback in proposed defense spending, slashing the administration's proposed increases from by some 3 to 5 percent. While not specifying where such cuts should come from, the interim report from the defense policy committee attacked continued increased U.S. spending on strategic weapons and on maintaining larger U.S. forces in Europe. Instead, the interim report echoed recent statements by such figures as former Secretary of Defense Robert McNamara and Cyrus Vance, initiator of the murderous *Global 2000 Report*, that the United States should spend more on conventional forces.

Kirkland succeeded in keeping any discussion of beam weapons development out of the report, making only a vague reference to previous AFL-CIO support for developing a policy of mutually assured survival.

The AFL-CIO masked all this in anti-Soviet rhetoric, as usual. It is clear that the Kirkland leadership is set to follow the lead of Shultz and other backers of the Global 2000 policy of eliminating billions of people—to scuttle U.S. defenses in favor of preparations to fight colonial-style conventional "meatgrinder" wars in the developing sector. In recent policy statements, George Shultz has warned that overpopulation in the developing sector is the most serious threat to U.S. national security.

- The AFL-CIO executive called for the Federal Reserve to further lower interest rates and for Congress to extend the Credit Control Act, which expired in 1980. However, the AFL-CIO demands for no specific action against the Federal Reserve and privately Kirkland's spokesmen say that Paul Volcker is now doing a "good job." The AFL-CIO leadership is thus reinforcing Shultz's "economic recovery" propaganda.

- As noted above, Kirkland and the AFL-CIO adopted a plan for spending some \$70 billion in a program of labor-intensive makework jobs modeled on the Nazi programs of the 1930s. The AFL-CIO leadership admits that they have

little chance of getting such a program through Congress. Spokesmen say that they will pass a small portion of that low-wage program because George Shultz has promised Lane Kirkland that he would get it through. It was Shultz who played a key role, along with White House chief of staff James Baker, in securing White House support for the \$4.8 billion "jobs package" approved by the House.

- The AFL-CIO reiterated its support for racist immigration legislation which would effectively close the U.S. border with Mexico and establish a system of worker identification cards reminiscent of the Nazi work-card system.

Lane Kirkland has consummated the labor federation's role as an outpost of the State Department, instead of a legitimate representative of unionists' stake in securing low-interest credit to regain prosperity and technological advances. The Shultz-Kirkland goal is defense cuts, tax hikes, and federally funded make-work jobs.

Who works for Shultz

Kirkland funneled Shultz's policies through the Bal Harbour meeting with the help of the following individuals:

- Henry Schecter, the man who heads the AFL-CIO Department of Economic and Monetary Affairs. Schecter's people wrote all key economic policy statements, including the statement supporting the IMF. Schecter has met personally several times with representatives of the Anglo-Swiss banking crowd and with Federal Reserve chairman Paul Volcker. It was Schecter who worked with Volcker and Kirkland to block any local union resistance to the Fed's economy wrecking policies.

- Howard Samuel, the head of the Industrial Union Department and a member of the anti-technology, Malthusian Club of Rome. Samuel, a member of a Wall Street investment banking family and a trained banker, is reported to be among

the most rabid supporters of population control policy in the AFL-CIO leadership, second only to the racist Lane Kirkland.

- Thomas Kahn, the effeminate chief aide to Kirkland and an official of the League for Industrial Democracy network of "State Department Social Democrats" routinely deployed for dirty tricks operations. Kahn is the executive director of the AFL-CIO's defense policy task force. His specific mission was to sell defense cutbacks to AFL-CIO union leaders and to block support within the federation for the proposals of Democratic Party figure Lyndon H. LaRouche, Jr. and scientist Dr. Edward Teller for a competent defense policy based on the development of beam weapon anti-ballistic missile systems.

- Irving Brown, AFL-CIO International Affairs Director and coordinator of the federation's international operations. Brown has spent much of the last several months protecting terrorist networks inside the labor movement and deploying against international trade union support for a new world economic order that could end the current depression. His years in support for various mafia-linked Socialist International operations is well known.

It was this network which barred *EIR* founder Lyndon LaRouche from addressing the executive council as a potential Democratic Party presidential nominee. The Council heard instead from two candidates who would make the late AFL-CIO president, George Meany, turn over in his grave.

Early in their week-long Florida session, they were addressed by Sen. Alan Cranston, a leader of congressional supporters for the Global 2000 program and a leading advocate of the environmentalist laws that have shut down industrial jobs. The California Democrat is also a floor leader of the nuclear freeze movement and a member of the Draper Fund, which sponsors plans for sweeping global population reduction. Lane Kirkland termed him a "serious contender" and a "good friend" of labor.

Later in the week, the Council heard from another Democrat, Sen. Ernest Hollings of South Carolina, an outspoken proponent of anti-union "right to work" legislation. Hollings also supports of Global 2000 and belongs to the Draper fund.

From the executive council statement on defense cuts

The text of the defense resolution from the Bal Harbour conference:

The executive council received the interim report of its defense committee and adopted the only three specific rec-

ommendations of the committee. These are:

Taking into account the security, economic and budgetary realities, the committee believes, based on the many presentations we heard, that increases in defense spending in the coming years can and should be held within the range of 5 percent to 7 percent a year in real terms, without being detrimental to national security. A number of members of the executive council have expressed the strong opinion that the increase should be held to the lower end of this range or below.

This budget (the President's) includes reductions of \$11 billion in budget authority and \$8 billion in outlays from the Administration's earlier projections. These reductions would be achieved through freezes on military pay and cost-of-living adjustments, as well as DOD civilian pay. In the opinion of the committee, pay freezes, whether military or civilian, are not the way to achieve defense savings. They can adversely affect morale, as well as the recruitment, readiness and retention of military personnel.

The committee proposes that, starting in July 1984, a special surtax to cover the real increases in defense spending should be levied on the corporate and individual income tax plus the income of the wealthy currently sheltered from taxation. Such a surtax should amount to approximately 3 percent in its first year and raise approximately \$11 billion to \$15 billion.

From the executive council statement on the IMF

The text of the statement by the AFL-CIO executive council on the International Monetary Fund:

The current international debt crisis requires far-reaching and comprehensive arrangements based on close cooperation of all the countries concerned. Piecemeal measures which aim primarily at alleviating the current crisis will not prevent further proliferation of potential defaults.

Congress has been asked to approve United States participation in a 40 to 50 percent expansion of the International Monetary Fund, of which the U.S. share would be about \$8 billion. This would be in addition to an expansion of the General Agreements to Borrow (GAB) special IMF fund, which requires about a \$2 billion U.S. participation.

Such an expansion of IMF lending authority is being proposed to help greatly indebted nations, such as Mexico, Brazil, and Argentina, with further credit extension so that they do not have to default on large outstanding debts.

The creditors are not just sovereign countries, but also, to a very large extent, private, U.S. and foreign banks. Although the banks and the IMF might, in the immediate future, have to extend more credit to the debtor countries, they would in the long run avoid losses of large sums of money presently owned to them.

The Federal Reserve Board and the central banks of other countries have largely surrendered to the commercial banks the responsibility for oversight and control of international lending.

When the IMF extends credit to hard-pressed debtor nations, it usually requires that certain conditions be met by the assisted country, cutbacks in social programs, tight monetary policies and the adoption of policies to increase exports and decrease imports, so that foreign exchange gains can be made to help repay debts. In the process, trade and employment are injured in the United States as well as in all free world nations.

The AFL-CIO recognizes the serious consequences of potential large debtor nation defaults to the world economy and the need for IMF action to help debtor nations out of their precarious positions. It also recognizes, however, the cost in dollars to the U.S. taxpayers and in jobs to U.S. workers.

The AFL-CIO supports U.S. participation in an expansion of IMF capital funds, provided that legislation is enacted to accomplish the following:

- The IMF should require private banks that have extended loans to foreign borrowers to share in the costs and burdens of any "rescue" efforts.
- IMF resources should not be used to reschedule and recycle the debts of totalitarian regimes and those that abuse human rights.
- The Federal Reserve Board should be required to increase reporting and surveillance of U.S. bank foreign lending and to restrict such lending, with due consideration of the impact of credit availability and cost to the U.S. economy, as well as the capability for repayment.
- The Federal Reserve Board should be directed to require special U.S. bank reserves against foreign lending, and such reserves should be available to provide a part of future U.S. contributions to IMF fund expansion.
- The Federal Reserve Board should be required to report regularly to the Congress on the volume and terms of foreign credit extension by U.S. banks, on the quality of such credit, and on the effects of such credit extension upon the U.S. economy with respect to international trade positions and the availability and cost of credit in the United States.
- The Secretary of the Treasury should be directed to seek change in IMF policies to reduce emphasis upon the development of excesses of exports over imports and to place more emphasis upon balanced economic growth through development of broader domestic markets and improved income distribution.

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National News

U.S. shipbuilding 'about to be extinct'

Edward Hood, president of the Shipbuilders Council of America, told Congress March 2 that "by decision and indecision, by word and action, the administration has evidenced a disposition to relegate commercial shipbuilding in the United States to extinction."

Hood told the House Subcommittee on Merchant Marine that only three merchant vessels were awarded to U.S. shipyards in 1982 and the current order book contains only 21 to be delivered by the end of 1984, with nothing thereafter.

The result, he said, is that production facilities are being idled, shipyard workers laid off, and "the shipbuilding industrial mobilization base is being critically weakened and national security threatened thereby."

While the Shipbuilders Council pinpoints the award of tax-deferred capital construction funds to foreign shipyards as the cause of the dismantling of U.S. shipbuilding capability, a policy which the Council says is in violation of the 1936 Merchant Marine Act, the crumbling of U.S. shipbuilding occurs within the large context of the depression slump in U.S. and world trade. That trade is expected to suffer another 12 to 15 percent decline in 1983.

Hollis catches closet Haydenites

The National Democratic Policy Committee-backed campaign of George Hollis for mayor of San Diego has disrupt plans to turn that California city into a second Santa Monica, the California city recently taken over by Tom Hayden and his Campaign for Economic Democracy (CED).

In the final days before the March 15 vote, Hollis has exposed the Hayden machine backing behind two of the major candidates—pseudo-Republican Roger Hedgecock, and liberal Democrat Maureen O'Connor. Ken Msejimi, the statewide

chairman of Hayden's CED, is listed as a Hedgecock backer, while Maureen O'Connor's husband was an early contributor when Hayden first embarked on his political career.

When Bill Cleador, the third major candidate, who is a traditionalist Republican, brought the Hayden connections into the open, based upon his own research, the *San Diego Union* came out with an editorial attack. "Cleador's indecent lapse" could bring the "smear genie" out of the bottle to pollute an otherwise "clean" mayoral race, the paper complained.

Hollis has established himself as a major candidate by challenging the "politics as usual" and bringing into the campaign such issues as the need for a crash program to develop a space-based beam weapon defense system for the United States.

NDPC prompts inquiry into AID policy

Responding to testimony delivered by the National Democratic Policy Committee on March 10, Senator Alfonse D'Amato (R-N.Y.) instructed congressional staff to make inquiries into the Agency for International Development's unwillingness to support capital-intensive development projects in the developing sector.

An NDPC representative testifying before the Foreign Operations Subcommittee of the Senate Appropriations Committee on the overall direction of U.S. foreign aid, attacked the population-control policies of the State Department. The NDPC spokesman cited Egypt's efforts to develop capital-intensive agriculture and reported on *EIR* Editor Criton Zoakas' December visit to Egypt's new agricultural facilities and cities.

"But," the spokesman stated, "Egyptian officials expressed concern over the difficulty in gaining AID support for projects such as these."

Senator D'Amato responded that, while he did not agree with the NDPC's assertion that the population-control movement had an evil intent, he did state, "You have raised some valid points about our development programs. I will instruct staff to make inquiries of Mr. McPherson at AID about some of the issues you have raised that I support—

and others on this subcommittee support—the ability of other nations to develop their own economies."

Laxalt says Reagan will run in '84

Republican Party national chairman Sen. Paul Laxalt told a party gathering in Chicago the first week of March that Ronald Reagan will definitely be a candidate for re-election in 1984.

Speaking at a fundraiser for GOP mayoral candidate Bernard Epton, Laxalt announced that he was "sick and tired" of false information about the President and his potential campaign being circulated by the media.

"Let me set things straight," Laxalt said. "I am going to run Ronald Reagan's re-election campaign in 1984. Ronald Reagan is running and that is that. . . . I know you guys in the media are going to twist things and talk about how the President is tired, how Nancy is tired, but I am telling you that Ronald Reagan is running for President in 1984."

Laxalt made his remarks before several dozen reporters and network television cameras. Not a single media outlet featured his remarks on the President's candidacy.

Moynihan spreads India disinformation

Unreconstructed colonialist Sen. Daniel Patrick Moynihan (D-N.Y.) charged from the floor of the U.S. Senate that the pro-development Indian daily, *The Patriot*, was spreading Soviet disinformation.

In his March 7 speech, Moynihan claimed that the *Patriot* had published stories about a U.S. plot to balkanize India, stories which allegedly had originated in Moscow. He then went on to make a lengthy denunciation of Yuri Andropov and the Soviet KGB as masters of *dezinformatsiya* and manipulators of nations and public opinion.

Moynihan gave credence to the legitimacy of the separatist movements now

threatening the stability of the Indian government. Most of their activities began as part of British methods of maintaining colonial rule.

Moynihan also cites the concurrence of the *Patriot* article with the opening of the New Delhi summit of the Non-Aligned nations, charging that the Soviet disinformation was motivated to fuel anti-American sentiment among Third World nations. Moynihan's attack on the *The Patriot* also coincides with the newspaper's coverage of the Club of Life's international organizing campaign for a new world economic order, to replace the current bankrupt financial structure.

Stockholm police: no security for LaRouches

The Stockholm city police stated on March 7 that they would not provide any security protection service for Mr. and Mrs. Lyndon H. LaRouche, Jr. Mr. LaRouche, the founder of *EIR* and a controversial figure in the U.S. Democratic Party, was invited to address a March 15 Stockholm conference on nuclear energy organized jointly by the FKU (Swedish Association for the Development of Nuclear Energy) and Utveckla Sverige ("Develop Sweden," an industrial group).

Stockholm municipal police superintendent Sven Parsson told a LaRouche representative that a decision had been taken by the State and Security Police not to provide any protection for Mr. and Mrs. LaRouche because "no danger" exists in Sweden. Mr. Parsson's declaration not only contradicts a reality recognized by international security and law enforcement agencies, but also contradicts his own statement March 4 to the same LaRouche representative, when he said "I know that there is a security problem involved." This attitude of the Swedish police also contradicts cooperative security services Mr. and Mrs. LaRouche recently received in France, Spain, and other countries.

The explicit refusal by the Stockholm police would place the LaRouches in potential danger of a terrorist or other attack, were they to visit Sweden. When Mr. LaRouche was in the Swedish city of Gothenburg in June of 1981, with socialist Prime Minister

Olof Palme out of power, LaRouche was afforded full police protection.

The Stockholm police turnabout is ascribed to a direct political intervention by the Palme government.

Population policy battle rages in administration

Global 2000 Report supporters in the Reagan administration are carrying on an intensive campaign to fire the administration officials they describe as "obstacles" to their policy to make elimination of people in the Third World the number-one National Security and foreign economic policy concern of the United States. A high-level official of the population-control movement leaked the details of this campaign to the press in early March, expressing her concern that unless her allies moderated their attempted purge, they themselves would be ousted from the administration.

This source, whose report was confirmed in essential details by several administration sources, reported that Secretary of State George Shultz, Undersecretary of State for Economic Affairs W. Allen Wallis, and Deputy Secretary Kenneth Dam, hoped that their opponents—most notably Assistant Agency for International Development (AID) Administrator for Africa Francis Ruddy—could be fired in time for the United States to play a prominent role in promoting Malthusian policies at the World Population Conference, scheduled for the summer of 1984 in Mexico City.

The Shultz group is reported to be working with AID administrator Peter McPherson, Commerce Secretary Malcolm Baldrige, Defense Secretary Caspar Weinberger, and others to guarantee that the administration's preparations for the summit are made at the State Department, rather than in the Department of Health and Human Services, where they would be directed by "pro-lifer" Marjorie Mecklenberg.

The source complained that Ruddy and others in the administration had blocked the Malthusians' attempts to support the use of depopovara and other possible dangerous contraceptive drugs on non-white ethnic groups.

Briefly

● **NUCLEAR FREEZE** advocates Sen. Claiborne Pell (D-R.I.), Rep. James Leach (R-Iowa), and Rep. Bill Green (D-N.Y.) met in the Senate Caucus Room March 10 with Soviet officials in a day long "People-to-People Dialogue" sponsored by the "Fund for New Priorities in America." The Fund, chaired by pro-terrorist attorney Ramsey Clark, claims credit for forming a number of "peace" organizations, including Admiral Gene LaRoque's Center for Economic Information, the Center for Economic Alternatives, and Business Executives for National Security. A featured speaker at the dialogue was former Sen. J. William Fulbright, a registered lobbying agent for Libya's Muammar Qaddafi.

● **DEBRA FREEMAN**, the National Democratic Policy Committee-backed candidate for Democratic nomination for Baltimore City Council President, had her life threatened by self-identified Jewish Defense League member Joseph Krome March 9. Krome, who has threatened the NDPC in the past, approached NDPC candidate Allan Ogden, also running for City council saying "I'd like to get up a defense fund to put a bullet through Debbie Freeman's head. I'd pay money to put out a contract to put a bullet through her head." The Baltimore Police Department is presently investigating Krome for the repeated threats against Freeman. However, Assistant U.S. Attorney in Baltimore David Irwin, and FBI Special Agent Dave Saynar in Baltimore both refused to take a complaint from Mrs. Freeman in regard to the threat.

● **JEWISH DEFENSE** League chairman Meir Jolowitz, along with 25 members armed with Uzi machine guns of his group, held a press conference in New York City the week of Feb. 28 to announce that the group would attack "Jew-haters" who engage in "attacks on Jewish institutions."

The downfall of the recovery myth

Federal Reserve Chairman Paul A. Volcker's March 10 admonition against "wishful thinking" about the U.S. economy, echoing the remarks of his Swiss counterpart Fritz Leutwiler published in *EIR* (Vol. 10, No. 8, March 1, 1983), has thrown cold water on the prevailing mania in Washington. The downfall of the recovery myth with the publication of data showing three months of declining retail sales resembles less the "abortion of a tentative recovery" than the termination of a hysterical pregnancy.

Earlier, the myth had drawn steam from:

1) unemployment data which conveniently "lost" almost 1 million members of the workforce between December and February, converting an 11.3 percent rate to a 10.2 percent rate;

2) a set of "leading indicators" based on money supply growth, stock market prices, plus whatever prices the Commerce Department chose to include and minus whatever prices (e.g. oil) it chose to exclude, and minus the all-time record bankruptcy rate;

3) inventory accumulation in the auto sector which took production in February to 480,000 units against 400,000 in sales to dealers, and considerably fewer final sales; and

4) positive factory orders data generated by "expectations" of future sales.

The one item that could not be faked indefinitely was the final sales data, which were revealed March 10. It is hard to believe in a "consumer-led recovery" when retail sales (with the downward revision of the January number) fell three months running. The February data, especially for personal income, will also promote a wave of pessimism.

Administration and Federal Reserve officials now warn privately that the President's optimistic statements—pressed upon him by his economic advisors—will turn shortly into an embarrassment, and that more bad news is to be expected.

Virtually alone among the services offering full-dress economic forecasts, *EIR* ignored the economy's hysterical pregnancy. Our job has been to shout,

"Fraud!" at the publication of each cooked number. Until the Reagan Administration gets down to fundamentals, there will be no recovery, and those who deceive the President on this subject are certainly not his friends.

The issue is no different from what we presented in January with our most recent forecast, based on the LaRouche-Riemann economic model: the American economy has been cannibalizing itself as a result of structural deformations during the past three years of Paul Volcker's monetary vandalism. With almost one quarter of the normally-available working-age population not working, and three-quarters of the working population producing services rather than goods (against two-thirds in 1979), the overhead of the economy can be supported only by eating away the productive base. The \$300 billion Federal borrowing requirement this year, the record trade deficit, still-high and rising interest rates, and the other factors that "might abort the recovery," in the conventional folly, are an expression of the fundamental considerations.

EIR's LaRouche-Riemann model is a device to measure the change in these fundamentals and to calculate the behavior of an economy resting on such fundamentals under different investment policies (as determined by credit, tax, regulatory, and related policy). Our accuracy during the past 13 quarters—and what our competition will soon grudgingly describe as awful prescience during the present period—is based on this superior view.

Nothing short of a frontal attack on the fundamental problems will bring about recovery. The United States must reverse its technological slide with a repetition of the NASA economic success—this time through a crash program to develop high-energy beam anti-missile weapons. It must also re-order its credit system such that the productive sector obtains first call on credit, and stabilize national finances through the remonetization of gold. Recovery is not impossible: It is pushed further off by the combination of lies and self-deluding nonsense shoveled into the Oval Office.

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