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EIR

From the Managing Editor

Our Special Report this week, written by Editor-in-Chief Criton Zoakos, is a story of blood and soil, brainwashing, and imperial designs, and how the Academy of Plato was able to outflank the powerful Delphic cult that used these modalities. Mr. Zoakos's headline raises the suspicion that this is not merely an exercise in fourth-century B.C. historiography, and the suspicion is correct. America's Founding Fathers studied these matters extremely attentively, as did their enemies; it is time that latter-day Americans stop relegating the investigation of ancient history (and theology) to the guardians of cults and controllers of mobs.

In our International section, Rainer Apel explores the "blood and soil" tradition as it has reasserted itself in the *Mittleuropa* policy now gaining ground in West Germany, where Chancellor Helmut Kohl is preparing to visit Moscow and receive proposals from Yuri Andropov for preliminary steps toward German reunification. *Mittleuropa*—better known in its sanitized form as "Finlandization"—is politically a "Fourth Reich" policy, and militarily a pitiful delusion, Apel argues.

Our intelligence on the Ibero-American debt crisis this week focuses on what the Swiss banks are doing (as opposed to what they say they are doing) to make the United States bear the burden of what they coolly anticipate will be an unprecedented international financial collapse. From the sixth United Nations Conference on Trade and Development sessions in Belgrade, we bring you interviews with Third World leaders on the debt question. You will find that they tend to agree that creation of a formal debtors' cartel would be an extreme and provocative step at this time—but coordination of information among debtors on the model of the Ditchley Group of creditors would be another thing entirely, a necessary and justifiable step. Generally, these leaders do not bother to add the well-known postscript that the creditors' cartel does not call itself a cartel, either.

One of the parties involved in this debt crisis still barely knows that the crisis exists: the U.S. Congress. We hope our readers will exert their influence to change that situation before everything comes tumbling down.

Susan Johnson

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The debt crisis and the Swiss calculations

by David Goldman

Federal Reserve and administration officials expect that Brazil will default upon a \$400 million loan repayment to the Bank for International Settlements (BIS) due June 30 after a four-week extension. To our knowledge, this would be the first such default against the world's most powerful banking institution. In the view of one senior administration economist, there is an 80 percent probability that Brazil will impose some form of payments moratorium before the end of June, although the nature of this moratorium is still far from certain.

Two weeks of armtwisting by International Monetary Fund (IMF) chief Eduardo Wiesner and team failed to bring forth the tough austerity concessions which, the IMF staff had hoped, might have permitted a resumption of IMF disbursements to Brazil. These had been suspended in retaliation for Brazilian "non-compliance" with the Fund's program, agreed upon last February, as part of a comprehensive package to prevent the collapse of \$100 billion in Brazilian foreign debt. Brazil has made repayment to the BIS contingent upon receipt of a comparable sum from the IMF.

As the Ecuadoran trade and industry minister, José Augusto Bermeo, commented in an interview (see page 11), the heads of state of several Ibero-American nations may take the opportunity of their meeting in Caracas on July 24 to announce the formal existence of a debtors' bloc. Venezuela's official position was given to the UNCTAD conference in Belgrade by its foreign minister José Zambrano: "the creditors have organized themselves to coordinate their efforts; therefore, it is only logical that the debtors do what is necessary to coordinate their positions." To the profound chagrin of European bankers, who earlier expressed *Schadenfreude* over their American colleagues' Latin American predicament, Poland has directly associated its cause with that of the Ibero-American continent; Polish Deputy Prime Minister

Janusz Obodowski's proposal June 13 to stretch out the Polish debt over a 20-year repayment period with eight years' grace was intended, the Polish leader said, "for all countries" (see article, page 9). Authoritative Polish sources report that the Polish government considers association of its debt problem with that of Ibero-America as the country's last chance to escape the crushing economic embrace of the Comecon.

The view from the *Alpenfestung*

One of the great dramas in postwar history has begun with this set of events, and its first act was played out at the annual meeting June 11-12 of the Bank for International Settlements, the *Alpenfestung* of world finance. The odd and contradictory formulations of the BIS's Annual Report reflect the conflicts in the mind of the BIS chairman, Dr. Fritz Leutwiler, who is also president of the Swiss National Bank. In an interview published exclusively by *EIR* last March, before its circulation to the daily press in several countries, Leutwiler predicted a financial catastrophe. Describing the world "economic recovery," usually represented as a solution to the debt crisis, as "wishful thinking," Leutwiler warned bluntly that none of the proposed solutions to prevent a world monetary collapse would work.

Nonetheless, Leutwiler's remarks to the annual meeting take the more guarded viewpoint associated with the Bank of England and the U.S. Federal Reserve Board. Warning that the world debt problem has left the monetary system in a state of "fragility," the Annual Report recommends concerted growth by the United States, Japan, West Germany, and the United Kingdom, in order to establish a "buyer of last resort" for the exports of heavily indebted Third World countries. Even more than the mid-May pronouncements of the Organization for Economic Cooperation and Development meet-

ing in Paris, the BIS emphasizes the “need for growth” as opposed to the “fight against inflation.” That by itself is a man-bites-dog story; the BIS is, after all, the zealous and uncompromising guardian of monetary stability.

In fact, the report reflects neither Swiss views nor intentions. The Central European financial group has discovered that it may have miscalculated badly regarding the likely behavior of London and Washington, not to mention Brasilia, Buenos Aires, and Caracas. As reported last issue, the Swiss consensus expected a chaotic pattern of payments default and social breakdown. This was the estimate offered by Swiss academic Jacques Freymond at a seminar at the end of April co-sponsored by Fritz Leutwiler, involving most of the leading Swiss banks and corporations. Under these circumstances, the Swiss believed that the principal weight of the world debt crisis would fall upon an American banking system ill-prepared to absorb it at a moment when the weakness of U. S. federal finances opened the possibility of devastation spinning off into all dollar credit markets. Mr. Carlo De Benedetti of the Olivetti corporation drew the full conclusions of this predicament, warning earlier this month in the Italian press that the U. S. federal deficit along with the Third World debt represented a “land mine” for the dollar.

It is not merely that the Swiss believe that they have the least to lose of any of the players in the game, and that the last player left in the game will take home all the chips, no matter what his previous losses. The Swiss are playing the geopolitics of *Mittleuropa*, a term that used to refer to the territorial expansion of a Third Reich and is still not used in polite conversation in Switzerland. Commenting on the prospects for a Brazil rescue package, a Swiss National Bank source close to Leutwiler said: “Honestly, it is senseless to try such an operation. Sure, we might try to create a big wave of confidence, but I am a pessimist, and I don’t think it will work. After all, in the end market forces *will* prevail. The debt is the result of historically evolved economic and social structures, and this is something that cannot be solved in six months. It will take years. Governments and the IMF have little latitude. Governments cannot take over the risks of the banks without considerable internal problems; only the United States can do it. Sooner or later the Europeans are going to have to consider well: which is really closer to home, Europe or Latin America? We Europeans have seen ourselves for far too long merely as part of the West rather than as Europeans.”

The new question, the official added, is Britain. Won’t Britain be more pro-American than ever? “That depends, it really depends. It depends upon whether Europe can gain the self-confidence necessary to represent a fascination for the new Thatcher government; if Europe can show that it can really perform. This is what is necessary. For example, on the debt issue, we actually see eye to eye. All that money that flowed into the Third World—you cannot compensate for that with budget deficits.”

The United States must be reduced to the status of a merely continental, or at most hemispheric, power, the offi-

cial concluded: “Economically, Europe can be autarkical, we can adjust to the new structures.” What new structures? “The weakened position of the United States. That is the new structure. . . . Of course, the problem arises that economic independence cannot be truly effective as long as Europe has to ask for protection from another power [the United States].”

At a seminar sponsored by Prof. Alexandre Swoboda of the Geneva Institute for Higher Studies a week before the BIS meeting, dominant Swiss banking opinion was summarized by a participant, Prof. Larry Sjaastad: “If the IMF is crazy enough to think that Brazil is going to pay, or that Delfim even wants to pay, then the entire staff ought to be fired for incompetence.” Sjaastad was Brazilian central banker C. G. Langoni’s mentor at the University of Chicago. Salomon Brothers partner Bruce Brittain, the only senior American banker present, complained that American banks would never have lent the huge sums they committed starting in 1980 had the IMF and BIS not withheld information from them concerning the state of the debtor countries. Brittain’s gripe is unjustified; the banks did not know because they did not want to know. Sjaastad told him, “Take it to court.”

Fear of miscalculation

Three political lines of development have disrupted the Swiss banks’ sense of apocalyptic flippancy. The first is the unexpected (for them) success of debt diplomacy among the Ibero-American nations. The second is the prospect of independent American action outside the doomed framework of the International Monetary Fund. The third is the feared defection of the Thatcher government from its previous posture of collaboration with the League of Comrades of the Oath, as the Swiss call their government, in the manipulation of the \$2 trillion offshore market.

The Swiss banks are already decapitalizing their branches in offshore centers such as Nassau, Panama, and the Cayman Islands, anticipating a chain-reaction collapse of the trillion-dollar interbank market which would force many banks to walk away from subsidiaries engaged in such business. The Swiss are thereby minimizing the amount of capital that would have to be abandoned in such damage limitation exercises, according to well-placed Federal Reserve Foreign Department sources. The same sources emphasize that the bankruptcy of several secondary banks engaged in interbank business—an expansion of the 1982 Ambrosiano or the 1974 Herstatt problem—is now viewed as a short-term danger to the banking system on a par with the Brazil crisis itself.

Fearing the effects of an offshore liquidity squeeze (see International Credit), the Federal Reserve, far from tightening monetary conditions as most pundits predicted, is attempting to lean against the pressure on interest rates. Continued Federal Reserve largesse prolonged the fool’s paradise on the New York stock market the week of June 13. The Federal Reserve is repeating its maneuver of early April, when it responded to a threatened international payments crunch by leaning against a rising interest rate trend, but with

much less scope for action than last time. It is unlikely that interest rates will fall significantly over the next three to four weeks, and Fed officials believe that a sharp rise in rates must inevitably begin mid-summer.

Paul Volcker shares the same concern for the offshore markets as the Bank of England. No financial center would suffer more damage than London, the mother of the offshore markets. This danger has piqued British concern regarding the Swiss, but the gulf between the two principal branches of the European financial oligarchy is even more profound. Margaret Thatcher's circle purged the remnants of Lord Carrington's wing of the Tory Party from the British cabinet June 11 (see article, page 34) for fear of the success of the *Mittel-europa* project cited above.

Ironically, the British are now considering the eventual necessity of orderly negotiations with an Ibero-American debtors' cartel, according to a spokesman for Foreign Secretary Sir Geoffrey Howe, for both financial and strategic reasons.

The Swiss National Bank is painfully aware that a crude or obvious Swiss role in the collapse of the Brazilian debt would be a priceless gift to their worst enemies inside the U.S. administration. Although Treasury Secretary Regan and Secretary of State Shultz still have management of the Third World debt issue, an important group of President Reagan's advisers in the defense and security sphere have warned him that the United States has walked into a deadly trap by accepting the discredited IMF approach to Ibero-America. They argue that Regan and Shultz have misled the administration by insisting that a combination of world economic recovery and IMF austerity would contain the debt problem. Detonation of "the debt bomb" could destroy America's world political role unless the administration finds a means toward a political agreement with its southern neighbors. These advisers identify the "Carrington wing" of European politics as scavengers who seek to benefit from such a disaster to the advantage of the Soviet Union and the disadvantage of the United States.

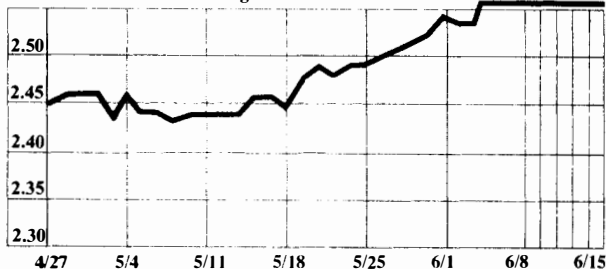
Although contingency plans for a U.S. response to a Brazilian debt moratorium remain classified, it is known that one option is the enhancement of Export-Import Bank credits to Ibero-America and a global agreement to reduce debtor nations' interest payments to a negotiated portion of export receipts. What the Swiss fear most is that the United States and the Ibero-American governments will reluctantly strike a deal similar to *EIR* founder Lyndon H. LaRouche, Jr.'s year-old "Operation Juárez" plan for debt rescheduling on behalf of industrial development.

For public purposes, Leutwiler chose to recommend flexibility on the part of the IMF and continued lending by commercial banks to the debtors. Neither will occur, not in time to prevent the collapse of Brazil's foreign payments in any case, and Leutwiler knows it; out of the other side of his mouth, he has told the Swiss banks to shut their loan books. He is no less dangerous for the softening of his public profile.

Currency Rates

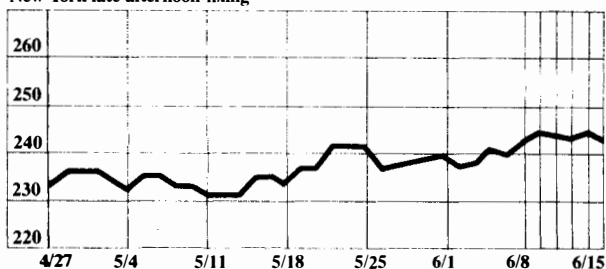
The dollar in deutschemarks

New York late afternoon fixing



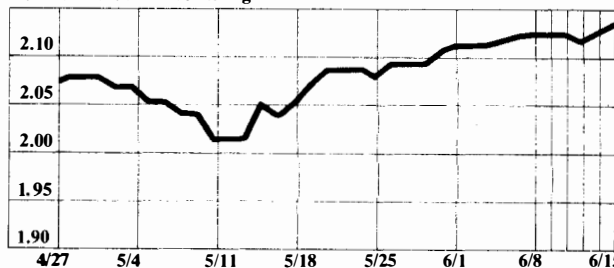
The dollar in yen

New York late afternoon fixing



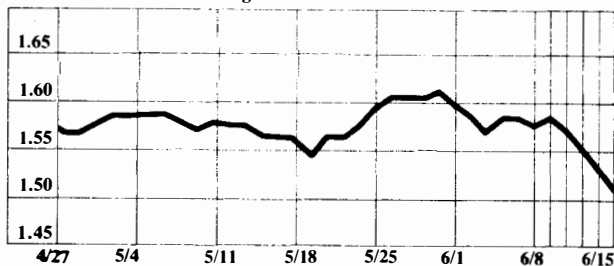
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The summer agenda for 'Operation Juárez'

by Gretchen Small

"Negotiating the debt, negotiating the form of payment, does not mean that we are going to start obeying the international bankers, nor the IMF," Brazilian President João Figueiredo told the nation in his June 13 weekly television broadcast, "The President and the People." He added: "The most the bankers could do is not loan the money."

One hundred and seventeen Brazilian congressmen issued a statement on June 14 protesting the presence of an International Monetary Fund mission in the country. "By submitting to the impositions of the IMF, the Brazilian government gives up our sovereignty, handing over to foreigners decisions on eminently national affairs," the congressional statement read. Instead of adopting continuously more austere measures, the government should "immediately break with the IMF and declare a moratorium on international payments," they argued.

The same week, Venezuela's Finance Minister, Arturo Sosa, was questioned for the umpteenth time about the international bankers' demand that Venezuela accept an IMF surveillance program. He repeated what he had answered to similar questioning the month before: "*A mi me importa un bledo, repito, lo que piensen ellos; me importa otro bledo las preferencias de ellos.*" Loosely translated: "I don't give a damn, I repeat, about what they think; I don't give another damn what their preference is."

"Bledo," while within the realm of propriety, is rarely used by cabinet officials in public. A few American bankers dared bluster that their good friend Sosa's remonstrations against the IMF were for public consumption only, but the more sober-minded recognized in Sosa's tone the decision taken by the Venezuelan government over the course of the past month to support united continental action against the creditors as a negotiating strategy.

Behind the finance minister's "damn the bankers" is a national mobilization against the IMF. IMF conditionalities "lead to unemployment, the bankruptcy of industries, and a devaluation of real estate values," economist Gumersindo Rodriguez, the former planning minister under Carlos Andres Perez, stated in a lengthy interview June 7 in *El Nacional*.

Gumersindo Rodriguez dedicated the interview to denunciations of the "suicidal" course represented by IMF policies, for debtors and creditors alike.

The voice of Venezuelan labor was heard in a speech before a International Labor Organization conference early this month, given by the Secretary General of the Venezuelan Confederation of Workers (CTV), José Vargas. "Only united action by the underdeveloped countries could achieve success in the discussion and search for solutions to the debt of the Third World. . . . The moment has arrived to put together a vigorous and coherent trade union movement of the Third World countries which can, with the aid of its struggles, aid in strengthening the position of our peoples before the industrialized nations," Vargas stated.

Common Action

In the past month, what has been a country-by-country battle against the International Monetary Fund has shifted. Now, a working consensus exists among the Ibero-American nations on both a common course of action and a three-month timetable to reduce the debt burden upon their countries. Diplomats and leaders have begun speaking as Ibero-Americans, with a quality of decision and battle-readiness which individual actions could not provide. As of now, three points have been agreed upon for common action:

1) **The establishment of a systematic "exchange of information"** between central banks of Ibero-America on the status of each country's debt negotiations. Venezuelan Foreign Minister Zambrano Velasco's statements at the UNCTAD conference in Belgrade that, "the creditors have organized themselves to coordinate their efforts; it is logical that the debtors do what is necessary to coordinate their positions," summarizes thinking on this point.

2) **Common action to force a reduction of "spreads" on Ibero-American loans**, the interest surcharge above the Eurodollar market rate which debtor nations are charged. The interest rates of 2 1/2 percent above LIBOR, now the rule for Latin American loans, are considered intolerable usury.

3) **A rollback of IMF conditionalities—as a principle.** For months, large and small debtors alike have ignored, outright lied, or resorted to some of the wildest financial finagling, to get around IMF conditionalities they could not meet. That game is now up, and Ibero American leaders are demanding that the IMF and bankers change their restrictive policies.

As of now, the next three months are viewed as an approximate timeframe in which success in implementing the above three-point minimum program is to be achieved. Three conferences and celebrations in particular are nodal points along the way:

● On July 17, a meeting of presidential and financial representatives will convene in Santo Domingo. Their task, to concretize the policy outlined in the May 16 Quito meeting of representatives of the Latin American Economic System (SELA), the U.N.'s Economic Commission on Latin Amer-

ica (ECLA), and government representatives. Ecuadoran President Osvaldo Hurtado had convoked the meeting to work out a proposal for common Ibero-American action in the face of the economic crisis. A strategy of collaboration on debt, and the development of Ibero-America's gigantic potential regional market was agreed on there; now the details of implementation are to be hammered out.

● On July 24, the heads of state of the Andean Pact nations will meet in Caracas for the celebration of the 200th anniversary of Simon Bolivar's birth. Several governments attending, including that of the host country, are pressing for the heads of state to issue a joint statement on the debt crisis, and ideas for action. The response from the industrialized countries to that expected July 24 statement is viewed as a test case for whether the industrialized countries, and most particularly, the United States, can be convinced to hold discussions on overhauling the international financial system, without resorting to more drastic action. If there is zero responsiveness to these basic issues come the end of July, one Andean nation representative remarked to an *EIR* correspondent on June 17, then "your strategy"—*EIR* founder Lyndon LaRouche's program for a debtors' cartel—becomes our only option.

● In early September, finance ministers and government representatives will meet in Caracas at a conference on external debt and financing for Ibero-America, held under the auspices of the Inter-American Economic and Social Council (CIES) of the Organization of American States. U.S. delegates at the OAS attempted to prevent the meeting, proposed by the Venezuelan government a year ago, arguing that such conferences would "politicize" the debt question and interfere in bilateral discussions between bankers and govern-

ments, and insisting that the IMF and World Bank are the only appropriate forums for discussions. Venezuelan OAS Ambassador Gimenez Landinez, coordinating preparations for the meeting, replied in a recent interview: "The economy is just too important to leave to the economists!"

"The conference will seek to establish a general framework of reference which can permit solutions to particular problems," Gimenez Landinez stated in an interview in *El Nacional* June 12. Action is urgent, because "the financial problem is generating serious political and social maladjustments. . . . These maladjustments could destabilize these countries."

Fed up with the insane monetarism of the IMF and bankers, many leaders in Ibero-America are seeking direct negotiations with the governments of the creditor countries, particularly the United States, on an overhaul of the international financial system. The September CIES meeting is viewed by some of those preparing it as an appropriate forum to begin those government-to-government negotiations.

Current thinking, however, all hinges upon the outcome of the June showdown between Brazil, the bankers, and the IMF. Since no solutions have yet been proposed to that crisis, those already arguing for more dramatic action to celebrate Bolivar Day July 24 are expecting to gain ground with their more hesitant colleagues. The Brazilian government has already begun canvassing other nations for their reactions to a Brazilian moratorium. In this more likely case, a division of labor between Ibero-America's debtors is probable: a political declaration by the Andean Pact heads of state outlining the core of "Operation Juárez," would be backed up by the other big debtors, Brazil, Argentina and Mexico . . . by quietly not paying their debts.

Momentum toward debt cartel at UNCTAD

After two weeks of the United Nations Conference on Trade and Development (UNCTAD) proceedings in Belgrade, momentum seems unstoppable for the effort of the Group of 77 developing nations to convene an international conference on money and finance with universal participation, outside the IMF's auspices. The old device of "divide and rule" was tried on June 12 when the monetarist West German economics minister, Otto Graf Lambsdorff, and British Commonwealth operative Anthony Hughes convened a meeting to find a "compromise" within the framework of the IMF. But the two leading Non-Aligned countries, India and Algeria, did not send their ministers, so the operation never got off the ground.

The speech of U.S. Undersecretary of State Kenneth Dam at the conference has been termed conciliatory in

tone by Third World representatives. At a press conference, Dam declared that President Reagan has great esteem for Indian Prime Minister Indira Gandhi (see excerpts from her UNCTAD speech, page 15) and Egyptian President Hosni Mubarak. The latter's groundbreaking call for a new international development bank to finance large infrastructural projects in the developing sector, Dam promised, would be "seriously studied" by the Reagan administration.

The most important event did not occur in Belgrade but in Warsaw, where Polish deputy prime minister Janusz Obodowski called for a 20-year debt rescheduling with an 8-year grace period (see article, page 9). A senior Venezuelan diplomat at UNCTAD, upon being asked if he would support this Polish initiative, joyfully replied, "Yes, with one reservation—not only Poland but all debtor countries should get such terms." "We have the longest experience in rescheduling talks with Western banks," a Polish delegate said, adding half-jokingly, "and we are ready to share our expertise."

Poland proposes debt freeze, new credits

by Rachel Douglas

The Polish government June 13 publicly revealed its position in negotiations with Western banks about its hard currency debt: Poland will seek to reschedule the debt over a period of 20 years, after a grace period of eight years during which there would be a moratorium on all payments. Deputy Prime Minister Janusz Obodowski shocked bankers with this preemptive publicization of the Polish ante, just as officials of Bank Handlowy, the foreign trade bank, were sitting down for talks with Western bank representatives in Vienna. It was Obodowski, Poland's planning chief, who last December called for forging a "joint policy" on debt with large debtor nations like Brazil and Mexico (see *EIR*, Feb. 15, 1983).

In his Warsaw press conference, Obodowski raised the possibility of an East European link-up with Ibero-America to overcome the shared crisis of debt, when he said, "This is a proposal for all debtors." According to Polish sources, the plan reflects Obodowski's intention to connect Poland's debt negotiations to those of the Ibero-Americans.

A Washington source outside the Reagan administration who monitors Ibero-American moves toward coordination of debt policy commented, "If the Polish are now asking for 20 years, the Latin Americans will say, 'Why not us?'" In Europe, banking sources confirmed that the Polish move could have a dramatic effect on ongoing negotiations with Ibero-American governments.

Since late 1982, Polish government economists have studied "Operation Juárez," the policy proposal for an Ibero-American debtors' cartel and the creation of new credit for the revival of world trade and investment, written for Ibero-America by *EIR* founder Lyndon LaRouche. In Warsaw, the document became known as "Operation Kosciuszko," after the Polish hero of the American Revolutionary War whose collaborators advocated the promotion of industry through state-backed credits.

In May, the Polish party daily *Trybuna Ludu* featured the potential Ibero-American action under the headline "Latin America—A Common Front of Debtors?" Pointing out that "in Latin America, the idea of a debtors' front arose to jointly negotiate the conditions of repayment," *Trybuna Ludu* stressed that the indebted nations would require new, cheaper credits.

Obodowski, too, made it clear that Warsaw is not pre-

pared to accept a total austerity regime, without new credits, from either the banks or its government creditors, each of whom hold approximately half of the country's more than \$25 billion debt. On the contrary, he said, "We would also need low-interest credits for stimulating exports. Part of the export revenues could be used to pay our debts."

Polish sources describe the Obodowski plan as "better arithmetically and financially," since a mere repeat of the rescheduling terms Poland received for its commercial debt in 1981 and 1982—seven-year rescheduling of principal with half of the interest payments recycled as trade credits—will cause the debt to mount up and up, without generating any real ability to repay. "Both sides are tired of having to go through these protracted negotiations every year," said Obodowski, "A long-term settlement would be more sensible."

The Polish official suggested that Western governments (there have been no talks on Poland's debt to governments since the end of 1981) and banks should welcome Poland's terms as an opportunity to compensate for the trade and credit sanctions of the past 18 months, which he said had cost the Polish economy \$12 billion and made it increasingly difficult to service the debt. The result of the sanctions, said Obodowski, has been to make Poland lean more heavily on trade with Eastern Europe, especially the Soviet Union. Equipment imported from the West had been converted to conform to East European standards and the factories begun with Western aid were being finished with the help of the Soviets.

Romanian outline for recovery

At the UNCTAD meeting in Belgrade, another East European flank on the international debt crisis was opened on June 9, by Romanian Vice-President Manea Manescu, who outlined proposals to "ensure a substantial transfer of modern technologies towards developing countries under advantageous conditions. . . ."

Romania called for debt relief, including "the cancellation of debts incurred by the poorest countries, having a per capita income of up to \$500-\$600, [and] the reduction and long-term rescheduling of the debts of other developing countries without any interest or with a low rate of interest. . . ."

The Romanian position, like Poland's, focused on the need for not only debt relief, but credit for new economic activity: "The discussions and negotiations between the debtor countries and the lending countries should be guided by principles and criteria to be agreed upon internationally. . . ."

"It is Romania's view that interest rates for the developing countries should not exceed 5 percent, while credits should be extended for the poorest countries with interest rates of 2 to 3 percent or without interest rates at all. The interest rates paid beyond these limits should be considered as a repayment of their respective debts. The fulfillment of this objective would restore the positive and stimulative role international credits should have for facilitating international trade, economic activity, and productive investment."

'The IMF cannot use cures that kill the patient'

The following interview with the foreign minister of Brazil, Ramiro Saraiva Guerreiro, was conducted June 9 at the UNCTAD VI conference in Belgrade, Yugoslavia by EIR correspondents Edith Vitali and Hartmut Cramer.

EIR: Since the IMF stepped up its pressure on your country recently, there has been a great deal of discussion about the possibility that Brazil may repudiate its debt or declare a moratorium. Can you comment on whether your government is considering such a possibility? In addition, what is your view on establishing a "common front" of all the debtors in Latin America to deal with their creditors?

Saraiva Guerreiro: As for the first issue, I am sure that Brazil will not repudiate its debts; it is doing whatever it can to meet its obligations.

As for debt moratorium, that is also something that has not been decided at all by my government. We certainly are doing whatever is possible to meet our commitments.

However, if a different situation develops, forced by circumstances, one cannot close the door to the possibility that it might become physically impossible to meet commitments on their due dates. I am sure that my government will never do anything unilaterally or by surprise. It will try to negotiate some understanding that is suited to the material circumstances, but which would still be, by and by, a policy of trying to meet the obligations as much as circumstances permit.

EIR: Concerning the IMF and the conditionalities, a study was recently made by the Catholic University of Rio de Janeiro, which said that if the IMF conditions were to be fully implemented, the Brazilian GNP would be reduced by about 15 percent. What is your stand concerning the IMF conditions and policies; and, in the ongoing negotiations, will your government submit to or repudiate those harsh conditions?

Saraiva Guerreiro: I do not know that study of the Catholic University of Rio. The Brazilian government has been negotiating with the IMF for some time; I don't know exactly how those conditionalities will be defined or adapted for the next period.

Obviously, it is a question of common sense that in a period like the one we are going through, austerity and belt-tightening are in order. However, of course, there is a ques-

tion of making very fine-tuned determinations. One cannot know all the possible political and social repercussions of a policy of austerity. Certainly there is a limit to austerity, which is that austerity measures cannot be allowed to create social and political instability or to dismantle the productive apparatus of a country. That is to say, it cannot be the object of the IMF to impose policies which are self-destructive, therapies which will kill the patient. That would not be good for the patient, and certainly not good for its creditors. It is a very delicate matter to assess just what should be done, and to carry out the right policies.

EIR: At the recent [late April] Cancún summit between the president of your country and the president of Mexico, a substantial increase in trade on the basis of barter deals was established, and right now there are concrete negotiations going on to further this. Does this indicate the establishment of a "common market" in Latin America to facilitate trade and enhance development?

Saraiva Guerreiro: It is not exactly a common market, nor exactly, technically speaking, barter. In this period of crisis, of course, developing countries have increased direct trade among themselves, and they have ensured that this trade is carried on because of the difficulties which each country is experiencing. They feel that they should not be paralyzed by the restrictive measures that they have been forced to take. They should negotiate, use their imagination, to try to find ways and means to at least prevent a downward trend of their overall foreign trade.

That is what the Mexicans and Brazilians have been doing, trying to find ways that would at least maintain the level of overall trade that they have achieved. [The level of trade] was significant for both of them and has grown in a very auspicious way in the last few years.

This has led to different techniques, to reciprocal credits, and to a more detailed examination of possible exchange of merchandise and commodities in such a way as to keep a relative balance, and not depend so much on payment in hard currencies. This is not technically barter, although the practical effects would be similar in a certain sense. But this is seen, of course, as a transitional arrangement. In the course of time, when circumstances are better, we think that trade will be resumed again on higher levels under the normal system of payments.

EIR: At the Non-Aligned movement's summit in New Delhi and the Group of 77 meeting in Buenos Aires, there was a call for an international conference on money and finances with universal participation, to facilitate the creation of a new world economic order. What chances do you see for the convening of such a conference?

Saraiva Guerreiro: I have the impression that the very depth of the present crisis has created an awareness that there needs to be reflection on the whole system established by Bretton Woods. I would not say that an overhaul or a complete change

or anything of that sort would be possible today. But I have the impression that there is an overwhelming trend not only among developing countries, but also among some of the industrialized countries, to come to this kind of joint reflection on the financial system.

“Necessarily, some would think that a few changes would be enough. Others think that there should be a very profound or a new approach. Several are between those extreme positions. But this concept should be faced. The question of reviewing the institutions and how they are working should be raised and this idea, at least, is gaining ground every day. “This and the contacts I have made during these few days here in Belgrade at the UNCTAD, have led me to believe that this is a real tendency. It is not to be done overnight, but there is an awareness of the need for a serious study, consultations, and negotiations on various parts of the system, or a complete renewal. Probably, as always happens, when there are necessarily quite divergent positions on the merits [of a system], there will be perhaps some less dramatic evolution than many expect. But certainly the endeavor will be made and the very crisis we are going through indicates that something should be done.”

Interview: Ecuador's Industry Minister

‘Response to joint action proposal magnificent’

The following interview with José Augusto Bermeo, Minister of Industry, Trade, and Integration of Ecuador, was conducted by EIR, in Belgrade June 13.

EIR: Mr. Bermeo, in the speech you have just given to the UNCTAD VI conference, you quoted your President Osvaldo Hurtado, who has called for joint action by all Latin American countries. What precisely do you mean by this?

Bermeo: We are trying to find a solution to the present crisis, which involves all Latin American countries. President Hurtado has sent a letter to CEPAL [The United Nations Economic Commission for Latin America] and SELA [Latin American Economic System], and the answer has already been delivered to President Hurtado and the personal representatives of all presidents in Latin America [see *EIR*, June 21]. This will be carefully studied and analyzed in a meeting taking place in the Dominican Republic in August. At that meeting, we will know what exactly the positions are in this respect.

There will also be a meeting of the presidents in Caracas. One of the points mentioned in the letter will be dealt with in

that meeting. At this moment, one cannot say what the Andean Pact states will do. We just have to wait for the meeting in Santo Domingo.

EIR: You mentioned that your president received an enthusiastic response to his proposal. Was it from all over Latin America?

Bermeo: Yes, definitely. There was a magnificent response. Everyone was very enthusiastic.

EIR: You further said in your speech that in Latin America decisive steps have to be taken and that a re-definition of the entire world economic order has to be made. Can you explain what these decisive steps should be?

Bermeo: We don't really know now the exact way; but in these meetings we have already talked about, it will be decided what the best ways are to reach solutions.

EIR: At this conference, there is a lot of support for the proposals made at the summits in New Delhi and Buenos Aires for the convening of a conference on money and finance with universal participation. Does your government support this idea?

Bermeo: One of the ideas which will be discussed in Santo Domingo will be to hold a Latin American conference about monetary, economic, and financial issues. But this is still an idea. If this is accepted, then I think that the next step would be a worldwide conference on this. And, of course, we support the idea of the Non-Aligned movement.

EIR: President Mubarak of Egypt gave a moving speech in which he called for a new world bank for development, and said that huge development projects in the Third World would overcome the economic crisis. Do you agree with that; and if so, which projects in Latin America would be appropriate?

Bermeo: I think it is a very good idea, precisely because it can promote the integration of the Andean Pact states. The members of the Andean group think about *big* projects, and these will be coherent with Mr. Mubarak's proposals.

EIR: Can you give some examples—for instance the Second Panama Canal?

Bermeo: Yes, we think about big development projects concerning irrigation and the creation of hydroelectricity, for example.

EIR: Do you think that Japan and other big industrialized countries will respond positively to a call like this?

Bermeo: I think that Japan had been doing this before and this new proposal would be also in line with current Japanese thinking. We expect that the United States will overcome its present nervousness concerning Central America and will participate in these great projects. We can also get agreements with the European countries. We expect that they will get together to cooperate with us.

EIR: Do you think that the 24th of July, Simón Bolívar Day, is a good occasion for all Latin American countries to unite on the question of overcoming the problem of their foreign debt?

Bermeo: Yes. Right now, the Latin American countries are having an extremely severe economic crisis in which there is intense feeling that each country has to fight for its own interests. These kinds of dates, like July 24, are very good for unity—instead of having each country fighting only for its own interest—and to avoid strong nationalist currents which would affect negatively the tendency for integration. With days like this, we will have a good opportunity to unite all “Bolivarian countries” to solve the financial problems.

EIR: So the 24th of July is a good date for all of Latin America?

Bermeo: Yes, I think so.

Interview: Colombia's Foreign Minister

‘Debtors must maintain close communication’

The following interview with Dr. Rodrigo Lloreda Caicedo, Colombian minister of foreign affairs, was conducted by EIR June 14 in Belgrade.

EIR: In your speech you quoted Pope Paul VI's famous words “Development is the new name for peace.” Given the fact that Egypt's President Mubarak had proposed here that the present depression can be overcome with great development projects, do you think that this is the right approach to be taken? Do you have some specific proposals in mind?

Lloreda Caicedo: There is no doubt that great projects can trigger economic development, but great projects as such are not enough. Development embodies not only the growth of infrastructure, but simultaneously broader participation in better life for most of the people. So, one can only conceive of growth in an economy if it's paralleled with the growth of the social conditions for its people. At least this is the sort of development that can lead to peace, conceived as a whole and as a result of that development.

EIR: You also said that the debt problem is so big that a possible bankruptcy can erupt. Do you have any suggestions for the solution to this pressing problem?

Lloreda Caicedo: Basically I said that the concern in regard to the debt of developing countries is a concern that not only worries the debtors, but also those countries that have loaned

the money and the institutions that have served as intermediate financiers for all these operations. That is why I feel that a great effort is being made in the way of refinancing and trying to “bail out,” as they say now, the countries that are deeply indebted. UNCTAD can exercise some pressure, especially as far as the “conditions” are concerned. Other initiatives can also help [the countries] to get together so that individual arrangements can be made, but with a broad outlook on how to make those arrangements.

As you recall, the president of Ecuador has insisted during the last few months on the need of the debtor countries to get together, not exactly to form a negotiating group, but rather to exercise pressure on the developed countries and the banking institutions so that the conditions can be worked out in a broad sense. And I think this is the realistic approach that can be made with regard to this specific problem. It would be almost impossible to get all the countries of the developing world together with all the institutions to which they owe money and to have a sort of global negotiation on these issues. But, since this is not altogether possible, what can be done is to maintain close communication among those countries which owe money, so that together they can put some pressure on the institutions to create conditions that would not mean having to fall back on the same obligations.

EIR: Is this to be understood as the answer to the threat posed by the formation of the already existing “creditors’ cartel,” the Ditchley Group?

Lloreda Caicedo: Well, if you want to call it that. As I said, concern is on both sides. It's a paradox: The countries that loaned the money in a mood of liberality at a point when money was easy, are now to a certain extent just as involved in looking for solutions as the countries that have the debts. But if the creditors get together, I see no reason why the debtors can't get together.

EIR: July 24, Simón Bolívar Day, could be a very good occasion to unite the countries of Latin America to this purpose. Do you think July 24 will be a very interesting day this year?

Lloreda Caicedo: Historically, it is a very important date. And we said many months ago to the government of Venezuela, which was the birthplace of Bolívar, that we would be collaborating in the celebrations on July 24. They have arranged a meeting, at least at the level of heads of state of the “Bolivarian” countries in Caracas, and I would expect that from that meeting of the presidents of five or six countries in Latin America, a number of proposals can come as a result of the discussion.

In fact, we are preparing for that particular summit on the level of the ministries. We are holding a number of meetings in the next few weeks and will prepare a document and set forth to the presidents a number of proposals they can study and agree upon. So it could have a certain meaning in the

way of getting some of the Latin American countries together with common purposes. And, of course, these ideas could be expounded to other countries of the hemisphere which will not be participating directly in the celebration, but which have the same difficulties.

EIR: Do you expect something major to come out of that summit?

Lloreda Caicedo: You never can tell. I can't give you an advance on that. It depends on the possibilities of the presidents to really present very effective proposals. I think it's going to be an important meeting. I don't know what you would call "major decisions," but in as far as what has been done and what can be done, I would expect important decisions from that meeting.

Interview: Egypt's Economics Minister

'It is now time for the world to act'

Egyptian Minister for Economy and Foreign Trade Moustapha El Saeed, head of Egypt's delegation to the UNCTAD VI Conference was interviewed by EIR in Belgrade June 10.

EIR: Faced with the tremendous debt burden in Latin America and other parts of the world, there is a growing recognition, including in the United States, that it is very possible that part of this debt will have to be written off. A member of the U.S. National Security Council, Norman Bailey, indicated this in a speech he gave May 17 at a monetary conference in Brussels.

El Saeed: We are meeting at a time when there is a greater recognition of the mutual interdependence of the world. The advanced countries themselves are facing their problems. They have to encourage their exports. Developing countries now are becoming important customers. About 44 percent of Japan's total exports are imported by the developing countries; and for the United States, I think the figure is about 34 percent. In the last few years it was possible to finance exports through giving more loans—official loans from governments or private loans from banks.

Now, due to the increase of the world's debt, the whole international indebtedness, and, due to the failure and even default of many countries, private loans are not expected to be available in the same quantities and at the same rate as they were before. Therefore, you have proposals from people, as you mentioned, [from] Bailey or others, who say we

have to write off the old debt and start again. The basic aim is to find ways to facilitate the movement of exports from advanced countries to developing countries.

EIR: Your president, Mr. Mubarak, has basically given the answer for a way out for both the North and the South in his speech here June 9. He proposed to build large regional development projects and to create a new world bank for development, which would design and finance such projects with the participation of the industrialized countries. This would create a tremendous upsurge.

El Saeed: We are saying that the advanced sector, to facilitate not only the development of the developing countries but also for their own recovery, has to provide the developing world with more loans so that these nations will be able to establish those regional development projects. This is the most important point. It is not a question of charity. It is a question of mutual interdependence.

For the recovery in the West and advanced countries to gain momentum, they have to take care of the development objectives of the developing countries, because the interlinkage of the two groups is becoming great. You can't go ahead with your recovery unless you export more to the developing countries, and unless the developing countries are able to absorb more of your exports. You either have to write off the old debt and start to provide new loans, or you have to create a new international division of labor with less protectionism and more liberal movement of goods from developing countries to the industrialized countries. This is the dilemma which the world is facing, and here at UNCTAD there is more recognition of this. It is now time for the world to act. Even at Williamsburg the question of interdependence of the world economy is recognized.

Although the world is now becoming more and more convinced of this argument, it remains to take concrete steps to achieve this. And here lies the importance of the proposal of Mr. Mubarak yesterday, calling for summit meetings between developed and developing countries so that they can sit together and try to find ways and means to implement great projects. Here lies the importance of the question of creating a new bank in order to finance those regional infrastructure projects which would help all the countries.

EIR: Can you give some examples concerning these regional development projects?

El Saeed: Take an example: A highway from Egypt to West Africa. The problem is that we are not able to trade with Senegal, Nigeria, or with Ivory Coast, and the shipping lines are not regular. You have to ship your products to Marseilles, to Naples, and then change ship or boat going to Nigeria and Senegal. The cost is high, the time is long. You could not compete with commodities coming from the West, although the production costs are cheaper.

But if you have a road from Cairo crossing the desert

through Chad, Niger, and so on, then you can create a lot of movement of people, commodities, and so on. If you take the Nile River, for example, it needs many projects to preserve water and to increase the availability of water for irrigation. Also, at the Congo River, we can build a lot of energy projects generating electricity.

EIR: What about the Quattara Depression?

El Saeed: We did not yet come to a definite conclusion regarding its economic feasibility. . . . If you can generate more electricity through a nuclear power station or by hydroelectric projects at the Nile, or through other projects, then you have to make your calculations to come to a feasibility study which is convincing.

EIR: Let us go back to the debt problem. There is a growing concern in Latin America about the debt. The idea is being discussed that several Latin American countries should form a club of debtors, or a debtors' association, to use the debt as a means of pressure. Will your country support such a group of debtors if it comes into existence?

El Saeed: You mean a club of debtors [formed] in order to protect themselves?

EIR: Yes, to negotiate collectively with their creditors.

El Saeed: As a matter of fact, I began to feel that the debtors now are in the stronger position. It is the creditors who try to find ways and means how to solve these problems. Of course, it may even be in the interest of the creditors if such a club is formed, to discuss and find agreed-upon means how to repay the debt. It is clear that the debtor countries—above all the major ones like Brazil, Argentina, Mexico, Poland, even Yugoslavia and France in a sense—given the structure of their economies and foreign trade, are unable to pay this huge amount of debt without going bankrupt completely. If their economic development is stopped, how can they generate more for paying their debts? I mean it is really a problem of the creditors more than a problem of the debtors.

I think that unless something completely new and unusual is done, either by writing off the debt or a large part of it, or by investing in certain export-oriented projects, which can bring in initial capital, and which can generate profits that can be used to pay for the old debt, this problem cannot be solved. Something should be done.

But it is a problem for the creditors more than for the debtors. And certainly the formation you talked about may well serve some purpose.

EIR: We discussed before the Global Infrastructure Fund [proposed by the Japanese]. Do you think Japan could play a special role as a bridge between North and South?

El Saeed: Definitely. Japan, if it has the will, can play an important role, because it is after all a rich and dynamic country. It has good relations with the Western countries and

is acceptable to the East as well. But always Japan is hesitant to take the initiative on such international questions. They prefer to wait, watch the others, and then join in.

EIR: But they brought a huge delegation of 70 people to this conference.

El Saeed: Yes, because they are interested in world trade and development. Japan is exporting more to the developing world than any other country. Forty-four percent of Japan's exports are to the developing world, so Japan is interested. And, of course, if we have such a bank, which is going to carry out such huge regional projects, the advanced countries will benefit. Some of the companies will also benefit, because they will carry out those projects. By opening new fields of development as a result of those huge infrastructure projects, of course there will be a chance of those developing countries to buy more. These are things which are of advantage for everyone, and we are hoping that Japan will play its role and will participate by putting in more money to create such projects.

EIR: One last question on the subject of military policy. President Reagan announced on March 23 that the United States will change its military policy from offense to defense. With the development of defensive laser beams which could destroy incoming missiles, the era of mutually assured destruction and nuclear terror could be left behind. In addition, the development of these defensive laser weapons could have an extremely productive effect on the economy, comparable with that of the NASA project. Do you regard this as a positive development?

El Saeed: As we all know, the development of arms technology is great, and all countries, in addition to the weaponry which they produce for attack, are trying to produce at the same time weaponry to defend themselves and to destroy any offensive weapons that may be directed against them.

Whether the United States is emphasizing more the defensive, rather than the offensive, remains to be seen, since the question is whether this emphasis will be at the expense of the offensive or in addition to it. The Eastern countries and the U.S.S.R. are developing the two types of weaponry, so these two things go together. At a certain time, you may put more emphasis on the offensive, and at another time, when the balance is destroyed, you come back to put more emphasis on the defensive. But certainly you could not confine yourself totally to the defensive, ignoring the offensive kind of weaponry.

What is the impact of each type of weaponry on the economy? It is a matter of technology. Maybe a certain type of defensive weapon has a greater impact on the economy than another type of offensive weaponry. From the technical point of view, it is difficult to say that one type of weaponry will have more impact. You have to have precise information on the type of technology you are talking about.

'Should not the Third World act on its own?'

The following are excerpts from the speech delivered as the Raul Prebisch Lecture by Indian Prime Minister Indira Gandhi at the UNCTAD VI conference in Belgrade June 8.

Everybody agrees that there is a global economic crisis. It originated in the industrialized countries and has been in the making for some time. When, as a result of the Bretton Woods conference, certain international institutions were set up, problems were not looked at in their totality. Nor was the changing world political situation taken into account.

At that time, the majority of today's developing countries were not independent, so their legitimate interests went unrepresented and the internal contradictions inherent in the system soon became apparent. This basic structural flaw distorts the functioning of these institutions. It is not surprising that they have failed at the first crucial test. What was initially supposed to be advantageous to the developed, but not especially helpful to the developing, has turned out to be bad for both. . . .

It has been said that the economies of some important countries are recovering. Not all share this optimism. The ingredients of substantial improvement are not yet in sight, nor have major problems been solved. I am told that in 1982, the world as a whole has had a negative growth rate. In industrialized countries, the annual rate of growth has fallen from an average of 5 [percent] to 2 percent or less. In five years the affluent countries have lost extra income of more than \$2 billion, one-fifth to one-third of plant capacity is idle, over 10 percent of their working force is unemployed. . . .

The belated increase of IMF quotas and the arrangements being made with central banks and governments for debt recovery are clear admissions that basic reforms are overdue. When developed countries subsidize and protect their agriculture, even when it is inefficient, reasons are found to shield them from the discipline of the General Agreement on Trade and Tariffs (GATT). But when developing countries promote exports of manufactures through subsidies and other incentives, they are criticized. The age-old argument that infant industries need protection until they can compete with established and entrenched giant corporations is conveniently ignored. . . .

The picture of inefficiency and poverty in developing countries is so persistently projected that few take the trouble of ascertaining the considerable advancement that has been

made in the face of tremendous odds. In the last three decades since their independence, the real national output of developing countries taken together has risen four and a half times. Notwithstanding population explosions, the per capita income has more than doubled; industrial output has increased seven times, capital formation 10 to 11 times, and enrollment in institutions of higher learning 15 to 16 times. . . .

The attention of governments must be reoriented to the problems of the underprivileged sections of the world community. Developing countries generate 20 percent of the world's output, absorb 30 percent of the total exports of developed countries, and, in the 1970s, had higher rates of investments. Why should they be denied their rightful share in decision-making?

"Debt crises" are there because private international banking, alert and sensitive as it is to opportunities for profitable recycling, cannot perform the function which, by its very nature, can be undertaken only by suitably strengthened international organizations dealing with problems of money and finance for a developing world economy. Strong international organizations must be truly representative of the international community. To consider these matters, we have called for a conference with universal participation. The mutuality of interests of different nations and peoples must be fully recognized. Hence the need for a new international economic order. . . .

I am a soul in agony. As one who feels passionately about freedom, I cannot but be alarmed at the continuing pushing domination, the new methods and forms of colonialism. This is all the more pernicious because less obvious and recognizable. Except for a few places, the visible presence of foreign rule has gone. We are free to run our affairs. And yet, are we not bound by a new kind of surrogate colonialism? How else shall we describe the power of and the pressure exerted through the monopoly control of capital, the withholding of superior technology, the political use of grain, the manipulation of information, both subtle and subliminal, for influencing minds and attitudes? Is it not time for us to pause from our daily concerns to ponder over the new dependency? Instead of reacting, should we the developing not think of acting on our own? . . .

Peace is not merely the absence of war. It is not a passive concept, but a positive one. It is a feeling of well-being, of good-will. I am asked if non-violence will work in today's world. Nothing ever works ideally, but the concept of non-violence can make an enormous difference. When Mahatma Gandhi practiced non-violence, he did not mean just the absence of violent acts, but the avoidance of violent words and even thoughts. Non-violence is neither a cowardice nor a resignation. On the contrary, an unarmed crusader needs far more determination, discipline, and daring. Definitions of right and wrong are colored by reality. In truth, the only right is that which preeminently ensures the good of all living creatures. Let that message go from this hall to encircle the globe.

The shrinking OPEC surplus

Reduced earnings of oil-producing countries are being felt in the Euromarkets as a squeeze on deposits.

If the \$28 per barrel current benchmark price for oil holds until year's end, the oil-producing countries in the OPEC cartel will post a deficit of between \$40 and \$53 billion. This compares to the \$10 billion deficit OPEC ran last year, when sales fell dramatically due to the collapse of demand in Western industrial countries.

The \$13 billion margin of difference in these 1983 projections, which come from New York commercial banks, is based on different views on what will happen to oil sales this year. OPEC output is currently in the range of 16 million barrels per day (bpd); the lower \$40 billion projection assumes that world demand will rise by the fourth quarter to 18 million bpd, due to last year's run-down in oil stockpiles as well as this year's "economic recovery." This assumption, however, is highly questionable.

If the oil price declines further—and pressure is coming from Iran as well as non-OPEC producers for price discounts—OPEC's deficit could shoot up to the \$70 billion range. According to New York market observers, even at this early date, the disappearance of the OPEC surplus is the single most important factor pushing up Euromarket deposit rates.

The differential now between rates on six-month Euro-CDs and U.S. Treasury bills is at a record high of over 1 percent. The gap can continue, so long as the U.S. Federal Reserve continues to increase reserves to the U.S. banking system; but the pressure

on Euromarket funding is pushing U.S. domestic rates towards a rise of 100-200 basis points by the end of August.

Earlier this month, the head of the West German central bank reported that Saudi Arabia had failed to renew investments in West German government obligations. In the first quarter of 1983, the Mideast oil-producing countries sold over \$1 billion more in U.S. government securities than they purchased, according to U.S. Treasury estimates. It is too early to determine whether the \$400 million in liquidations on the short-term end is merely due to "seasonal" factors, such as the wrap-up of the Saudi Arabian fiscal year, which occurs during the U.S. first quarter.

However, to the extent that the bulk of Middle Eastern funds is now expected to be concentrated in short-term denominations, the reduction of \$625 million in long-term investments in the first quarter will probably not be reversed.

Many bankers argue that the disappearance of the OPEC surplus is irrelevant to the availability of funds for international banks. They claim that, since the same funds which would have been earmarked by OPEC for banking deposits are now being used to finance imports from international firms, these funds find their way into the banking system anyway.

What this monetarist argument ignores, however, is the extent to which the offshore banking markets function as a form of private central bank.

Since the whole point of offshore banking is that it is reserve-free, every real deposit placed offshore creates a much larger "multiplier" of international liquidity than the same funds placed with domestic bank branches.

As recently released Bank for International Settlements figures show, international lending from offshore centers contracted dramatically in 1982. Lending from offshore centers in the BIS reporting area was below \$20 billion, compared to \$118 billion in 1981. Lending from the parent branches of U.S. banks, in contrast, leapt up a sharp \$29 billion, to a total of \$103 billion, compared to \$74 billion in 1981.

All this occurred before the oil-price collapse, and was largely the result of much greater banking "caution" in lending to Third World countries which have been defaulting on their debts. Banks have been concentrating their lending operations in parent branches, where they have the full backing of central banking authorities, a form of security that banks cannot afford to do without amid the uncertainties of the current international debt crisis.

What this adds up to when combined with the reduction in oil-producers' funds, however, is an accelerating shrinkage in the offshore Euromarket system as a whole. A U.S. Federal Reserve official told *EIR* that the dwindling availability of real deposits in the offshore markets now represents the most vulnerable point for a collapse of international banking. These officials are particularly monitoring the offshore subsidiaries of "U.S. third- and fourth-tier banks," since these smaller institutions cannot compete with larger institutions for funds and may suddenly have greater difficulty maintaining interbank obligations.

Paying Peter to pay Paul

The U.S. government is leading the 'recovery' by means of deficit financing, which can't go on too long.

For the sixth month in a row, the U.S. industrial production index rose in May. With the 1.1 percent increase in that month, it has risen by 7 percent since last November. At the same time, the factory utilization rate rose in May to 72 percent. Though this represents an increase from the low 66 percent of last November, it means that factories are still operating at below three-quarters of capacity.

The U.S. economy's industrial-agricultural infrastructure is still obsolete. Capital goods production, as indicated by pitifully depressed machine tool orders, is still in a state of collapse. But, as the increase in the capacity and production numbers indicates, something is occurring: basically a U.S. government deficit financing-led boomlet in selected categories of (especially) consumer goods, and a limited return to liquidity in the corporate sector.

The means by which this is being achieved is a classic Mutt-and-Jeff routine, run by Treasury Secretary Donald Regan and Federal Reserve Board chairman Paul Volcker. When the poor President gets up and says the U.S. recovery will finance the deficit and close the budget gap, what he doesn't know is that the budget deficit is what is financing the recovery, and causing money supply to billow.

Donald Regan is using the bountiful resources of the U.S. budget to "give away" various types of income, meant to be a boost to various branches of the U.S. economy. Meanwhile,

Paul Volcker is working with the banks to pump tremendous amounts of reserves into the banking system to allow the banks to purchase U.S. Treasury securities in record numbers, and thus finance the deficit that Regan has helped create.

The role of Volcker and the banks can be seen in the reports from the Federal Reserve's own flow of funds statements. In any given year for the last decade, the U.S. banks usually have bought between \$5 and \$20 billion annually of U.S. Treasury securities, in a few years going as high as \$30 billion. But in the fourth quarter of 1982, the banks bought \$62 billion worth, on an annualized basis, and in the first quarter this figure hit a staggering annualized \$93.8 billion. This means the banks were picking up half the \$189.1 billion worth of Treasury issues, annualized, that the U.S. government was offering during the first quarter.

In turn, Volcker was feeding these banks the reserves they were using to buy the Treasury securities. Thus, instead of monetizing the Treasury debt directly, the Fed used the banks as an intermediary.

At the same time, U.S. state and local governments were playing their own financial intermediation game. On an annualized basis, they issued \$52 billion of state and city government bond issues, but turned around and invested the receipts from the bond sales—which, because the municipal bonds are tax-free, are issued at a low-

er interest rate—in higher-yield Treasury issues. In the first quarter, the state and local governments bought \$67.7 billion worth of U.S. Treasuries. Together, state and local governments and the U.S. banks purchased a staggering 85 percent of all Treasury debt in the first quarter.

This explains how the deficit got financed.

The government's ability to dispose of its debt permitted the use of the U.S. budget for the following rather exceptional purposes:

- As a result of the crazy Payment In Kind (PIK) agricultural program, the U.S. government will pay out to farmers an extra \$10 to \$15 billion for PIK above farm price-support program levels.

- The U.S. government continues to give out large amounts of funds for transfer payments for the unemployed and other victims of the industrial depression.

- It should also be noted that largely as a result of the high interest rates and declines in profits, but also because of tax law changes, the amount of net receipts that the U.S. government took in from corporations for the first five months of fiscal year 1983 plunged to \$17.1 billion from a level of \$30.2 billion in the comparable period of fiscal year 1982, a fall of 43.5 percent.

These reduced tax outlays, plus a large volume of corporate bond flotations and a sharp reduction in corporate capital spending, made the corporate sector as a whole slightly more liquid in the first quarter, temporarily helping them stabilize their finances.

Thus depression-level U.S. government deficit financing constitutes a major cause for the so-called upswing, but by its nature, this kind of "recovery" can only have a short lifespan.

Business Briefs

Banking

Fight in Japan over discount rate cut

Despite growing business pressure for an immediate discount rate cut in Japan, the new chief of the Ministry of International Trade and Industry (MITI), Sosuke Uno, is taking a cautious approach. He warned June 16 that a cut of 0.75 or 1 percent from the current 5.5 percent level "could prompt an outflow of capital, resulting in a further depreciation of the yen against the U.S. dollar," according to Kyodo News' *Japan Economic Daily*.

Uno, a close political associate of Prime Minister Yasuhiro Nakasone, took over MITI when Sadanori Yamanaka was forced to resign shortly after the Williamsburg summit for health reasons.

For weeks business has been urging a discount rate cut to spur recovery, a call renewed June 16 by Japan Chamber of Commerce and Industry president Shigeo Nagano, and joined by Foreign Minister Shintaro Abe and Economic Planning Director Jun Shiozaki.

A cut had been seriously considered for mid-May. However, when the American interest rates began to rise again, the yen depreciated from 233 per dollar to its current level of 243, the cut was shelved.

With Japan under heavy criticism from the United States for its undervalued yen, Bank of Japan Governor Haruo Maekawa and others have been reluctant to risk further criticism by taking a move such as lowering interest rates that could lead to further yen depreciation.

Military Policy

Business Week features beam weapons at last

The June 20 issue of *Business Week*, the most widely read weekly magazine in the United States, carries an analysis of President Reagan's program for space-based laser and beam weapons development as its

feature story. Headlined "The U.S. Returns to Space," the article cites the program as "the most radical strategic policy change since World War II."

Business Week is primarily a mouthpiece of Boston-based "Brahmin" banking interests, who with this article, have finally confirmed the massive investment opportunities opening up to U.S. business as an outcome of the President's strategic doctrine.

These investment opportunities are presented in a narrow framework, emphasizing the specific research and development projects which are occurring on the shuttle launches, for example, rather than the broader, in-depth productivity spinoffs which the new technologies offer. Nevertheless, this is the first major mass-media effort by a segment of the financial community to influence the outlook of U.S. corporations away from anti-technology kookery, toward a high-technology industrial program.

EIR published a cover story on the effects of the development of beam weapons on the economy in its Nov. 30, 1982 issue.

International Credit

Nigerian loan agreement reached

A loan package to refinance about \$2 billion of Nigeria's huge backlog of trade debts is reportedly near completion. The nation depends on oil sales for over 90 percent of its foreign exchange, and the big drop in oil sales over the last two years has hit Nigeria very hard financially. The government has officially admitted to \$3.3 billion in trade debt arrears, while some banking sources claim the total is over \$5 billion.

The package includes rolling over part of these arrears into a three-year loan, with a six-month grace period. Interest is to be 1.5 percent above the London Eurodollar rates.

Barclay's International and North American banks, reportedly with Bankers Trust in the lead, arranged the package for the creditor banks. After initial difficulties, including demands from the banks that Ni-

geria would first have to go to the IMF and meet demands for a devaluation of the naira, the package was worked out more easily than had been expected.

Banks had begun refusing to confirm letters of credit for Nigerian imports. If this package goes through, international banks are expected to soon again resume honoring letters of credit opened by Nigerian banks.

Agriculture

The Humpty-Dumpty world of PIK

The U.S. Department of Agriculture is now devising plans to deal with the critical shortcoming of its Payment In Kind (PIK) program: it is proposing that farmers be given federal loans to grow the necessary wheat and cotton for the program. USDA does not own enough surplus grain or commodities to hand over to farmers, who entered the program by agreeing not to plant some of their land in exchange for grants of surplus grain.

Not only is PIK thus failing to cut overall production and reduce the so-called surplus, but in order to obtain supplies to meet current commitments to farmers, USDA may have to loan farmers up to \$500 million to grow the commodities needed for PIK. The proposed program will be called "Plant for PIK."

Government wheat supplies, which are running almost 80 million bushels short, are being supplemented by farmers defaulting on government loans for which their stored grain was held as collateral. USDA is now promoting exactly such a situation to increase its cotton supplies: As a short-term measure, the USDA is offering farmers incentives to cancel on government loans and abandon the cotton held as collateral. However, even this measure, which expired June 16, left USDA some 700,000 bales of cotton short.

Deputy Agriculture Secretary Richard Lyng proposed in a speech the first week of June that the government might have to buy cotton on the cash market; that initiative was immediately replaced with "Plant for PIK."

Under this plan, according to Lyng, certain cotton farmers will be required to take out a federal loan on the cotton they produce this year. The loan will then be cancelled, leaving the farmer with both his crop and the funds. The loans are expected to total some \$200 million.

However, due to serious flooding, cotton prices are expected to rise and relatively few farmers are expected to turn their product over to PIK rather than sell it on the market. The PIK program, by attempting to reduce supplies, has contributed to the price rise.

World Debt

Brazil and banks in holding pattern

As time runs out on the June 30 deadline for Brazil to pay \$400 million it owes the Swiss-run Bank for International Settlements, negotiations are in a stalemate.

On the external front, there has been no agreement reached by Brazil with the banks, the IMF, or the Treasury. Inside Brazil, Delfim Netto's planning ministry announced that state sector investments would be cut by 24 percent in real terms from last year's level, but the presidential palace replied that this did not yet have presidential approval. These measures were expected in May, then June 8, and then June 13, but keep being put off.

Brazil's president João Figueiredo pronounced June 14: "The most the bankers could do is not loan the money. Negotiating the debt, negotiating the form of payment does not mean that we are going to start obeying the international bankers, nor the IMF."

Central bank chief Geraldo Langoni admitted in a New York press conference June 16, "it is a very difficult task politically to control the public sector. . . . We now have to deal with Congress, even if this creates some difficulties." Langoni is facing difficulties, not only for his failures and the growth of nationalism in Brazil, but because Morgan Guaranty, with which Langoni had close ties, has lost control over Brazil's foreign debt.

The banks have formed a new structure, to deal with "the added needs of 1983 and 1984 and start on 1985," Langoni stated. This group of banks will be headed by Citibank, with Morgan and Lloyds in a second circle, 11 other banks from around the world in a third circle, and 26 additional banks in a fourth circle. Langoni agreed to permit a subcommittee headed by Citibank to permanently monitor Brazil's internal book-keeping, a concession of sovereignty that may well be vetoed by Brazil.

Langoni admitted for the first time, "There is no doubt that Brazil will need more money in 1983," and gave a \$3.5 billion figure. However, he conceded that neither private nor central banks will provide any money until the IMF clears Brazil.

Domestic Credit

Fed sets new minimum capital standards

Based on a proposal of Switzerland's Bank for International Settlements, the Federal Reserve adopted unanimously new minimum capital standards for U.S. multinational banks June 13 which could result in serious reductions of both commercial and consumer lending, including lending to developing nations.

The new rules, which take effect immediately, will require these banks, which until now did not have to meet any minimum capital standard, to maintain primary capital at 5 percent or more of total assets. The 17 banks affected by the rule change will probably be given 12 to 18 months to comply with the standard.

Community banks have been required to keep primary capital at 5 percent, and regional banks at 6 percent of total assets, since 1981.

The rule would require BankAmerica, Citicorp, Chase Manhattan, Bankers Trust, and Irving Bank Corporation to raise some \$800 million in new capital funds, if they are not to cut back on lending.

The Fed's move may be in part an attempt to forestall Congress from creating more severe restrictions on overseas lending.

● **JAPANESE** scientists claim success in a new desalination process that is not only one-third as costly as current methods, but produces fresh water pure enough to be used in boilers for nuclear and other reactors, according to the June 17 *Japan Economic Daily*. A spokesman says this process means that thermal and nuclear reactors can now be located at coastal sites where fresh water is unavailable (and perhaps where political resistance may be less).

● **TANZANIA** devalued its shilling by 20 percent against the U.S. dollar as of June 6. Tanzania is in disastrous economic shape, and has been under intense pressure from the IMF to devalue before granting any loans for balance of payments deficits. This is the third devaluation of the shilling in the past four years, none of which have led to an improvement in the Tanzanian economy.

● **ANDRE DE LATTRE**, former chairman of France's *Crédit National* and an official of the World Bank, was recently named head of the Institute for International Finance (IIF), the think-tank assembled earlier this year by the creditor bank organization known as the Ditchley Group.

● **WASHINGTON** has vetoed through COCOM a sale by Japan's Hitachi Ltd. of electronic phone exchanges to China, claiming that these could be used for military purposes. COCOM is the intergovernmental agency of Western countries that enforces rules against military-related technology transfer to Socialist bloc countries. The veto comes days before the United States is to announce its own loosening of restrictions on exports to China. According to *Kyodo News*, Tokyo will send officials to the United States to try to get a reversal of the decision.

Why Menexenus spells trouble for Andropov

by Criton Zoakos

The Menexenus is one of the more obscure and certainly the most controversial of all Plato's dialogues. Its authenticity has been challenged for centuries, even though literary, historical, and traditional evidence supports this dialogue's authenticity more than any of Plato's other dialogues. The grounds for challenging the dialogue's authenticity have been curious. In the Menexenus, Socrates has assumed an uncharacteristic role, as he delivers what appears to be an unabashedly jingoistic public oration on the history of Athens. The identification of the real story behind the Menexenus given below vindicates that wickedly humorous piece for the first time ever since it was written.

Most human beings, throughout history, have fought wars not knowing exactly for what ultimate purpose they were fighting. Ordinary people participate willingly in wars and other great world conflicts because they have no other means for moral fulfillment of their lives, except a worthy contribution to the moral success of their society, as mediated by their state. Soldiers may fight for all sorts of things: money, glory, adventure, perceived moral obligation, support of a political program, love of commander.

But it is not these motivations which make history. Above all these stand the states, the institutional organization of society, and the purposes of states, whose motivations govern the conduct of great conflicts. And those forces and influences of history which shape the motivations of states, ultimately regulate the flow of history.

This is why Plato's most obscure dialogue, the *Menexenus*, spells trouble for Yuri Andropov.

The dialogue's context is the world of the fourth century B.C., a period of world history very similar to the political universe which has come to the surface since March 23, 1983, when President Ronald Reagan proclaimed his doctrine of strategic defense, relegating "deterrence" to history's scrapheap.

As ancient historians report to us, the political factions of the "West" in the fourth century B.C. broke down to two general tendencies which could be named,



At left: Tissaphernes, one of the Persian satraps whose funding shaped Athenian politics during the time of Plato. At right: Philip of Macedon.

in late-20th century American usage, the Kissinger-Harriman faction and the Heritage Foundation-Hoover Institution faction. The Kissinger-Harriman faction was represented by what all Greek states *practiced*, from 449 B.C. down to 338 B.C.: collaboration, convergence and *détente* with the "East," then represented by the Persian Empire. The Heritage Foundation-Hoover Institution faction of the time was represented by what the chief spokesmen of Greek public opinion *preached* from about 408 B.C. down to 336 B.C.: make war to the end against the Persian Empire.

What made these factions indistinguishable from each other was that both justified their proposed policies on grounds that they served to instill racialist "blood and soil" cultural and psychological characteristics in the western (Greek-speaking) populations. Both factions were controlled by the cultural and ideological arbiter of the Greek-speaking world of the time, the Cult of Apollo at Delphi and at Delos, an Oriental cult introduced into the West during the late eighth century B.C. for the purpose of transmitting the Oriental cultural matrix of blood and soil.

Yet, apart from the "left" and "right" versions of Apollo's blood and soil policies, there was another force of which historians of the period speak very little. This force, of whose existence the dialogue *Menexenus* is the crucial clue, ultimately proved to be the arbiter of the great world-historical developments of the fourth century B.C., as it was the inspirator and executor of the program which came down in history as the campaigns of Alexander the Great.

The conflict between East and West, more precisely between the mystical, anti-science, countercultural matrix of

the East and the rationalist, pro-science matrix of the West, a conflict which 19th-century historians have rightly dubbed the "Eternal Question," erupted with great force during the first half of the first millennium B.C. in the form of a strategic conflict between the two then-superpowers, Mesopotamia and Egypt.

Menexenus and its historical context

The details are lost in the mist of early recorded history. What is verifiably known is that classical Greek-republican civilization emerged out of a protracted Dark Age simultaneously and in connection with a great Renaissance in Egypt during the eighth century B.C. According to surviving historical accounts, reported by Diodorus Siculus, the Egyptian Cult of Ammon used as its instrument the so-called Ethiopian or 25th Dynasty, to once again unify and revive Egypt. That Egyptian revival was carried out by means of close military alliances with Greek cities and by large-scale dissemination of Egyptian culture and science among those Greek cities.

Every notable Greek personality of the period was educated in Egypt. One may speculate that without Solon's education by the priests of Ammon, the tradition of Western political republicanism would not have been launched. His authorship of the Athenian constitution and his archonship during 594 B.C. set off a chain of events without which neither Aeschylus nor the Academy of Plato (and hence the tradition of institutions of higher education) would have been possible. Similarly, the education of Thales by Ammon-dominated Egypt launched the scientific tradition in the West and triggered a chain of events which also resulted in Plato's

Academy and all that implies for the subsequent course of Western civilization.

For Prof. Yuri Andropov to know: the Great Game which he is now attempting to play was launched by these distant and little understood priests of Ammon as a joint *military-scientific project*: they wedded the military capabilities of the Greek tribes with a rationalist cultural orientation and injected that military combination with a scientific tradition, to lasting effect. It was this military-scientific policy which broke the stranglehold over the then-civilized world maintained by the obscurantist Mesopotamian priesthood—via that priesthood's influence over the kings of Assyria.

The Ammonians' military-scientific project led to a chain of events in Mesopotamia which obliged the Mesopotamian-Babylonian priesthood to overthrow the Assyrian state, replace it with a Babylonian state, then to overthrow that in order to install in power outlying military tribes, first the Medes and then the Persians. After the Persian conquest of Babylon in 540 B.C., the permanent orientation of the Babylonian priesthood's state was to suppress Egypt and the Greek world. The conquest of Egypt was accomplished in 525 B.C. and Persia's invasions of Greece started in 490 B.C.

Key instruments of Persian-Babylonian policy within Greece were the Cult of Apollo and Apollo's Oracle at Delphi, which were introduced from the Oriental province of Lycia into Greece at about the time of the first phase of Greek collaboration with the priests of Ammon. At appropriate points of this report, we shall review the relevant events of Greek history, with the caveat to the reader that the period was not an age of innocence or simplicity, but fully as complicated and corrupt as the contemporary world known to us. There were as many deceivers and "suckers" then, proportionately, as there are now. Historians of the period and the records which they left us were meant to be read between the lines by those who can discern the issues. Now, back to Apollo and on to the *Menexenus*.

The *Menexenus* of Plato must be read side by side with four of Isocrates' speeches: the *Panegyricus*, the *Areopagitica*, the *De Pace*, and the *Letter to Philip*. It will then become evident how Plato the politician used the services of Isocrates to launch the project which resulted in the campaign of Alexander the Great.

If you transposed yourself to the city of Athens at the time of the writing of the *Menexenus*, having been a worldly, knowledgeable New Yorker of the 1980s would prove an advantage in your effort to understand what's going on in the city. Politics was run by a corrupt, ignorant, and greedy Congress, made up of members controlled by businessmen, merchants, and international bankers who were hiring out everything, including generals and mercenary armies, to foreign service. Opinions among congressmen were swayed by the opinion-makers, the Walter Cronkites, Yankeloviches, and Harris pollsters of the day: Isocrates, Aeschines, Demosthenes, Lysias, Gorgias, et al. The old nobility of Athens

had withdrawn from public affairs, either making their deals with the mercenary classes or living a sullen, isolated existence on their farms. The glamorous men of the day were bankers, sophists, and mercenary admirals and generals, all basking in the glitter of Persian subsidies.

Withdrawn from the crowd was the Academy of Plato, outside the walls of the city, pursuing original research in a number of branches of science. Its students included members of such old Athenian noble families as had not yet been totally demoralized, but were mostly young foreigners from every land of the eastern Mediterranean. The Academy's presence in the city was hardly felt at all—it was chiefly a distant rumor enveloped in misunderstanding, and some sort of indifferent awe that is due to things not understood. But, the Academy, by its mere presence, had set a standard of dignity.

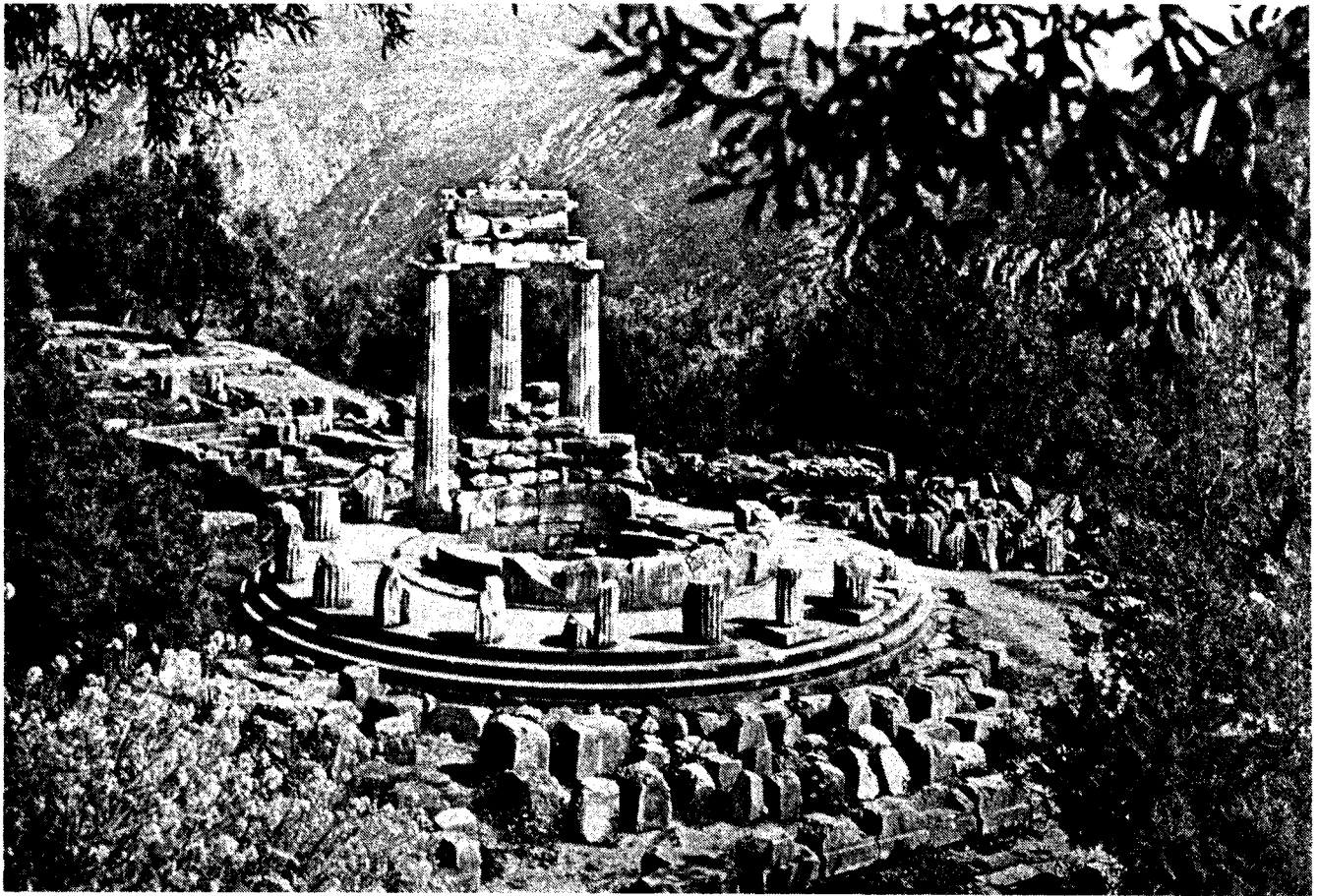
Athenian democracy at work

Isocrates tried hard to imitate that air of dignity. He would reject the role of the rabble-rousing orator of the Assembly. He would become the head of a school teaching others to become rabble-rousing orators. He would influence opinion and policy by writing his speeches and publishing them for circulation among policy-making circles. Over the years, Isocrates became recognized as the leading respectable opinion-molder of all Greece, not just Athens. His relative distance from day-to-day politics, in imitation of the Academy's style, had wrapped him in an air of dignity.

Beneath him in rank and influence were the sparkling orators of the Assembly, Hyperides, Aeschines, Demosthenes. And beneath them, the rabble of scavenging Sophists. This was the backbone of Athenian post-Periclean "society." The rest were the average citizenry, merchants, sailors, craftsmen, actors, the backbone of Athenian democracy, all voting citizens.

The secret of the democratic process was bribery, known by the name Theoric Fund or Spectator's Money. Citizens were paid a full day's salary in order to attend the sessions of Congress, to the point where the entire voting citizenry of Athens could attend the sessions as a way of making a living. Revenues for the Theoric Fund would be secured either by bribes from the Persian king, or by the income of hired-out mercenary armies, or from the funds of rich merchant-banker families. The bribed citizens would sit and watch orators propose and explain policies to the Assembly. You could depend on the orators to embellish even the most odious policy. There was only one criterion in the listening, voting public's mind: will such and such a policy proposal keep the Theoric Fund going? And votes would be cast accordingly.

Of the 300,000-plus total population of Athens, about 25,000 to 30,000 were voting citizens; the rest were slaves, non-citizen immigrants, and women. The opinion-making functions of orators, sophists, et al. was aimed at these 25,000 to 30,000. The opinion-making functions of the more aloof Isocrates were aimed at these plus the orators themselves, as



The rotunda of the Oracle of Apollo at Delphi.

well as the non-Athenian public in the rest of Greece.

Isocrates, as he himself willingly admitted in writing, was pushing opinions and policies given to him by the Cult of Apollo. (See the *Letter to Philip*, quoted below). So, his long-term policy is the policy of the Oracle of Delphi.

The overall policy of Delphi is described in full detail in four surviving documents of Isocrates: the *Panegyricus*, a major speech delivered to representatives of all Greek states at the Olympic Games of 380 B.C.; the pamphlet *De Pace*, distributed among policy-making circles in the year 355 B.C., the year in which Isocrates's own political faction took control of the Athenian administration under the archon Euvulus; the pamphlet *Areopagiticus*, distributed in 354 B.C., and his *Open Letter to King Philip* of Macedonia, circulated in 346 B.C.

The policy, as it was finally shaped, was a merging of the "Kissinger-Harriman" approach of collaboration with the East with that of the "Heritage Foundation-Hoover Institution" confrontationist line. Isocrates proposed a "limited war" between Greece and Persia, whose outcome would be the establishment of oligarchical regimes throughout Greece, the establishment of a "Third Force" buffer state between the expanded Greek-oligarchical territories, and a stabilization of Persia. Characteristically, he called the whole scheme a

"peace movement" and called on King Philip of Macedonia to head it up: "How, then, can we refuse to believe that people so hard-pressed would gladly see at the head of a movement for peace a man who commands confidence and has the power to put an end to the wars in which they are involved?" (*Letter to Philip of Isocrates*, 50c).

The Isocrates Plan

The objectives of this "peace movement" were identified by Isocrates in the same document in the following way:

"... [There are] those who now, for the lack of the daily necessities of life, are wandering from place to place and committing outrages upon whomsoever they encounter. If we do not stop these men from banding together, by providing sufficient livelihood for them, they will grow before we know it into so great a multitude as to be a terror no less to the Hellenes than to the barbarians. But we pay no heed to them; nay we shut our eyes to the fact that a terrible menace which threatens us all alike is waxing day by day.

"It is therefore the duty of a man who is high-minded, who is a lover of Hellas, who has a broader vision than the rest of the world, to employ these bands in a war against the barbarians, to strip from that empire all the territory that I defined a moment ago, everything to the west of the Sinope-

Cilicia line, to deliver these wanderers from the ills by which they are afflicted and which they inflict upon others, to collect them into cities, and with these cities to fix the boundaries of Hellas, making of them buffer states to shield us all. . . .

“This King [Artaxerxes III Ochus] is so far from exercising dominion over others that he is not in control even of the cities which were surrendered to him; and such is the state of affairs that there is no one who is not in doubt what to believe—whether he has given up because of his cowardice, or whether they have learned to despise and condemn the power of the barbarians. . . . Consider the state of affairs in his empire. Who could hear facts and not be spurred to war against him? Egypt was, it is true, in revolt even when Cyrus made his expedition [i.e., Xenophon’s *Anabasis*]; but her people nevertheless were living in continual fear lest the king might someday lead an army in person and overcome the natural obstacles which, thanks to the Nile, their country presents, and all their military defenses as well. But now this king has delivered them of that dread; for after he had brought together and fitted out the largest force he could possibly raise and marched against them, he retired from Egypt not only defeated, but laughed at and scorned as unfit either to be king or to command an army.

“Furthermore, Cyprus, Phoenicia and Cilicia, and that region from which the barbarians used to recruit their fleet, belonged at that time to the Great King but now they have either revolted from him or are so involved in war and its attendant ills that none of these peoples is of any use to him; while to you, if you desire to make war upon him, they will be serviceable. And mark also that Idrieus, [the satrap of Caria] who is the most prosperous of the present rulers of the mainland, must in the nature of things be more hostile to the interests of the King than are those who are making open war against him [the satraps of Phrygia, Armenia et al.]; verily he would be of all men the most perverse if he did not desire the dissolution of that empire which outrages his brother, which made war upon himself, and which at all times has never ceased to plot against him in its desire to be master of his person and all of his wealth.

“It is through fear of these things that he is now constrained to pay court to the King and to send him much tribute every year; but if you should cross over to the mainland with an army, he would greet you with joy, in the belief that you were coming to his relief; and you will also induce many of the other satraps to throw off the King’s power if you promise them ‘freedom’ and broadcast over Asia that word which, when sown among the Hellenes, has broken both our empire and that of the Lacedaemonians.”

That this “Isocrates Plan” is the policy of the Oracle of Apollo at Delphi, Isocrates himself proclaims rather unambiguously:

“Now if, after examining and reviewing all these admonitions in your own mind, you feel that my discourse is in any part rather weak and inadequate, set it down to my age, which might well claim the indulgence of all; but if it is up to

the standard of my former publications, I would have you believe that it was not my old age that conceived it but the *divine will* that prompted it, not out of solicitude for me, but *because of its concern for Hellas and because of its desire to deliver her out of her present distress and to crown you with a glory far greater than you now possess* [emphasis added].”

It is well known among historians that King Philip of Macedonia became a major military power because for the 10 years between 355 B.C. and 346 B.C., he engaged in military operations in defense of Apollo’s Oracle of Delphi, which had been conquered by forces hostile to the policies of the Oracle. It was during these 10 years in defense of Apollo that Philip’s armies and finances grew to the status of a first-tier world power. Isocrates will not let Philip forget this fact:

Plato’s self-defined task was to discover and establish the principles of science which ought to rule human life and to deduce from those the principles of statecraft which might be applied to straighten out the mess of the fourth century B.C. From this, a long-term political program was developed, as reflected in Plato’s writings, and a short-term political program as reflected in the Menexenus and the ‘Alexander the Great project.’

“I think that you are not unaware in what manner the gods order the affairs of mortals; for not with their own hand do they deal out the blessings and curses that befall us; rather they inspire in each of us such a state of mind that good or ill as the case may be, is visited upon us through one another. For example, it may be that even now the gods have assigned to me the task of speech while to you they allot the task of action, considering that you will be the best master in that province, while in the field of speech I might prove least irksome to my hearers. Indeed, I believe that even your past achievements would never have reached such magnitude had not one of the gods helped you succeed; and I believe he [Apollo] did so not that you might spend your whole life warring upon the barbarians in Europe alone, but that, having been trained and having gained experience and come to know

your own powers in these campaigns, you might set your heart upon the course which I have urged upon you.”

This much for Isocrates: not only has Apollo “prompted him” to come up with the Isocrates Plan, but Apollo has built up Philip’s power in order to execute the Isocrates Plan.

The plan adopted—and destroyed

In the year 337 B.C., a decade after Isocrates’ letter to Philip, King Philip assembled all the Greek states at a Congress in Corinth in which he proclaimed the entire Isocrates Plan as his own policy in every detail of domestic and foreign policy. The Isocrates Plan was incorporated in the text of a Common Peace and obligatory official oaths which were sworn to by all the citizens of every participating Greek state. Prince Alexander, the heir apparent to Philip who was objecting to the plan, was exiled by his father.

The ball was ready to roll when Philip was assassinated. Alexander took over, and the Isocrates Plan was never carried out. The clue as to why the Isocrates Plan was so suddenly and so efficiently destroyed is to be found in the *Menexenus* dialogue of Plato, because that dialogue sheds light on the otherwise puzzling question of Plato’s attitude to Isocrates.

This is what Prof. Yuri Andropov should beware. The Oracle of Apollo at Delphi was quietly confident that Isocrates had been used well. Isocrates was proudly proclaiming that he was the chosen agent of the Oracle at Delphi.

But, in the quiet shadows of the little Academy forest outside the city walls of Athens, Plato and his friends had analyzed the kinds of social forces that the Oracle at Delphi was manipulating, and the Oracle’s method of manipulation. Plato’s findings were published in this obscure and incomprehensible dialogue, the *Menexenus*.

In that dialogue, replete with wicked sarcasm as well as subtle ironies, Socrates is made to deliver nothing less than the equivalent of a raving “anti-communist” patriotic speech which, he says, he was taught by the most famous prostitute of Athenian bordellos, Aspasia, who, Socrates claims, wrote all of Pericles’ important speeches (in addition to sleeping with him).

In the dialogue, before actually delivering the speech, Socrates first describes the psychological effects on the population of such anti-communist (i.e., anti-barbarian) patriotic speeches. He describes the effects of what is today called “soft brainwashing,” as opposed to “aversive brainwashing,” whose effects on the victim usually last for no less than three days, but usually no more than five.

After this precise clinical characterization of the effects of anti-barbarian patriotic brainwashing, Socrates proceeds to demonstrate the technique by delivering the prostitute Aspasia’s speech, which turns out to be an ironical dissection of Isocrates’ *Panegyricus* oration of 380 B.C. The speech, like the *Panegyricus*, is mostly a fraudulent account of Athenian history as a professional anti-barbarian of that period’s Heritage Foundation would render. Isocrates’ anti-barbarianism is, for all practical intents, identical to, say, Margaret

Thatcher’s anti-communism. And Socrates’ Aspasia speech, with devastating ironies, draws out the absurdities of the Isocratean-Thatcherite historical claims. Any reader of the period, going over the particulars of Athenian “incorruptibility,” “valor,” “democratic principles,” “rule by the best” which Socrates chooses to highlight in order to support the argument of the genetic superiority of Greeks over the “barbarians,” would be laughing outrageously at his own expense, as he would be able to immediately realize the stupidity of his very own conceited rationalizations of his state’s despicable and treacherous actions. To understand the Socratic irony, the modern reader of *Menexenus* must first be fully conversant with the particular events of the first decades of the fourth century and also with the way in which the Athenian citizens were thinking and feeling about those events.

When Socrates in the *Menexenus* proudly proclaims that the power and military valor of Athens forced the Great King of Persia to humbly beg for Athenian assistance and to even offer large amounts of money to buy the favor or at least the benevolent neutrality of mighty Athens, the contemporary Athenian reader would have burst out in self-conscious laughter, knowing as he did that his country had just been smashed at the end of the Peloponnesian War by Sparta, which had been heavily subsidized by Persian gold.

The contemporary Athenian reader would also have known that after his country’s defeat in 404 B.C. and beginning with the year of the murder of Socrates in 399 B.C., the Persian King started subsidizing Athens heavily for the purpose of destroying the victorious Sparta. The Athenian reader would also know that the major revenue of his state was the payments of Athenian mercenary armies under admirals Iphicrates and Conon in the service of the Persian satrap Ariobarzanes of Syria and Hellespontum. Athens in the first two decades of the fourth century was a Persian puppet and its politicians most unabashedly pro-Persian. It had even made the Satrap Ariobarzanes and his sons honorary Athenian citizens. In the *Menexenus*, Socrates demonstrates the technique orators used to get the Assembly to vote up Persian policies, employing the techniques of anti-barbarian/anti-communist persuasion.

Getting beneath the particulars of political technique, Socrates in the *Menexenus* identifies the pathology in the population which makes the trick work: the cultural matrix of blood and soil. A whole passage of the Aspasia speech is devoted to the genetic superiority of Athenian blood, which derives from the special way in which Athenian “Mother Earth” produced human beings in the prehistoric period:

“The country which brought them [the fallen Athenians honored by the oration] up is not like other countries, a stepmother to her children, but their own true mother; she bore them and nourished them and received them, and in her bosom they now repose. It is meet and right, therefore, that we should begin by praising the land which is their mother, and that will be a way of praising their noble birth.

“The country is worthy to be praised, not only by us, but

by all mankind—first, and above all, as being dear to the gods. This is proved by the strife and contention of the gods respecting her. And ought not the country which the gods praise to be praised by all mankind? The second praise which may be fairly claimed by her is that at the time when the whole earth was sending forth and creating diverse animals, tame and wild, she our mother was free and pure from savage monsters, and out of all animals selected and brought forth man, who is superior to the rest in understanding and alone has justice and religion.

[All Athenians knew that the first-born of Athenian land was a big snake, a python which was worshipped as the autochthonous god at the time in which Socrates is made to speak.]

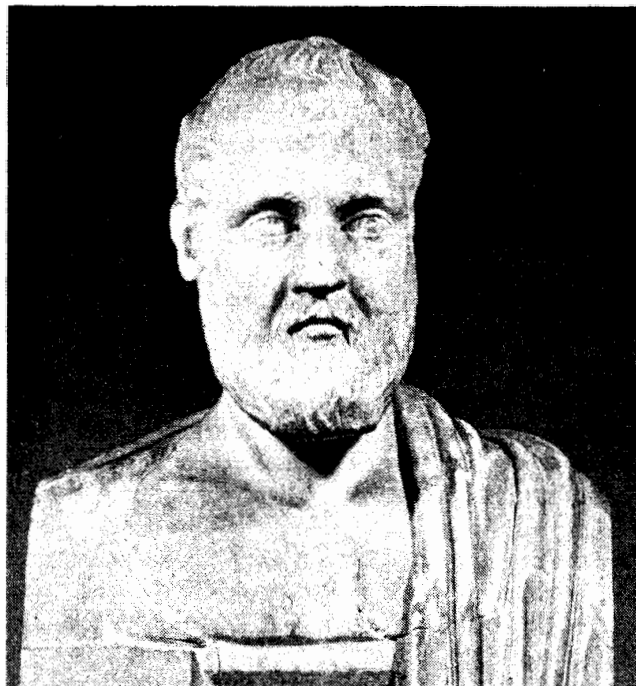
“And a great proof that she brought forth the common ancestors of us and of the departed is that she provided the means of support for her offspring. For as a woman proves her motherhood by giving milk to her young ones—and she who has no fountain of milk is not a mother—so did this our land prove that she was the mother of men, for in those days she alone and first of all brought forth wheat and barley for human food, which is the best and noblest sustenance for man whom she regarded as her true offspring. [All Athenians who heard that would laugh, because they knew that the central fact and pivot of all Athenian politics was that the country was not producing cereals, and therefore the city’s foreign policy was centered on the effort to secure cereal imports from the Black Sea.] And these are truer proofs of motherhood in a country than in a woman, for the woman in her conception and generation is but the imitation of the earth and not the earth of the woman.”

The internal arrangement of the Aspasia speech in the *Menexenus* follows closely the oratorical composition of Isocrates’ *Panegyricus*, in which the oracle of Delphi had first presented a systematic elaboration of the blood and soil principle with which public affairs were to be manipulated toward the ultimate implementation of the Isocrates Plan.

Plato’s relation to Isocrates

What is of relevance to us (and to Yuri Andropov), is to elucidate the actual attitude that Plato maintained toward Isocrates throughout his life. This subject has been one of considerable controversy among classical scholars in the past three hundred years. While Isocrates, Plato’s senior by seven years, displayed his annoyance and occasional hostility toward Plato publicly, Plato himself always made a point of maintaining a benign and appreciative attitude toward Isocrates. In the *Phaedrus*, Plato positively praises Isocrates. In his Epistle XIII to Dion, he makes it clear that he views Isocrates’ activities as useful.

In the question of “who manipulated Isocrates,” the turn of historical events suggests that Plato outmaneuvered the Oracle of Delphi. The major evidence for this is that Alexander the Great’s campaign did exactly the opposite of what Isocrates and Philip were planning, and did so under the



Isocrates

influence of Plato’s Academy. But the most crucial epistemological evidence, the evidence which answers the question “how did Plato do it,” is the *Menexenus* dialogue. To establish this point, we need to quote a certain crucial part of Isocrates’ *Panegyricus*:

“To begin with the first and most necessary demand of human nature, you will find that our ancestors were they who supplied it. Though what I am going to relate may be disfigured by tradition or fable, the substance of it is not the less deserving of your regard.

“When Ceres wandered from one country to another in quest of her daughter, who had been carried off by violence, she received in Attica the most favorable treatment, and those particular good offices which it is lawful to make known only to the initiated. The goddess was not ungrateful for such favors, but in return conferred on our ancestors the two most valuable presents which either heaven can bestow, or mankind can receive; the practice of agriculture, which delivers us from the fierce and precarious manner of life common to us with wild animals. . . . Athens also is the seat of philosophy, which hath softened our manners and regulated our conduct; and which, by teaching us to distinguish between evils brought upon us by imprudence, and those inflicted by necessity, hath enabled us to ward off the one and to bear the other honorably.

“Athens likewise is the theater of eloquence, a talent which all men are ambitious to acquire, and which excites so much envy against those who actually possess it. She has ever been sensible that speech is the original characteristic of human nature, and that it is by the employment of it alone we acquire all those powers which distinguish us from other

animals. . . . In eloquence and philosophy, therefore, Athens so far excels all other nations, that those who are considered as novices at home, become masters elsewhere; that the name of *Greek* is not employed to denote the inhabitant of a particular country, but rather the talents for which the men of that country are distinguished; and that this appellation is more frequently bestowed on such as are acquainted with our literature, than those who were born in our territories."

This selected passage contains the crucial ambiguity of Isocrates' pathetic role which the Delphic method of Apollo's Oracle used systematically and which Plato successfully "judged" by the diabolical way in which he handled Isocrates. What is the Greeks' claim to political supremacy? Why, according to Isocrates, should they declare war on the "barbarians"? Is it their genetic superiority imposed by their unique "blood and soil," or is it simply the inherent superiority of a unique cultural matrix? Isocrates and the Delphic method merely exploit the superiority of Greek culture to support their argument of racial superiority. Hence the pernicious telltale of equating philosophy with oratorical eloquence. The Delphic outlook of Isocrates fancied that it was holding Plato, the embodiment of the Western cultural matrix, prisoner and servant of Apollo's racialist blood and soil policy. Plato, on the opposite side, manipulated that policy to the purpose of defeating the Apollonian Oriental cultural matrix of the period.

Plato's relationship to Isocrates was essentially anchored in the fact that the former was an intellect of much more sweeping scope than the latter. Plato's lifelong concern was to preserve and advance forward that which he identified as the essential kernel of what we call Western civilization: the drive for a continuous succession of scientific breakthroughs, or, in his terminology, the "hypothesis of the higher hypothesis." Isocrates was a different kind of soul, "silver soul," Plato would have said, and Dante would have mercifully placed him in Purgatory. Isocrates liked to be viewed as the "Grand Old Man" of pan-Hellenic politics, the great strategist of the race who would settle the "Eternal Question" of East-West conflict by means of a "limited war," a compromise and a "Third Force" buffer zone. A flatterable Kissinger-cum-Carrington of the age, his vanity was used by the Oracle of Delphi. Beneath him was the swarm of orators, politicians, and generals who saw in Isocrates the standard of sophistication and "the last word" in strategic matters. So Isocrates was made the spokesman of a racist blood and soil strategy. Because of his public position, and the politics of the period, he had to cloak that racist pride in terms of "superiority of Western culture." He called for war against the "barbarians" in the name of "Western civilization," while he used the war to introduce the barbarian cultural context of racialism in Western civilization.

Plato played the game in reverse: he let the course of events lead to a war between East and West in order to introduce the West's civilizing principle, the scientific outlook, into the East. Isocrates was caught between two intri-

cate webs, one spun by the Oracle at Delphi and the other by Plato and the Academy. Plato won over the Oracle.

The sequence of events in the fourth century

By the year 461 B.C., a mere 20 years after the defeat of the Persian invasions, the political soul had been yanked out of what we call classical Greek civilization. What followed was unmitigated decline and degeneration. Most historians and classical scholars will dispute this judgment vehemently. The judgment, however, stands. During that year, the republican party of Athens, the Areopagus, was smashed. Republican leaders such as Admiral Cimon, the son of Miltiades, victor of the battle of Marathon, had been sent into exile. Eventually, the great Aeschylus was forced to abandon his beloved Athens and spend the rest of his life in Sicily. Athens fell to the hands of Pericles' Democratic Party, the pro-Persian party.

The Periclean Democratic Party had its origins in the sixth century B.C. faction of merchant and maritime interests on the East Coast of Attica, led by the Alcmaeonid family. During the troubles of the Peisistratid period of the sixth century, the aristocratic, blue-blood Alcmaeonid family had been sent into exile for undermining the traditions of Solon's Constitution. In exile, they became collaborators of Persia and at the same time, the greatest patrons of the Oracle of Delphi which they rebuilt. The Delphic oracle throughout the years of the Alcmaeonid exile was advising Sparta to invade Athens. In the year 490 B.C., during the first Persian invasion, Delphi had persuaded every single Greek state to side with the invading Asiatic armies. The Persian invasion was defeated by Athens alone and single-handed. Even Sparta, which feigned opposition to the Persians, sent military reinforcements to the Athenians one day after the historic battle of Marathon had been fought and won by the Athenian army under the republican Miltiades.

The Alcmaeonid democratic faction started gradually to regain a timid foothold in Athenian politics after the defeat of the second Persian invasion of 480 B.C. That invasion, unlike the first, was not repelled by the Athenian army, but rather by the newly constructed Athenian navy, at the naval engagement of Salamis, and by the combined forces of the depleted Athenian army and the full force of the Spartan army at the battle of Plataea. Therefore, ironically, even though the second Persian invasion was defeated, it had already caused an irreparable exhaustion of the Alcmaeonids' and the Delphic oracle's enemies, the Areopagitic land armies of Athens. It was this irreparable weakening which led to the full-fledged restoration of the pro-Persian, pro-Delphic democrats under Pericles.

The defeat of the Areopagus of 461 B.C. set off a chain of events which led, in 431 B.C., to the Peloponnesian War, so called, a 30-year conflict of all Greek states, half of them led by "democratic" Athens and the other half by "oligarchical" Sparta. The Peloponnesian War was not a conflict between Athenian state interests and Spartan state interests per

se. It was a military competition between two equally rotten Greek political systems both of which had been created and nurtured by Persian money and political manipulations of the Delphic oracle.

From 461 B.C. onward, there are no virtuous political leaders and no virtuous citizens in the Greek world. The so-called democratic factions, after the example of Athenian democracy, were based on the masses of mercenary sailors and petty merchants and artisans held together by public bribes with Persian money. Their leaders were old blue-bloods turned international bankers and merchants, after the example of the Athenian East Coast Establishment of the Alcmaeonids. The anti-democrats were a bunch of petty tyrannies led by greedy adventurer-individualists, scores of "Anastasio Somosas" of the type derided by Plato in his dialogue *Gorgias*.

Starting in 461 B.C., Pericles transformed the erstwhile Athenian Commonwealth of states into a coalition of like-minded corrupt democracies under the protection of the Persian king. This historians have called the Athenian Empire. The records show, however, that it was another Persian satrapy, the 21st Satrapy, which was taxed just like every other Persian satrapy but whose leader, Athens, was allowed by the Persian Great King to keep the proceeds of the satrapic tax—provided these proceeds were kept at the temple of Apollo in Delos. The Delos treasury was allowed to be transferred to Athens only after Athens and Persia made a deal whereby Athens undertook to make a major shift in its foreign policy, to declare that Sparta, and not Persia, was its number-one foreign policy adversary. This deal was clinched with the signing of a peace treaty with Persia in the year 449 B.C.

The 449 B.C. peace opened the stage of Greek-versus-Greek conflicts between "oligarchs" and "democrats" which led to the Peloponnesian War. The fate of that war was decided when Sparta, in the year 412 B.C., entered into a treaty with Persia against Athens, the Treaty of Miletus. This caused an internal constitutional transformation in Sparta, which for the first time in its history permitted the conduct of financial transactions and the establishment of a state treasury, both necessary measures for receiving massive infusions of Persian funds. By the year 404 B.C. Athens was defeated.

Throughout this period, there were no heroes and no statesmen who shaped Greek history. The single most important personality of Greek politics, the arbiter of Greek politics, was a Persian oligarch and his family, Pharnabazus, the satrap of Syria ad Hellespontum. He was the inspirator of the Spartan-Persian Treaty of Miletus of 412 B.C. From the year 412 B.C. to 386 B.C. he was the shaper of all Greek politics. After the destruction of Athens which resulted from this treaty, he took under his wing the pathetic but militarily ingenious Athenian Admiral Conon, who had lost the crucial naval engagement of Aegospotamoi in 405 B.C. in which the entire Athenian navy was destroyed, and which led to Athens' capitulation. Conon, the champion of Athens, fearing legal lynching back in Athens, preferred to defect to Phar-

nabazus' court. He was later appointed commander-in-chief of all Persian Mediterranean navies and destroyed the entire Spartan fleet at the battle of Cnidus in 394 B.C.

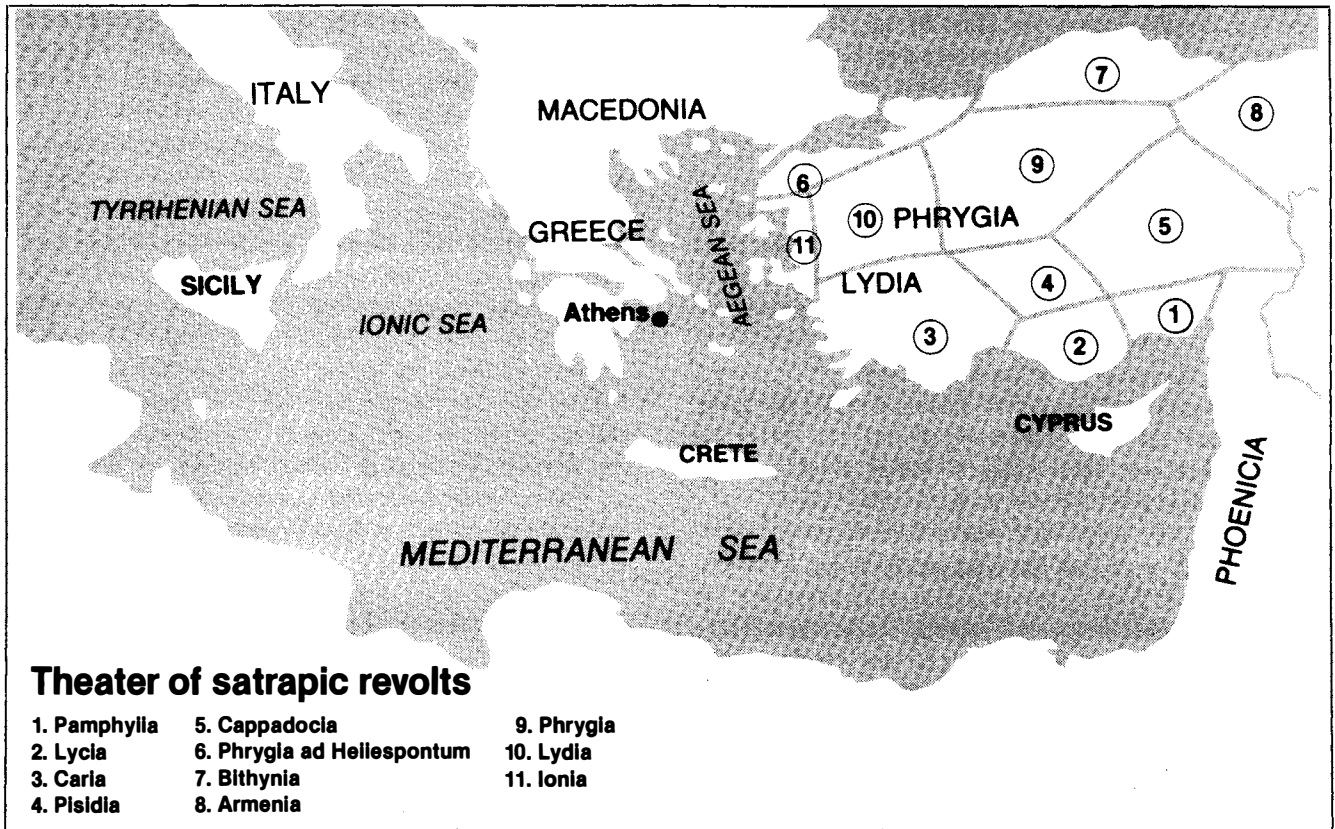
Pharnabazus meanwhile had succeeded in dethroning King Lysander of Sparta, the founder of the Spartan Empire and conqueror of Athens. He subsequently toured Greece and was given a hero's reception in Athens, whose great fortifications, the Long Walls, had been taken down by his own Spartans eight years earlier. He, the destroyer of Athens, was granted Athenian citizenship for himself and his children. This was in 393 B.C., six years after the execution of Socrates.

Seven years later, in 386 B.C., Pharnabazus was transferred to the Persian capital of Susa to marry the daughter of King Artaxerxes. During that year, a peace treaty was signed between Sparta and Persia, the Peace of Antalcidas, in which all Greek states, now totally corrupted and weakened, recognized the sovereignty of the "Great King." Called the King's Peace, its text, inscribed on a marble slab, was displayed in the central square of every Greek city. According to the custom of the period, all citizens were obliged to take oaths on the text of the treaty. Pharnabazus' post as Satrap of Phrygia ad Hellespontum was filled by his brother Ariobarzanes. Another member of the Pharnabazus family, his son by the king's daughter named Artabazus, in later years became a close collaborator of King Philip of Macedonia and a central component in the Isocrates Plan. This Artabazus, by rights, was a citizen of Athens.

The case of the pathetic Admiral Conon was not unique. Another illustrious Athenian politician, Alcibiades of *Symposium* fame, also betrayed Athens and defected first to Sparta and later to another Persian Satrap, Tissaphernes of Sardis. Every other great name among military and naval leaders served Persian satraps or the Persian King during the fourth century. Iphicrates, the famous military innovator, King Agesilaus of Sparta, so much admired by Xenophon, and so forth.

From the death of Socrates in 399 B.C. to the invasion of Asia by Alexander the Great in 334 B.C., the world of the entire eastern Mediterranean was a massive cauldron of war, corruption, murder, and doublecross. Roving bands of efficient mercenary soldiers, led by able military commanders, were moving incessantly at sea and on land, almost daily shifting sides, allegiances and paymasters. The main revenue of Greek states came from hiring armies out to the highest bidder. The sides and dividing lines of the conflict appear confusing and blurred, unless one examines the policies of the Delphic priesthood and the thread of the careers of the Pharnabazus clan. They themselves, it turned out, despite their apparent dominance over affairs, were nothing but mere instruments of the larger principles of statecraft which fueled that incessant, apparently senseless slaughter. Delphi and the priesthood, just like Lord Carrington, were attempting to manipulate something they could not understand.

It was in this maze of moral and political chaos that Plato decided to establish his Academy in the year 387 B.C., one



year before the infamous King's Peace. Plato's self-defined task was to discover and establish the principles of science which ought to rule human life and from those deduce the principles of statecraft which might be applied to straighten out the mess of the fourth century B.C. His lasting contribution to that century and to us is his discovery of the importance of the fact that there exist five and only five regular solids as a boundary condition of physical space, and the implications of that discovery upon the laws of composition of the universe. From this, a long-term political program was developed, as reflected in Plato's writings on the subject of the laws of composition of state-building, found primarily in the *Republic*, and the *Laws*. And a short-term political program for straightening out the miserable fourth century B.C., as reflected in the *Menexenus* and his "Alexander the Great project."

The Achilles heel of the oligarchical model

Visualize a map of the organized world of Plato's time, the Eastern Mediterranean. The main bulk of political power is centered in Mesopotamia, the heart of the Persian Empire where the Chaldean priesthood reigns supreme. This is the heart of the Oriental cultural matrix: mysticism, superstition, and systematically cultivated paranoid hostility to the scientific outlook. This empire rules over Egypt, Palestine, Phoenicia, Asia Minor, and Greece, which it has reduced to a state of permanent war of each against all. Then suddenly, after the "Greek problem" has been taken care of, the Great King's

satraps on the coastal regions begin to revolt, in unison or separately. This phenomenon of satraps' revolts is of unique importance in the politics of the last three thousand years. Understanding this, for example, provides the clue for understanding what really happened in the fascinating Thirty Years War of recent West European history: The Satraps' Revolts of the fourth century B.C. represent the Achilles' heel of the Oriental cultural matrix, the unique strategic vulnerability of the "Eastern Division" of Empire politics.

The problem is this: The Oriental priesthood, the grandmother of Eastern Orthodoxy, claims the right to rule the world by manipulation. They are the Chaldeans, the Mobeds, the Phoenician manipulators, echoed in our day by the "Byzantine style" in modern politics exemplified by the Venetian-Swiss banking tradition and its inspirator, the Byzantine Rite of the Eastern Orthodox Church and its great monument, Mount Athos.

This claim to rule by the Oriental priesthood-prototype requires certain instruments of rule, it requires the sinews of Empire. The priesthood must stay one step behind the actual wielders of temporal power, the Empire-builders. The Empire-builders must be manipulated but they must also exist in order to build the Empire which the Chaldean priests shall rule by manipulation. The entire history of Mesopotamia from Akkad and Sumer down to the Achaemenids of the fourth century, is determined by emergence of great Empire-builders and kings who are led to power by the priesthood—kings, who, upon accumulating power, challenge the priest-

hood and are subsequently torn down by the priesthood.

The Chaldean priesthood's response to the challenge of Ammon coming out of Egypt in the eighth century B.C. was to eventually install the Achaemenid Persian dynasty in Mesopotamia. They gradually started chopping down the Great King's power by the time of the third king of the Achaemenid line, Darius, whom they forced to share power with seven senior clans of Persian oligarchs, and then launched a great game of playing the oligarchical families against the central authority of the king. Therefore, as soon as Greek-republican and Egyptian power were subdued at the start of the fourth century, during the reign of Darius's grandson Artaxerxes, the priesthood-oligarchical combination resumed the game of taking apart the central power of the king. The clan of the satrap Pharnabazus, the subduer of Greece, played a major role in this great game throughout the fourth century.

If you visualize before you a map of the eastern Mediterranean littoral, right past the Dardanelles going eastward, you have the following succession of satrapies along the coast: Phrygia ad Hellespontum, Aeolis, Ionia, Lydia, Caria (right across the island of Rhodes), Lycia (Apollo's birthplace), Cilicia. This completes the entire Mediterranean coast of Asia Minor. Then turning south along the coast, we have Phoenicia, Palestine and Egypt. The inland area of Asia Minor is covered by the satrapies of Phrygia Major, Cappadocia, and partly Armenia.

Throughout the fourth century, all of these satrapies were in revolt against the Great King at one time or another. Both the king and the rebel satraps were relying mostly on Greek mercenary troops to conduct their warfare. The complicating factor for the priesthood stagemanaging the whole thing was that in the midst of these decentralizing revolts, the old republican enemy in Egypt and in Greece might revive. Care was therefore taken to sustain an ongoing policy of corruption of leaders and peoples. The corruption took the form of preserving and supporting two types of government: democratic (mob rule by bribe, the Theoric Fund) and oligarchical/tyrannical regimes.

The first major revolt of the satraps was led by Ariobarzanes of Phrygia ad Hellespontum, an honorary citizen of Athens, the brother of Pharnabazus (now son-in-law of King Artaxerxes), in the year 366 B.C. In 362 B.C. he is defeated and crucified but is replaced by his nephew Artabazus, also an Athenian citizen as son of Pharnabazus and the favorite grandchild of Queen Mother Parysatis, one of the major instruments of the priesthood within the royal palace. The concluding phase of the Ariobarzanes revolt included in its rebel ranks Orontes, satrap of Ionia and Mysia, Autophradates, satrap of Lydia, Mausolus of Caria and Datamis of Cappadocia. The satraps ended their revolt when they were joined by an Egyptian national liberation movement led by Pharaoh Tacho I.

From 359 B.C. onward, the year in which Philip of Macedonia becomes king, a series of new satrap revolts is programmed and the coastal satraps, especially Mausolus of

Caria, move to systematically increase their regional powers. This later leads to a full-fledged satraps' revolt in 355 B.C. in which the Athenian citizen satrap Artabazus and his two Greek Rhodian Generals, Memnon, and Mentor, play a key role. That same year, 355 B.C., Isocrates' faction takes power in Athens and Isocrates produces two of his most important policy pamphlets, *Areopagiticus* and *De Pace*, in which he proposes that Athens establish a formal oligarchical constitution and scrap its navies. Another Egyptian revolt shakes up the satraps' revolt. In 352 B.C. Artabazus is defeated and takes refuge in the court of Philip of Macedonia, friend of Isocrates. Mentor, Artabazus' general and brother-in-law, follows him into Philip's court while Artabazus' other general and brother-in-law, Memnon, is fighting in Egypt on the side of the Egyptian rebels against the king.

These satraps, mercenary generals, and Philip of Macedonia are the friends of Isocrates and the Isocrates faction now ruling in Athens.

The decade of the 340s B.C. is a period of planning and consolidation, also the decade in which the Isocrates Plan was made public in the form of Isocrates's letter to Philip. Artabazus, Memnon and Mentor restore their positions in the Persian King's court in a series of maneuvers which involved Memnon's doublecrossing the Egyptians with aid from the Phoenician priesthood. Memnon's, Mentor's, and Artabazus's restoration to the king's court was critical for the Isocrates Plan, which called for a "limited war" between Philip-led Greek tyrannies and King-led Persian armies. There was hope by Mentor, Memnon and Artabazus that the king might go along with the plan. Eventually, however, the king, Artaxerxes III Ochus, did not agree. He was therefore assassinated in the year 338 B.C. by a conspiracy of Memnon and Prime Minister Bagoas. Within weeks, King Philip of Macedonia convoked a panhellenic Congress in the city of Corinth where Philip personally proclaimed the Isocrates Plan as the policy of all Greeks. The relevant documents were signed and oaths were taken by the population, whose texts survive.

Next summer, Philip was ready to move his armies to the coast of Asia Minor. Commander of all Persian forces on the Mediterranean, land and naval was General Memnon, the guest at Philip's court for years and the assassin of Artaxerxes III Ochus. Then suddenly, Philip was murdered. Alexander and his faction took power after a brief struggle. Two years later the invasion of Asia was resumed under the command of Alexander. His first act of the invasion was to proclaim the restoration of the old republican constitutions of the 7th century B.C. for all the Greek cities in Asia. This was the first of a series of policies designed and proposed by Plato's Academy.

As Alexander's campaign moved forward, Alexander and his companions continued to promulgate similar measures, all of which were designed to destroy the arrangement envisaged by the Oriental priesthood and articulated in the Isocrates Plan. The bulk of the generals in the Macedonian army were themselves oligarchs committed to the Isocrates

Plan. Each time new republican measures were promulgated by Alexander and his "Companions," the generals were forced to accept them in the context of "exigencies of warfare." The critical moment came when Alexander decided to cross the Cilicia-to-Sinope line, the demarcation point between East and West according to the Isocrates Plan. This occurred at the battle of Issus and led to a series of revolts by old-line generals against Alexander, and a series of assassination attempts, the last of which, organized by an old pupil of Isocrates, Aristotle, succeeded in putting an end to Alexander.

The Socratic barb which provokes involuntary eruptions of laughter, and Socratic irony in general, is the key to introducing scientific thought. 'Where does laughter come from, then?' True laughter is the mind's way of celebrating its ability to laugh at itself. It is the sign that the citizen's rational sense of identity grows out of its previous boundaries, and conquers territory previously occupied by the dark semiconscious and the pitch-black unconscious.

But Alexander's life had already accomplished a major objective. The Isocrates Plan of the Oriental priesthood had been smashed. Certain cultural developments took place which set in motion the chain of events which led to Christianity and, ultimately, the birth of a civilizing movement on the European continent.

The Socratic 'barb'

The evidence of the Platonic Academy's central role in this subversion of the Isocrates Plan has been presented elsewhere. (See the *Campaigner* magazine, February 1981.) What this report wishes to emphasize is the underlying method by which Plato's Academy succeeded in carrying out this political coup. That method is indicated in the wicked humor of the *Menexenus* dialogue. In it, Plato identified the principal instrument of Oriental political warfare as the systematic spread of "blood and soil" ideology. He identified the psychological

symptoms of "blood and soil" brainwashing and with the ruse of the Aspasia speech, identified the weapon with which one disarms the "blood and soil" ideology: wicked humor.

Plato's Academy, during Plato's life and after his death, continuously intervened throughout the extensive geographical area in which the priesthood-inspired Satraps' Revolts were taking place through the fourth century. Before the Academy had been formally established, it was Socrates' policy to intervene in these Satraps' Revolts. The interventions were of multiple character and on all sides. They were military, political, cultural and, as in the case of the satrapy of Caria, mathematical.

The very first "satrap revolt," the expedition of Prince Cyrus against his brother the Great King in 401 B.C. in which Xenophon the historian participated, known as the *Anabasis of Cyrus* from the title of Xenophon's book, was encouraged by Socrates himself, as Xenophon informs us. In the subsequent decades of the fourth century, we have evidence of Platonic interventions in the political turmoil of the satrapies of Caria, Phoenicia, Cyprus, Rhodes, Ionia, Phrygia and Hellenes, the so-called Phrygia Minor. There were ongoing interventions into Macedonia which were begun by Plato himself and his friendship with King Perdiccas III, and continued by Plato's successor as head of the Academy, Speusippus, one of whose letters to Philip survives. In at least one instance, after King Philip was won over to the Isocrates Plan, we find leaders of the Academy forming tactical alliances with the Persian King's troops against the military activities of King Philip, as in the case of the siege of Byzantium, a city whose garrison was commanded by a prominent Platonist leader, the Athenian Leon and to whose defense rallied one of the most celebrated Platonist military commanders, General Phocion, renowned for being the only non-mercenary Greek general of the fourth century, a man of great dignity and great poverty, whose military services to Athens were never offered by him but were demanded by public vote of the citizens each time the city was in peril. Phocion was the only general who served because he was literally drafted to command. (He was in the end brought to a mass-trial and executed by hemlock in the manner of the death of Socrates.) The Academy's policy as a whole to the issue of the Satrap Revolts was to manipulate them extensively from all sides. The operation was crowned with great success in the year 334 B.C. when a prominent member of the Academy, Delius of Ephesus, then chief adviser to Alexander the Great on Asian policy matters, promulgated the restoration of the old republican constitutions of all the Greek cities of the Asian coast, constitutions which dated back to the eighth century and the time of Thales of Miletus.

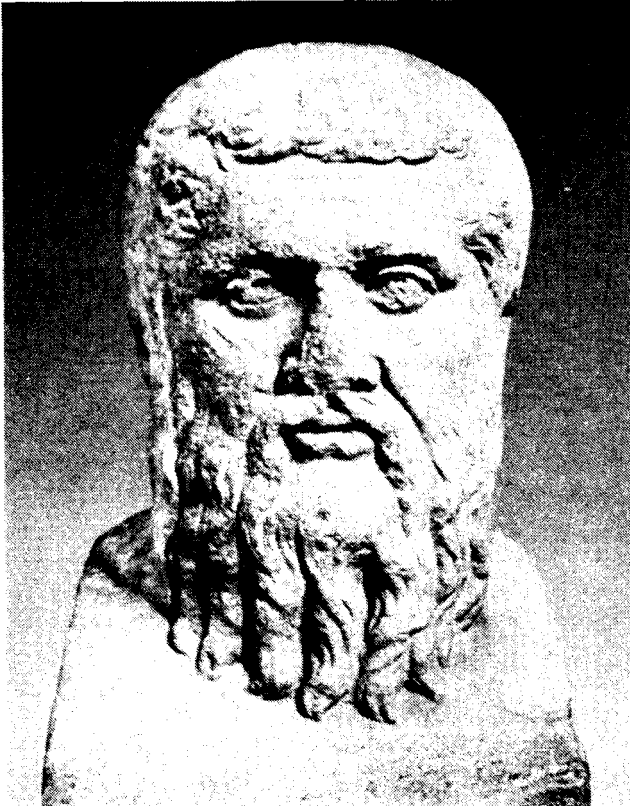
In the sixty-seven years which passed between Socrates's intervention in the Anabasis of Cyrus and the action of Delius of Ephesus, the Socratic-Platonist policy was guided by two evaluations:

1) The existing institutions of political power, from the office of the Great King to the dependencies deriving from

him, the satrapies, Somoza-like oligarchies and bribe-based democracies, were not viable. The key weakness of the system was that the Oriental priesthood was necessarily obliged to undermine the central pivot of this power-system, the monarchical tendencies of the office of the Great King.

2) A mass-psychological operation was mandated as a long-term policy, to undermine the "blood and soil" psychological grip of the priesthood over both populations and political leaders, in order to generate, or at least simulate a quality of "moral fitness to survive" among political leaders and portions of the population at large.

The instrument for this latter policy was the method of



Plato

"hypothesizing the higher hypothesis," the principle governing the composition of scientific thought, a principle which, when applied to the task of straightening out the delusion-governed practices of "popular thought" is known by the name "Socratic irony." This was the central and sole organizing technique of the political cadre force of the Platonist Academy. The *Menexenus* dialogue is characteristic of the Platonists' organizing techniques. An anecdote, reported by Plutarch, respecting the political activities of Platonist general Phocion, is illustrative of the technique.

The scene was in the general assembly of the citizens of Athens, where the subject was being debated of whether or not to hire out another yet mercenary army. Phocion was there trying to dissuade his fellow citizens from going ahead

with the proposed plan. He was mainly reminding them of their past stupidities. His opponent was the grandiloquent Demosthenes. At some point, Demosthenes interrupted Phocion and said, "You know, Phocion, the Athenians will kill you once they get angry." And Phocion retorted "And they shall kill you, Demosthenes, if for once they come to their senses." Nobody present was able to resist the oncoming gales of laughter.

To understand the political efficacy of the Socratic "barb," one must first know the enemy method of the obscurantist "Oriental" priesthood-archetype. What is the appeal of the "religious fundamentalist" method? It is this: In great periods of systematic institutional destabilization, such as the era of the fourth century B.C. "Satraps' Revolts" or the recent "institutional unraveling" in the United States, the standard "axiomatic assumptions" which govern the conscious portion of the thinking of the citizenry are shaken badly, become grotesque absurdities. As the conscious portion of mental activity thus shrinks, so shrinks correspondingly the psychological analogue of "conscious thinking," namely the conscious sense of identity, the "ego" of the thinking citizen. The area from which "ego" and "conscious axiomatic thinking" have retreated is filled by the domain of semiconscious and pre-conscious, a domain dominated by the surging fears of the shrinking, panicked "ego."

The Oriental priesthood-archetype method, the method of liturgical ritual and obscurantism, is to address the person *directly above* the level of conscious thought, directly above the level of "axiomatic thinking processes," above the "logical" level, and straight into the semi-conscious and pre-conscious level inside which the mind's "axiom-forming" activity occurs. The Oriental method then gets inside this "axiom-forming activity" and singles out one of its elements, the element of fear, of the terror of identity-insecurity. It harps on fear, plays and molds it until fear is made the dominant force. This hegemonic fear-force then becomes the generator of the new "a priori axiomatic assumptions" which will dominate the future "conscious" mental activity on the logical level. This is how the Oriental cultural matrix is generated in the historic process.

The Socratic "barb" which provokes involuntary eruptions of laughter, and Socratic irony in general, also addresses the mind at the level directly above the mere conscious level of "logical" elaboration. One can never "laugh" with a logically analyzed joke. "Where does laughter come from, then?" How does laughter suddenly sneak up on you when you least expect it, like a well-executed guerrilla attack? It comes from the area of pre-conscious and semi-conscious mental activity. The Socratic irony is an intervention into what we call the "irrational," most-appropriately the "pre-logical." The irony is a statement which operates like a beam of powerful light suddenly falling on the concealed objects filling the dark, unlit pre-conscious where fears and terrors reside. These fear-contents, thus illuminated become conquered by the comprehension of reason. Thus conquered by

reason, from looming giants the psychological fears shrink to the dimensions of pathetic little creatures. Then the gale of laughter hits you, as the emblem of relief for recognizing the foolishness of your previous fear. True laughter is the mind's way of celebrating its ability to laugh at itself. It is the sign that the citizen's rational sense of identity, the so-called ego, grows out of its previous boundaries, as it conquers territory previously occupied by the dark, obscure semiconscious and the pitch-black unconscious.

Now look at the case of our gloomy Professor Yuri Andropov. How shall we commit the distasteful but necessary cruelty of telling this aging, withering old man what the fruit of his work shall be as he passes on to his rewards? Ah, Yuri Andropov's life's work: The clever former chief of the Soviet Union's intelligence services caught up with the great game of the Oriental priesthood early in the 1960s, when the priesthood, Lord Bertrand Russell's Pugwash movement, had launched its great "Aquarian," "post-industrial society" project against the United States. The Pugwash Movement which sold Andropov the so-called Kissinger and Carrington Plan perspective, helped Professor Andropov into realizing the intrinsic cleverness of the old great game which Isocrates first played, that of dividing the world into an Eastern and a Western Division of a great imperial peace. Andropov, upon his accession to power realized that the game can be played most efficiently if one brings into the play the great ideological asset of Russian history, the imperial doctrine of Moscow as the Third and Final Rome.

As of November 1982, the operative doctrinal orientation of Soviet foreign policy is not Marxism-Leninism but the Third Rome Doctrine. The Soviet Union is now a state whose policy is informed by the Oriental cultural matrix of "blood and soil."

Although few may yet realize it, the two-hundred-year old fraud of defining politics in terms of "Left" and "Right," reminiscent of the old "Athens democracy" versus "Sparta oligarchy," has now come to an end. Progressively in 1983 and in 1984, more and more players in the Great Game will realize that the older, fundamental conflict of world politics will be asserting itself in the consciousness of nations. That is the conflict between the Oriental cultural matrix of mystical cultism, mother-earth worship, anti-science bias, and counterculture and the Western cultural matrix of dedicating organized societies to the pursuit of continuous scientific discovery (the hypothesis of the higher hypothesis) and the application of scientific discovery to the task subduing the earth.

The Oriental cultural matrix is "blood and soil." The weapon which defeats it is the *Menexenus* weapon: wicked humor. Hence Professor Andropov's big trouble: Who ever heard of Soviet humor!

And one more thing: has it occurred to him that under the present circumstances, he can no longer claim that the Soviet Union is a "progressive country?" If he did, he would sound like the whore Aspasia claiming that Athens had put the Great King on the Athenian welfare rolls.

EXECUTIVE INTELLIGENCE REVIEW

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The '1938 Churchill switch' in Great Britain's strategy

by Mark Burdman

In a commentary issued one day after the June 9 British general elections, the Soviet news agency TASS surpassed its usual capacity for lying and invective and issued an attack bordering on rug-biting hysteria.

TASS accused the British press of having used a campaign of "lies and slanders" to pre-rig the exceptional landslide victory of Prime Minister Margaret Thatcher. Leaving aside "pot calling the kettle black" generalities, TASS blasted former British Prime Minister James Callaghan for having broken two weeks before election day with the unilateral-disarmers dictating the opposition Labour Party's policies and thereby having ensured Maggie Thatcher's magnitude of victory. TASS cited specious statistics on voting patterns and voter participation to prove that the British population still supported the KGB's version of "peace," and quoted then-Labour Party Chairman Michael Foot (who was forced to resign his post over the ensuing weekend) that the Thatcher victory was a "tragedy for the nation."

Estimates are that the Soviets are not reacting simply to the end of their hopes for using a significant Labour vote to build the "peace movement" in Europe, nor the fact that some of their favorites, like Fabian glamour-boy Anthony Wedgwood-Benn, had lost their bids for re-election to Parliament. It is much more likely that the Soviets had come to the uncomfortable realization that the election results are only a symptom of, or an impetus for, an increasingly visible shift in the strategic thinking of the British elites—a shift that may put some halters on the Red Czar Yuri Andropov's designs to establish Moscow as the capital of the Third (and final) Roman Empire.

EIR is in a privileged position to know how this process

has been evolving. In off-the-record discussions with influential members of the British military, political, religious, and financial establishment, as well as through monitoring of subtle changes of emphasis in Mrs. Thatcher's public policy statements in the days leading up to the election, *EIR* has ascertained that key British policy makers are in the first phases of a strategic shift identical in basic outline to shifts that the British have made twice before during in this century.

The normal British tendency is to carry on with their incompetent—and evil—system of East India Company-modeled Malthusian economics and corresponding strategic policy: the unique combination of colonialist raw-materials looting and gunboat diplomacy that has kept the British System alive while pitting Britain in fundamental antagonism to the American System of global development and support for sovereign republics. Under such "normal" circumstances, the British establishment, whether religious, intelligence, or the monarchy itself, will also support the most wild-eyed geopolitical cultisms, typified by the Astor and Chamberlain families' (the Cliveden Set's) admiring support for Adolf Hitler and the Nazis, or intelligence chief Arnold Toynbee's fawning promotion of Khomeini-predecessor irrationalisms in the post-World War II period.

This century's history, and the present moment, bear witness to what happens when "the fear of the Frankenstein monster" takes over. At that point, the British are wont to support the forced-development buildup of American military might—and aspects of the Hamiltonian dirigist policy that such a buildup requires—in the interests of their own survival.

Beginning in 1902, a faction of the elite British Round

Tables, personified by gamemaster Lord Alfred Milner, sensed that the Venetian diplomatic intrigues of the past decades, mostly through the agency of London itself, had preordained war on a major scale. Milner determined that Britain itself had to adopt a Hamiltonian direction of military policy, abandoning certain aspects of the past years' antipathy to science and economic growth. This was manifested in H. G. Wells's "high-technology" factional triumph over anti-science fanatic Bertrand Russell in the Coefficients inner circle of the Round Tables in the years leading up to the World War I.

More directly on the minds of relevant influentials in Britain today is the precedent of Winston Churchill in 1938-39. Up to that period, Churchill had done everything in his power to cultivate the Nazis as a battering-ram into the East, to depopulate Europe in a nest of continental wars. When Hitler began to threaten Britain directly, Churchill shifted gears, and supported the idea of a joint Anglo-American war against the Nazis, and, inclusively, a crash development of the American military and industrial complex. British assets across North America were mobilized during that period to back up Franklin Roosevelt's war mobilization, against the subversion efforts of the Swiss-controlled John Foster Dulles and other leaders of the isolationist movement.

The present conjuncture

Today, Frankenstein is on the march again, in the persons of the Andropov-Aliyev Third Rome cultists ruling in the U.S.S.R.

For the better part of a century, with increasing frequency in the post-World War II period, elites of the Church of England and the British intelligence establishment had thought they could cultivate and manipulate the development of Holy Mother Russia irrationalism in the U.S.S.R., to build a blood and soil belief-structure that seemed to fit into the global strategies of the British Empire. But now, that game has gone out of British control: not only does Andropov himself represent a threat to the maintenance of British global interests, but the apparent erstwhile friends of the British in Geneva and Lausanne have decided to cut a separate deal with Moscow, in pursuit of a Central European "Reich" premised on the demotion and eventual destruction of the United States and Great Britain itself.

Support for Reagan strategic policy

In the interest of survival, certain British elites are swallowing their pride and determining an approach to opposing this new Hitler-Stalin Pact.

In private, with indications that this could soon become a public campaign, British military strategists have expressed support for President Ronald Reagan's March 23 strategy of rapid development of anti-ballistic missile systems in space, despite reservations about what this will do to Britain's own



Churchill in London during World War II.

independent nuclear deterrent in the long run. These strategists, several of whom had formerly had command posts in branches of the British armed forces, also expressed support for a World War II-level buildup of the American economy, based on this ABM-development direction.

"The Reagan speech was not the Star Wars pie in the sky people think it to be," one of Britain's most prominent military officials commented in an off-the-record discussion. "Research and development has gone a very long way on this front, and it will go faster, faster, faster. The ability to mobilize the economy accordingly is an important issue. Tendencies in such directions will increase here after Mrs. Thatcher's victory, although not on the scale of what would be done in the United States. . . . There is a kind of Churchillian reflex emerging; what is required is the development of capabilities to meet the threat. The great majority will vote Thatcher," he commented on the eve of the June 9 elections, "and this will end the opposition parties' attempts to sabotage our defenses.

"In the next days," he concluded, "we will have to find appropriate forums to move this policy along, and we need campaigns to mobilize people behind the policy."

Another member of the British military establishment's inner elite stated, "Reagan's policy is the only way to get peace with Moscow, and any kind of real disarmament. From this standpoint, a 1939-43 buildup of the American economy is a good thing. I'm only concerned that there isn't the will to see the commitment through."

Similar sentiments have been expressed by a faction of the Church of England's religious establishment, which regards the U.S.S.R. as in reality a "sacral kingship" involving a joint church-state rule aiming at "world domination." Said one influential Anglican official, "What Reagan said on March 23, and the results of the British elections here, are what are needed to meet this challenge. The opposition to Reagan in religious circles in the West comes from misinterpreting his policy, and from fear of the power of the U.S. that this policy implies."

'A new industrial revolution'

This sentiment favoring ABM systems development has not evolved into a full-blown program for global industrial recovery, but certain trends in that direction can be seen.

As the day approached for the June 9 elections, Mrs. Thatcher began to focus, in speeches and electoral advertisements, on the theme that Britain required "space-age technologies" as the means to "drive the economy out of recession." In one formulation, she declared, "We carried out the first industrial revolution. We can do it again."

Leaving aside the historical fact that Britain did not generate the first industrial revolution, the statement indicated directions of action.

Upon re-election, as part of her cabinet reorganization, Mrs. Thatcher concretized two general trends. First, by removing Foreign Secretary Francis Pym, she eased out those components of her government more favorable to the Pugwash back-channel approach with Moscow, and put the governing team more under her direct control. Second, she decided to merge the Ministries of Trade and of Industry into one super-ministry, under the direction of Thatcher loyalist Cecil Parkinson, the Conservative Party chairman.

Reporting on this latter move, the *Sunday Times* of London asserted that "Parkinson's role will be to preside over a revived export-oriented and technology-based British industry." In the same June 12 edition, the *Times*'s Roger Eglin raised the possibility that this new ministry could be based on Japan's development-oriented Ministry of International Trade and Industry (MITI), the experience of which, he noted, "reflects the importance of co-ordination. MITI lists in a matrix all the industries for which it is responsible set against the important export markets. This helps focus policy-making on the central point: what are we doing for that industry in the market?"

Writing in the same day's mass-circulation *News of the World* tabloid, Parkinson declared that his new ministry would "encourage new industries and growth," and would help loosen the control of the "nanny-state mentality" on the British population.

Several sources have told *EIR* that by no means does there yet exist a fleshed-out, clear-cut sense of how to achieve industrial regeneration in Great Britain; and many of Thatcher's advisers equate space-age technologies with mere post-

industrial computerized gadgetry. Nonetheless, critically placed elements of the Conservative Party are now studying how a situation can develop where "new technologies can have an actual effect on the base of the economy, rather than just being post-industrial in content," as one source put it.

One most intriguing sign in this regard is that two days after the election, the *Daily Telegraph* leaked a heretofore confidential program by Great Britain's Central Electricity Governing Board mapping out the building of seven new nuclear plants, at a cost of £7.8 billion, over the next years, beginning with construction of a plant based on an American nuclear power plant design in 1987.

'Look at the Swiss'

The Adam Smith free-trade bias is so strong in Thatcher's circles that there is a reluctance to swallow the second bitter pill dictated by the current global situation: overall reorganization of international debt in negotiation with a cartel of debtor countries, as an alternative to the *Götterdämmerung* approach to the financial crisis taken by the Swiss and their continental European allies. At this point, however, a debate has begun within British circles on this question, with certain groupings willing to entertain the option devised by *EIR* founder Lyndon H. LaRouche, Jr. for the industrialized countries' banks to negotiate with a cartel of debtor countries, an option known internationally as "Operation Juárez." The "higher interest" of saving Britain's own banking systems from Switzerland's financial holocaust has overridden, in these cases, the awareness that Operation Juárez was first launched by LaRouche in response to the British military misadventure against the Malvinas Islands in 1982!

In the wake of a recent Bank of England memorandum declaring the continental European banking groups to be in opposition to British approaches to the debt problem, British financial and strategic circles are pointing to various Swiss dirty tricks.

● According to one British source, investigations are now ongoing in the United Kingdom along three paths: "Leakage through private Swiss firms of military-related high-technology to the Soviet Union." British sources expect an industrial espionage scandal along these lines to break out in the near future.

● "Soviet use of Swiss banks as a ground for launching financial warfare against Europe and North America," in particular through Soviet gold dumping being used to undermine the European Monetary System.

● Soviet-Swiss collusion in manipulating Arab financial interests to pull funds out of Western banks and launch a global financial crash.

Anticipating that more information will surface on the Swiss role in undermining the American banks and, secondarily, the British banks, a British financial source commented, "The Swiss approach to finances is like thinking you can launch a limited nuclear war and contain it."

The new Byzantium for the Middle East: key to the intrigues over Lebanon

by Allen Douglas

With war once again on the horizon in the Middle East, David Kimche, secretary general of the Israeli Foreign Ministry, arrived in the United States on June 16. The nominal purpose of Kimche's discussions with U.S. State Department Middle East specialists Eagleburger, Veliotis, and Draper was to secure an Israeli pullback from the Chouf Mountains southeast of Beirut, where Israeli soldiers are being ambushed almost daily. In fact, what Kimche was arguing for was a deployment of U.S. troops to fill the gap, in conjunction with French and Italian forces, a proposal far broader than the question of Israeli withdrawal. Such a deployment would not only put U.S. soldiers into the deadly Chouf, but more important, would put American forces a hair's breadth away from the Soviets who are "advising" Syrian troops. Such a move is reportedly being resisted by forces in the Reagan administration who recognize it for what it is—a trap for a superpower confrontation.

There is one, and only one, way to understand the current rapidly shifting situation in the Middle East—from the standpoint of the new Russian Empire "Third Rome" ideology now guiding the Soviet Union and its Swiss and Greek Orthodox allies. For countless centuries, this area of the world has been ruled by empires of one name or another, Roman, Byzantine, or Ottoman. With the end of World War II, the enormous power and influence of the United States threatened to, directly and indirectly, re-order once and for all the affairs of an area brutalized under these various empires. The cornerstone of American foreign policy, in its best moments, has been to foster the development of sovereign, secular republics in the area.

Now a new empire is being planned, the Third and Final Roman Empire, with its capital in Moscow. The nations of the area are to be ripped apart on the imperial model of squabbling religious and ethnic entities. It is time the various players on the stage, including the patriotic individuals in the Reagan administration, understand the roles allotted to them in this scenario and who, exactly, the gamemasters are.

The cornerstone of Byzantine Empire control over this area was always the Greek Orthodox Church. More recently, over the past 100 years or so, most of the radical ideologies of the modern era—including the Arab National Movement, the Parti Populaire Syrien of Antoine Saadi, and the radical

wing of the PLO under George Habash and Nayef Hawatmeh—have been invented by Orthodox Christians. Many Arabs have noticed this, without, however, generally understanding the underlying purpose for their creation. *These social movements are deployments of the Orthodox Church and its oligarchical families for the purpose of maintaining an imperial model of political life.*

Historically, the "big brother" of the Greek, Antiochian, and other Orthodox churches in the area has been the Russian Orthodox Church. As one Greek Orthodox priest put it: "The Orthodox Church, especially in the Middle East, is very much aware of Holy Russia. There has always been a great deal of moral and financial support for these churches from the Russian Orthodox Church. If you go into an Orthodox church even today in the Middle East, they will take you over to some icons or something, and say, 'See, this is what the Czar gave us.' For instance, in my church in Beirut, there is a massive, solid gold altar, and people will say to you immediately, 'See what Czar Nicholas gave us.' And they will say 'Holy Russia' or something like that, not the 'Soviet Union.' This is particularly true in Syria." And, as another source well informed in these matters commented, "When the Patriarch of Moscow calls up the Patriarch of Beirut, he listens like a little puppy dog."

It is through this channel of existing influence that the integrated entity of the Russian Orthodox Church and the KGB is massively expanding in the wake of the diplomatic farce orchestrated by George Shultz.

The Byzantine families

There is an old saying in the intelligence community in the Middle East that the first thing KGB agents do when they come to Beirut is to stop at the Palais de Sursock, home of one of the oldest Greek Orthodox families of the Levant, to pay their respects. These old Greek and Slavic-origin families, including the Sursocks, Trads, and Boustroses, are a crucial mediating link between the Russian Orthodox Church and their own Greek Orthodox Church. These old Byzantine families convey the image that they are "above politics," operating through international banking networks and cultural organizations such as the Sursock Museum and the annual Baalbek Festival. In fact these are the families, owning pol-

iticians by the dozens, that are committed to the destruction of the nation state of Lebanon and to the establishment of the Moscow-centered Third Rome. These are the families who control such leading figures in Lebanese politics as Camille Chamoun (also on the board of the Moscow Narodny Bank, the KGB front), Charles Helou (former president of Lebanon, married to Nina Trad), and numerous other figures in the chamber of deputies, including vice-presidents of that body. "When they call the Greek Patriarch, they don't repeat their words twice," said one source.

Through the same church networks, these families also control the massive hashish production and sale in the Bekaa Valley as well as the terrorism aimed at American influence in the area. As Msgr. Hilarion Capucci, Orthodox-connected priest jailed by the Israelis for three years for running guns to the radical wing of the PLO, said recently: "We want a war, a quick, short war between Syria and Israel. . . . We want a war and a certain Russian presence in the Mideast. The United States is what we hate. It is the devil! The United States is an arrogant imperialist power and we want a Russian presence to counterbalance the United States."

The radical (Orthodox-controlled) wing of the PLO is a case study of how these families operate. George Habash and Nayef Hawatmeh, de facto leaders of the PLO in the wake of the rebellion against PLO chairman Yasir Arafat, are both agents of the Greek Orthodox Church. Their weapons are stored in churches and smuggled to them by priests like Capucci. "For anything they want in Syria or Lebanon, they call the Orthodox Church, and they get it," Middle Eastern sources say.

The operation against Arafat was run by a combination of these networks inside the PLO and Swiss-controlled radical Muslim Brotherhood elements, with the support and prodding of the Soviet Union. The rebellion from the outset was aided by the security forces of Soviet-trained Rifaat Assad of Syria, brother of President Hafez Assad, who turned over key munitions depots to the insurgents. The scale of the rebellion, given the massive Soviet presence in Syria, would not have been possible without such assistance. When Arafat sent his trusted number-two aide, Salah Khalef (Abu Iyad), to Moscow to shore up his position, Khalef was widely quoted talking about the "errors" of Chairman Arafat, giving the kiss of death to Arafat, who was willing to discuss the establishment of a Palestinian state. Under the control of the Orthodox-Soviet run radicals, Arafat will have the function of helping to hold the PLO together, but as a potentially mass terrorist force, to be unleashed whenever necessary to create a blowup between Syrian and Israeli forces, assassinate moderate Arab leaders, and so forth.

It is not accidental that the insurgency against Arafat started in the town of Baalbek in the Bekaa Valley, one of the most massive hashish growing areas in the world. This town is largely Greek Orthodox and a related denomination, Melchite (Greek Catholic, Byzantine Rite), where the leading drug pushers and drug growers, often Shiites such as the

Hamadi clan, are thinly veiled cutouts for the Surssocks. The head of the Hamadi clan, for years a leading member of parliament, was notorious for wanting an airport built in the hashish-growing regions, to smuggle out the drugs, but no roads, so police or army forces could not move in. The international distribution, in Turkey, Italy, and elsewhere, is organized through the international freemasonic connections of the old families. And it is at the annual Surssock family-run Baalbek Festival on the site of old Roman ruins, that the rich and famous from Europe used to come, until the recent fighting.

The other players

The Russian and Greek Orthodox manipulation of this area toward a possible superpower confrontation could not have worked without the help of George Shultz and leading Israelis. Shultz negotiated with the Lebanese and Israelis a so-called withdrawal plan which a five-year-old child could have predicted would not work. President Assad of Syria could not politically tolerate that level of open concessions to the Israelis, including the right to reinvade Lebanon anytime they wanted. At that point, Assad, who "always played with two cards, in his hand, the Soviets and the United States, all of a sudden, only had one," noted an Arab source. The post-Begin Israeli leadership of Defense Minister Moshe Arens, former Defense Minister Ezer Weizman, and Minister of Science and Technology Yuval Neeman plan to rule an independent (i.e., free of U.S. influence) "Spartan" Israel as a satrapy for the Third Rome. David Kimche, a member of an old Swiss banking family, having negotiated the withdrawal deal with Shultz, is now meeting with former Secretary of State Henry Kissinger's cronies in the State Department to consummate Third Rome policy.

The various divisions of the Third Rome are counting on the United States responding in a bullet-headed anti-communist fashion to the Orthodox Church coordinated rise in Soviet influence in the area, falling into exactly the superpower confrontation trap planned. The purpose of the brinkmanship would be to get President Reagan into emergency negotiations with Andropov, during the course of which he would be under great pressure to negotiate away his new strategic defense doctrine of space-based energy-beam weapons. This doctrine, one of the most important strategic moves by a U.S. President in this century, is the main stumbling block in the way of the new Holy Russian Empire.

Instead of the sole reliance on deploying additional aircraft carriers to the area and reactivating the strategic Memorandum of Understanding with Israel canceled by President Reagan in 1981—all of which would help lock the United States into a military showdown with the Soviet Union—a much more intelligent response by the administration would be to fire George Shultz. This would allow the United States to start afresh. At the same time, patriotic Lebanese should have a few scores to settle with the Trads, Boustroses, and Surssocks.

The *Mittleuropa* delusion that is sweeping West Germany

by Rainer Apel

The coming “hot anti-missile autumn” will place a great political challenge before the Federal Republic of Germany. The “peace movement” is no longer concerned simply with the stationing of U.S. Pershing II and cruise missiles in Western Europe, but is demanding the political restructuring of the continent, the redrawing of the map of Europe. Leftists in the “peace movement” are now talking about “specifically European security interests,” about “a neutral, disarmed Europe between the blocs.” And the concept of *Mittleuropa*, long buried in the drawer of German history, is experiencing a revival. Celebrated along with *Mittleuropa* is the rediscovered “German national question”; a “new German patriotism” is suddenly in vogue, and “left” as well as “right,” including the Green Party, are chopping away together at the Western-oriented identity of postwar Germany.

The campaign on the “German national question” has nothing to do with any eventual German reunification in a republican-humanist mode, whereby the postwar occupation would be terminated and a revitalized sovereign German nation-state would become possible. The “re-education” and “denazification” campaigns immediately after World War II, in particular such programs as Britain’s Wilton Park brainwashing school for the German elite, made it practically impossible for a real understanding of the Nazi period or a healthy national consciousness to develop in Germany. The British insistence that all Germans were collectively guilty for Hitler’s crimes was dinned into the heads of Germans by the news media and the Evangelical (Lutheran) Church. A political vacuum was created into which charlatans and demagogues of all shades could move, especially now, as the political and economic crisis in the country intensifies.

The new German identity: brainwashing

It is the essentially pro-American identity of postwar West Germany that is now being blamed for the current political and economic disasters, while a new, continental European identity is counterposed to it. This new identity is to involve the same countries that Friedrich Naumann, about whom more will be said below, described in 1915 in his book *Mittleuropa*: a Europe “between the blocs,” extending from North Cape to the borders of Persia, from the Rhine to the

Urals. How similar to the countries and regions that the Palme Commission today—of which West German “peace” ideologue Egon Bahr is a member—wants to develop into a “nuclear-free zone of Europe”!

In Naumann’s time, the conception of a strong central European territorial power, with an industrially expansive and progress-oriented Germany at its political and economic center, at least partly corresponded to the power-political realities of Europe. But today this is a dangerous chimera, because of Russia’s vastly increased military power compared to 1915, and because those who are most strongly propagating the new *Mittleuropa* include the leftist ecologists, the Greens, and the “solidarist” Christian Democrats, as well as the old rightists of the “blood and soil” perspective. This “new *Mittleuropa*” would in truth be not only a militarily—but particularly also an economically—dismantled Europe, a manipulable buffer zone for the Russian Orthodox “Third Rome,” a neo-Muscovite empire which, as the strongest power in continental Europe, would dominate the scene.

A *Mittleuropa* without U.S. backing or opposed to America would be neither viable nor independent. The so-called “central powers” found this out during World War I, and the Nazis, the followers of Friedrich Naumann’s theses, discovered it during the Third Reich. The British oligarchy, the majority of which had supported the *Mittleuropa* aspirations of the Nazis until 1938-39, were the victims of their own misestimation of the inevitable consequences of their energetic help in building up the Third Rome strategists as well as the Third Reich. The conclusion of the 1939 Hitler-Stalin Pact only demonstrated the essential similarity of both monsters, whose violence would be turned, not against one another as England had hoped, but against the West: the Benelux countries, France, Great Britain, Scandinavia, as well as the Mediterranean and Asiatic holdings of the British and French empires.

Churchill’s reluctance to see Britain’s flight into the arms of the Americans as more than a tactical, temporary policy, dictated by the dire necessity of 1940, demonstrates how little prepared the British oligarchy was to break with its own cultish, essentially pro-*Mittleuropa* insanity. The anti-American activities which Lord Peter Carrington, standard-

bearer of today's *Mittleuropa* movement, is carrying out, in tandem with Yuri Andropov and Russian Orthodox Patriarch Pimen, shows that certain members of the British oligarchy have learned nothing since Churchill's time.

The Third Reich, installed at the behest of the British oligarchy, was, at the time of its greatest military expansion, a thoroughly autarkic *Mittleuropa*, decoupled from the rest of the world, which could only exist to the extent that America kept itself in "splendid isolation" from European quarrels.

Blood and soil

The idea of *Mittleuropa*, which first took shape among the German nobility after the Vienna Congress of 1815, was by its very nature a full-blooded child of the oligarchy. The idea of a "special historical mission" the Germans were to fulfill in continental Europe was based on "German Romanticism" after 1815, and first gained ground after the republican, bourgeois-industrial revolutionary ferment of the German population was destroyed in 1813. "German Romanticism" was originally inspired by Scottish Freemasons like Sir Walter Scott, who propagated "nature philosophy," the mystique of the "German forest," and of neo-Germanism.

Through the networks of Scott and of the Swiss operative Madame de Staël, came all the artificial worldviews that became the motor of the first German youth movement at the end of the last century. This irrational mass movement, which has become part of history under the name *Wandervogel*, carried forward its ideological and political hallmarks in the origins of the National Socialist mass movement. The rising German industrialists and the rest of the middle classes, which after 1813 had been unable to counter the oligarchy politically, meanwhile became itself the instrument of the oligarchic concept of *Mittleuropa*.

The so-called "Pan-German Movement," the grouping of expansionist currents of the German Reich, founded in 1871, was oriented to the idea of a greater Germany. The essential idea of the Pan-Germans, the "Second Reich," envisioned the consolidation of all German-speaking and German-origin parts of Europe. Although first drawn up in the nominally Catholic house of the Thurn und Taxis family in the Regensburg "national-liberal circle," the conception of *Mittleuropa* was to be realized with the help of the economic and political power of the Lutheran house of Hohenzollern, whose industrial weight was greater than that of the agrarian Hapsburg Empire. Realization of *Mittleuropa* had meant that a central European power bloc would take shape, in which the landed nobility would have absolute political predominance.

The basic dissimilarity between the driving industrial forces of the north German Hohenzollern Reich and the landed oligarchs of the Hapsburg monarchy were certainly the main obstacle to the establishment of this pan-Germanic concept of *Mittleuropa* up to the outbreak of the First World War. Now, during the war, the second political advance of the *Mittleuropäer* took place. Reichschancellor Bethmann-Hollweg and the Pan-Germans around the National-Liberal

Friedrich Naumann revived the cause. As Naumann wrote in the foreword to his 1915 book *Mittleuropa*, the war offered a great opportunity to create *Mittleuropa*, since "only the war would open people's minds to new, great ideas." The hope that the political exigencies of war would ease the tensions between the Hohenzollerns and the Hapsburgs proved illusory, however: *Mittleuropa* did not become a reality. What was carried over to the post-1918 period was the panoply of pan-German ideas, and the movement of the Conservative Revolution, which was based primarily on Naumann's "national socialist working group" of the pre-war period, and whose ideological successor was the national socialist Thule Society of 1918. After the overthrow of both German monarchies, the *Mittleuropa* concept stood a better chance.

Mittleuropa was geopolitics, a concept defined from the political interests of "blood and soil." The Nazis who based themselves on this concept were necessarily racialists, since they recognized only the Germanic and Slavic races. The German-racist *Mittleuropa* and the Pan-Slavic racist East Europe/Asia were, according to the National Socialist worldview, the "natural" poles and antitheses of all politics on the Eurasian continent. The policy of the Nazis had of necessity to lead to the destruction of Europe, either by the Nazis themselves or by the Pan-Slavs of the Third Rome.

Thus, when voices like that of Social Democratic Party theoretician Egon Bahr, the Lutheran-dominated "peace movement" and the Greens now talk about "special European interests," and see the Americans as the main threat and offer Yuri Andropov a nebulous "security partnership" (against and without the Americans), they are perpetrating a shameless brainwashing of those naive Germans who tag along behind them. The role of the Lutheran church in this is particularly pernicious.

The role of the EKD

The little-understood role of the Evangelische Kirche Deutschlands (EKD—the Lutheran Church Federation), which is so active in building the so-called peace movement and in providing basic ideas for the current "peace debate," is to serve as a transmission belt for the spread of irrationalism and pre-Christian, cultist conceptions.

The significance of the most recent EKD conferences in Hamburg in 1981 and in Hanover this June 8-11 was described recently by one of the EKD magnets for youth, Stuttgart pastor Jörg Zink: the current influx of youth into the church shows, he stated, that the 300-year era of technology and reason is coming to an end. Youth sees that man is not the master of nature—the ecological crisis proves it. True belief, the truly human life, life in general, is profoundly irrational and cannot be explained by rational concepts, he said.

This gives an idea of what the slogan of the Hanover EKD church conference, "Return to Life," is intended to convey: the turn from rationality to irrationality.



This Lutheran banner reads "Disarm yourselves."

The organizational framework of the past mass demonstrations against nuclear energy plants and against the Euro-missiles, aside from the role of the German Communist Party, has been provided by the EKD and its affiliated Action/Reconciliation group. Pastor Jörg Zink, environmentalist pastor Kurt Oeser, EKD church conference president Erhard Eppler (leader of the Social Democratic Party's left wing), Lutheran theologians Helmut Gollwitzer and Heinrich Albertz, have for years been the leading lights of the "new social movements." Even the Lutheran Helmut Schmidt was compelled, at the high point of increasingly violent conflicts over nuclear energy, to refer to the EKD as "pre-democratic" and hostile to the state.

After 1945, the EKD was the key transmission belt for the so-called "collective guilt thesis" of the Anglican British and the Soviets, the vehicle for the ensuing "re-education of the Germans." The church was truly expert at the manipulation of the Lutheran soul.

This was why the Hanover church conference on June 8-11 became the principal forum for unprecedentedly harsh attacks on the American President. A widely known West German conservative analyst, Prof. Michael Stürmer, recently characterized this phenomenon: "What is behind the present anti-Americanism," he said, "is the old hatred of the Lutheran Church for the West and capitalism in general." Hatred for the United States, the strongest power of the West and also of the industrial capitalist system, derives from that.

The EKD and the Russian Orthodox operatives in the Soviet Union share this hatred for the modern and for the United States. And this is not the first time that the Lutherans and the Orthodox have ended up in tandem: in the first half of this century this "unholy alliance" was in effect!

The Lutheran *Mittleuropäer*

Friedrich Naumann, who wrote the book *Mittleuropa* in 1915, was the founder of the German Democratic Party, predecessor to today's "liberal" Free Democratic Party. He

came from a devout Evangelical family that belonged to a current in the Church known as "Lutheran-Orthodox." Naumann, whose activities in the church began in Protestant Hamburg, founded the National Liberal Circle at the end of the 19th century, around Lutheran professors Max and Alfred Weber. Their "Prussian Socialism" movement saw itself as Pan-German and "anti-Western." The anti-American tendency in political Protestantism comes from this Weberian tradition, about whose tendencies much more could be said.

After World War II, the chief EKD apostle of the "collective guilt" thesis, theologian Martin Niemöller, as well as the former functionary of the Weimar German national youth movement, Helmut Gollwitzer, came from this tendency, as did Egon Bahr.

Niemöller was from 1961 to 1968 president of the World Council of Churches, and in the 1950s a leading advocate of a reunified, neutralized, demilitarized Germany. In a 1949 interview with the New York *Herald Tribune*, Niemöller stated that he would prefer a Russian dictatorship over a reunified Germany to the continued division of his country. In 1951 he visited Moscow at the invitation of the Patriarch of the Russian Orthodox church to discuss the re-establishment of relations between the Russian church and the World Council of Churches, which had been broken off in 1948.

Also from this current of the EKD came theologian Karl Barth, a leading postwar advocate of a European "third way" independent of the superpowers. "Europe today is being ground between two millstones," he declared in 1946. "It has become the country of a people seriously threatened from the West and from the East. . . . Must we then really pay for our sins by ceasing to be ourselves in our own home, but have our way of life determined for us by others?" Barth called on Christians to play no part in the growing East-West conflict: "It is not our conflict at all. It is not a genuine, not a necessary, not an interesting conflict." Asked Barth: "Will not the way of the community of Jesus Christ have to be another, a *third way*, its *own way*?"

Theologian Helmut Gollwitzer, one of Barth's disciples, is today a leading figure in the peace movement, and supporter of the "house occupiers" movement and outright terrorists in the Federal Republic.

It is notable that the first complete editions of the works of the main apostles of the Third Rome, Tolstoy and Dostoevsky, appeared first not in Russian, but in German translation—in Lutheran Berlin! The author of the concept of the Third Reich, Lutheran cultural pessimist Arthur Moeller van den Bruck, issued in 1921 a widely read book with the title *The Third Reich*, inspired by Dostoevsky's thesis of a "Second Byzantium" or "Third Rome." Moeller van den Bruck was the translator and editor of the first collected works of Dostoevsky.

Moeller van den Bruck conducted public debates in 1921 at the prestigious Berliner Herrenklub, gathering-ground for the "conservative revolutionaries," with Oswald Spengler, author of *The Decline of the West*. The ideological kinship

between Third Rome and Third Reich, the "cultural matrix" of Byzantine-Russian irrationality, penetrated the heads of German conservatives through these Berlin debates.

The ideological basis for the Hitler-Stalin Pact of 1939, which was really a Ribbentrop-Molotov Pact, is to be found here. Ribbentrop and Molotov kept up their special diplomacy to the end of 1943, although their two states had long been at war.

The majority of German conservatives were perhaps not pro-Russian, but were certainly anti-American. Nevertheless, the Nazis would not have been able to come to power so easily had the Prussian Lutheran Church not given them a helping hand; it was in predominantly Lutheran election districts that the National Socialist Party gained its biggest votes in 1933, the year Hitler became chancellor.

Ribbentrop's state secretary was Ernst von Weizsäcker, father of Carl-Friedrich von Weizsäcker, a present-day Lutheran leader of the peace movement. The latter found himself, after 1945, at the center of the EKD's "Anti-Militarism Campaign," then in the "Campaign against Atomic Death," and later in the "peace research" circuit. The so-called Federal German Peace Research was officially established by the newly elected President Gustav Heinemann after 1969-70 in the form of the German Society for Peace and Conflict Research. During the same period Carl-Friedrich von Weizsäcker founded his Max Planck Institute for Exploration of the Conditions of Life in the Scientific-Technical World—an institution which promoted the "post-industrial society" and the peace movement. Such prominent leaders of the peace movement as Heinz Afheldt and Alfred Mechttersheimer came out of this institute.

Another source of ideas for the "peace movement" is the Heidelberg Research Department of the Evangelical Study Society (FEST), set up by Carl-Friedrich von Weizsäcker and Georg Picht. FEST, which recently put forward a widely circulated paper on the construction of a "specifically European security consciousness," has for the past 10 years, according to one of its representatives, been the chief source of Egon Bahr's ideas on disarmament. FEST is promoting the revival of the idea of *Mittleuropa*, in cooperation with such prominent East German Lutherans as Erfurth Provost Heino Falcke, considered the father of the ecology and peace movement in the German Democratic Republic.

The leader of the FEST working group which published this paper, Klaus von Schubert, plans to popularize the idea of *Mittleuropa* in the EKD's peace movement by using more innocuous-sounding concepts like "disengagement," "denuclearized Europe," or "European Disarmament Zone."

Once in possession of full political and ideological control over Western Europe, the Third Rome strategists, who are no better than their predecessors of the "Third Reich," will drop their masks of tolerance and cooperation. The Third Rome, unholy heir to the cultist first Roman Empire and its successor the Byzantine Empire, hates Christianity just as much as it hates the West.

Spanish defense debate focuses on technology

by Mary Goldstein

When Spanish Prime Minister Felipe González visits Washington during his June 20-23 state visit for talks with President Reagan, Vice-President George Bush and Secretary of State George Shultz. Defense policy, as well as economic bilateral relations and Central America, will be top agenda items.

It is no secret that the U.S. administration would like to see Spain fully integrated into NATO. While doubtless pleased with González's statement in Bonn last May of support for the stationing of the Euromissiles, in case negotiations fail, despite Spain's repeated declarations of commitment to Western defense, the U.S. and NATO hierarchy are not eager to see Spain follow the "French example" of independent defense policy. Spain is a member of the Atlantic Alliance, but has frozen decision on whether to integrate its military into NATO.

The government intends to conduct a popular referendum on the question of Spain's relationship to NATO, but not in this year of "international tension" surrounding the stationing of Euromissiles, as Foreign Minister Fernando Moran put it. Deputy Prime Minister Alfonso Guerra has stated repeatedly that the referendum is, in any case, a foregone conclusion: opinion polls indicate that most of the Spanish population opposes Spain's membership in NATO, including the voting base of the pro-NATO opposition party, Alianza Popular.

There are signs of policy divergence within the government on the defense/NATO question. Defense Minister Narcis Serra, after the June 1 Brussels NATO Planning Group session, told the press that Spain's future relationship to NATO is definitely "linked" to whether Spain's entry into the European Community (EC) is facilitated. Foreign Minister Moran, a proponent of French-style independent support of the Atlantic Alliance, has recently declared that there should not be such a NATO-EC linkage.

Defense, technology, and jobs

The defense debate is inextricably tied to the questions of technology and economic policy, as the recent case of the air force modernization program indicates. It was long evident that the Spanish Air Force preferred the McDonnell-Douglas F-18A over the rival Tornado, yet the official decision was delayed, in large part a bargaining ploy to try to force McDonnell-Douglas to come up with "sweeteners." (As it turned out, the purchase was cut back from 84 to 72 planes, a money-

saving measure under Spain's current economic adjustment program which led air force chief Gen. Conde Ceñal, interviewed below, to ruefully term the decision a "day of mourning" for the air force.)

Spanish officials have repeatedly affirmed that they don't simply want to buy ready-made weapons and equipment; they want technology transfer and co-production deals, of the sort included in the recently revised French-Spanish military cooperation accord. It is well known that the key to French defense policy, as laid out by General de Gaulle, was a high degree of technological independence, achieved by France through a crash development program in aeronautics and aerospace fields, among others.

This point was addressed by Felix Alonso, president of the naval construction firm BAZAN, a major military supplier, and one of the first in Spain to publicly endorse U.S. President Reagan's proposal for a particle-beam defense weapons system. "Either we enter the program at the outset and begin to produce ourselves," said Alonso, "or else the same thing will happen to us as many times before: we will be running behind. . . ." And as Mr. Alonso points out, high-technology industrial production creates jobs—a vital issue given Spain's current unemployment rate of 17 percent.

But under Spain's current economic adjustment program, characterized by officials as mid-way between an austerity "stabilization" package and an "expansionary" policy, high-technology basic industry is being de-emphasized. The long-awaited "White Book" on industrial reconversion, issued the first week of June by the industry ministry, lays out a framework for scaling back manufacturing sectors in financial trouble, primarily basic industry, including shipbuilding, and basic and specialized steel sectors. The plan is rather to focus investment toward high-tech light industry sectors like electronics. The expected price of this rationalization is an estimated 200,000 jobs.

Interview: Gen. Emilio Conde Ceñal

Air Force Chief of Staff discusses European security

The following interview was conducted with Gen. Emilio Conde Ceñal by EIR correspondent Katherine Kanter in April. General Conde Ceñal is Chief of Staff of the Air Force of Spain.

EIR: On March 23, U.S. President Reagan adopted a program to develop space-based energy-particle beam weapons within five years. This policy could overturn the Mutually Assured Destruction strategic doctrine. In what way could the Spanish Air Force participate in this enormous technological and scientific effort, which would be similar to that of NASA in the 1970s?

Gen. Conde Ceñal: The United States logically has the initiative in establishing plans to develop the new weapons for this policy, which President Reagan announced in statements to the press. It is the United States which would negotiate with the governments of allied countries about their possible participation, something which right now seems very far off. The beam weapons policy was not included in the recently approved Spanish-U.S. agreement [the "Friendship and Cooperation" agreement approved by the Spanish parliament in late April which, among other things, allows the presence of U.S. military bases in Spain].

EIR: The deployment of space-based weapons will eventually make U.S. military bases in Spain obsolete. What are the implications of this for Spanish defense strategy in general?

Gen. Conde Ceñal: No revolution in the field of armaments, not even the appearance of nuclear weapons, has eliminated the need for conventional weapons. I do not think that for the moment one can say anything about the consequences for the art of warfare that the appearance of new weapons could have, until their characteristics and effects are well known and proven in practice.

EIR: What is the involvement of the Spanish Air Force in international space programs?

Gen. Conde Ceñal: The air force does not participate in any military-oriented international space programs. Spain does participate in international space programs for peaceful purposes, but the air force is not included in this.

Spain participates as a member state of the European Space Agency, contributing to the support of the agency and to greater or lesser degrees in satellite programs—meteorological, telecommunications, space transport, resource investigation [minerals, fishing, and so forth]—and launch systems for those satellites.

Spain also participates in International Space Programs with NASA and the European Space Agency through satellite tracking stations, as Spain has a launch station on its national territory.

Spain has its own research program in the aerospace field, being developed through the National Commission for Space Research. The program uses the INTA-ET Technology and Research Center, which used to be under the jurisdiction of the air force ministry, but which is now under the defense ministry as a result of the merger of the three military ministries.

EIR: How will the META plan for reorganization of Spanish ground forces affect the air force, from a strategic point of view?

Gen. Conde Ceñal: The air force began with the ORGEA program in 1978, a reorganization and modernization plan that has given shape to the present structure, in which functional criteria prevail over territorial criteria.

It is possible that the army, once its META plan is com-

pleted, may be able to more effectively make use of the support that the air force can provide to ground forces.

EIR: On the anniversary of the Malvinas crisis, Great Britain is dealing with Spain in a very provocative way. What are your observations on the Gibraltar problem?

Gen. Conde Ceñal: Your question refers to a political problem, in which the air force is simply an instrument at the disposition of the government, ready at all times to fulfill its duty.

For my part, I, like all Spaniards, aspire to re-establishment of the [territorial] unity of Spain, but I understand that it concerns a very complex problem which has already lasted for centuries and which is not easily solved.

EIR: What would be the strategic and technological effects of closer collaboration with France, such as Defense Minister Charles Hernu has proposed?

Gen. Conde Ceñal: There is no doubt that if there were closer collaboration with France on defense questions, there could undoubtedly be strategic and technological advantages for both countries as well as for Western defense in general.

Interview: Felix Alonso

Naval shipbuilder wants beam technology for Spain

Felix Alonso is an engineer who worked for over a decade on the security of the Spanish nuclear program. The firm he heads, a state enterprise, builds warships and merchant ships for the Spanish navy. The following interview was conducted by EIR correspondents Anno and Elisabeth Hellenbroich and Katherine Kanter in Madrid April 21.

EIR: What are your main technological projects?

Alonso: We are primarily doing research on naval construction, and in particular on how to improve our productive systems. We are working on systematic analysis of mathematical series for high-speed hulls, and we are developing another series of systems which will improve our productive systems, as well as new prototypes which will introduce an innovative content.

We are working on a catamaran propelled by its hydrodynamic forms, to create a stable platform even in heavy seas. We are also working on systems engineering, integrating weapons systems onto ships, and profiting from our ever-greater experience in the building of ships like the aircraft carrier for the Spanish navy with a very high electronic content, which is to be a command unit for other units.

EIR: On May 23, Mr. Reagan made a speech on space-based anti-missile weapons, which would mean doing away with MAD through a laser or particle beam civil defense system. To what extent does this proposal concern Spanish industry and science?

Alonso: There is no doubt that the affair concerns us. We want this to be done in Spain because, in the final analysis, we will have to use the technology, both from the standpoint of defense as well as from that of other systems of protection.

Obviously, laser and other such systems are necessary and we will be requested to incorporate them into our navy. Either we enter the program at the outset and begin to produce ourselves, or else the same thing will happen to us that has occurred many times before: we will be running behind, trying to buy the technology or forced to accept whatever may happen.

I believe that Spanish industry will be very interested. And we ourselves will insist that Spanish industry shows interest. Since we will be the user at the end of the line, we are going to insist that every system like that which Reagan proposed be truly useful and be placed at our disposal. I do not know how to apply it to improve the situation, but we must include more national production. In other words, what we do must create more jobs here, because the Spanish demographic growth rate is slightly higher than most of Europe. Either we create new jobs or the only solution will be to send emigrants abroad. These technologies will be fundamental for us to do just that and find a way out.

Outlook For U.S.-Japan Economic Relations

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How Mexico is being subverted by the implantation of religious cults

by Elsa Ennis

Several U.S. administration officials, including President Reagan himself, have publicly warned that Mexico could fall prey to the Central American conflagration. While there are forces indeed committed to reproduce the Central American turmoil south of the border, the main promoter of this strategy is not, as the administration vehemently argues, Soviet or Cuban communism.

The same Jesuit Order of the Catholic Church and its "left" and "right" allies in Protestant groups which are running the radical "Popular Church" of Nicaragua and "born-again" Guatemalan President Efraín Ríos Montt, are now setting the ideological basis for reproducing in Mexico the religious conflicts now taking place in Central America.

The National Council of Churches-linked international apparatus behind the Nicaraguan Popular Church has made Mexico its main base for operations in Central America, while U.S.-based "anti-communist" evangelical groups aided by the fascist "Catholic" National Action Party (PAN), are now raising a fundamentalist base of support among Mexicans for the "born-again" dictator. Consistent with the PAN's separatist organizing, Ríos Montt is sending provocative messages to its neighbors claiming that the southern Mexican states of "Chiapas, Tabasco, and all of Central America were ours."

As we documented in the first part of this three-part series (see *EIR*, June 21), the PAN, the descendant of the 1920s "Cristero" movement which revolted against the industrialization effort introduced by the 1910 Mexican Revolution, is now taking advantage of Mexico's economic ills to incite anti-state sentiment and separatist movements.

Circles linked to the Washington-based American Enterprise Institute (AEI) are now promoting "Christian" anti-state organizing among Mexican businessmen. Michael Novak, who is AEI's "theologian," the Reagan administration delegate to the U.N. Commission on Human Rights, and Jeane Kirkpatrick's top advisor, descended on Monterrey—a center of separatist organizing—last month to lecture businessmen on how to fight the government's "excessive intervention" in the economy. Novak, a product of the world's leading Jesuit training center, the Rome-based Gregorian University, made headlines when he compared the Mexican state to "a dinosaur" with a small brain and a huge body which is impeding the spread of Adam Smith-style "free enterprise."

The word "Christian" is thus rapidly becoming a code-word for ideological manipulation aimed at channelling the

population's anger over the International Monetary Fund's rapid destruction of the country's economy away from the IMF and toward a Khomeini-styled mystical revivalism.

The fundamentalist boom

Thousands gathered every night from April 24 to May 1 in Hermosillo, Sonora to listen to Luis Palau, an Argentine-born preacher closely linked to Ríos Montt and now engaged in a continental "crusade" of support for the fanatic Guatemalan president. Palau is linked to such groups as World Vision, the Billy Graham Evangelistic Association, and the National Religious Broadcasters. At a giant revival meeting in Guatemala City in November 1982, Palau preached that Ríos Montt had divine backing to a crowd of 200,000.

The preacher, who heads an Oregon-based group calling itself the "Luis Palau Evangelistic Team," found enthusiastic support from the PAN mayor of Hermosillo, Casimiro Navarro, a national leader of the PAN's separatist campaign who has been repeatedly denounced by several political parties as a traitor to the nation. Flanked by Navarro, Palau went through the fundamentalist brainwashing routine of inviting his distressed middle-class audience to forget about this material world and to be "born again" in the spiritual world.

Palau does not hide his intentions of giving birth to a Mexican version of Ríos Montt. He claims that Navarro "made a commitment to Christ" upon his invitation. This is how Ríos Montt was "born again" at the invitation of several "elders" of Gospel Outreach, a California-based evangelical Church of the Word sect, which collaborates closely with Palau. During one of the preaching sessions, Navarro told the attendants that "I am glad Luis Palau is here to give us counsel that we so desperately need to live in this hour of crisis." Palau has held similar preaching sessions with Ríos Montt, whose government was denounced June 8 by the Guatemalan Council of Bishops as persecuting Catholics and inciting "religious warfare of incalculable consequences."

Mexico, with its 70 million population, is the prize of "Christian" would-be ayatollahs. A formidable obstacle is the Mexican constitution, which prohibits the use of mass media channels for religious broadcasting. The measure is part of a series of restrictions taken by post-revolution governments to block the Jesuits' centuries-long incitement of religious fanaticism among backward sectors of the population. The Palau group boasts of having violated this constitutional mandate by using TV and radio to air their funda-

mentalist message. "In the past those of us involved in evangelism told ourselves that Mexico, because of its legal restrictions on public proclamation of the Word, was not close to the Gospel. The crusade [in Hermosillo] demonstrated that this is not true," says Palau.

There is already an apparatus in the field to make sure this happens. During a public speech in Hermosillo in early May, PAN Deputy Congressman Jonas Flores demanded that the de la Madrid government drop the constitutional prohibition on religious broadcasting and that fundamentalist churches be given constitutional rights granted only to "political associations." Claiming that three million Mexicans are now committed evangelical fundamentalists, the "born-again" congressman demanded that religious broadcasting be considered part of the government's National Development Plan.

The Palau group thinks President Miguel de la Madrid, with its "moral renovation" campaign to clean the government of corrupt activities, is susceptible to their fundamentalist "message." According to Palau, "this official commitment to improving Mexico's morality gives evangelical opportunities that we've never had. I believe that we are going to see a great revival in Mexico."

The proliferation of fundamentalist sects goes well beyond the Palau group to include "revivalist" missionaries of the Palau-linked Full Gospel Businessmen Fellowship, the Utah-based Mormon church, and others. A group calling itself the Extended Outreach Ministries based in Prescott, Arizona, is now performing "miracles" in the slums of Hermosillo. Calling themselves "La Puerta" (The Door) and "Iglesia Cuadrangular" (Foursquare Church) and recruiting drug-addicted youth, the group is reportedly inciting forms of irrationality among the poor.

Mexican security authorities report this popular psychosis is rapidly extending to universities, traditionally very volatile political centers. Groups of students from the University of Monterrey are now traveling to Guatemala to "touch" the "new Messiah" Ríos Montt and then return to Mexico to organize support for him.

The government has started to crack down on the controllers of this psychosis which, linked to a deteriorating economy, poses a great danger to the country's national security. Earlier this year, the government announced it was cancelling permission to operate in Mexico for the Summer Institute of Linguistics, a U.S. sect of Bible translators who had been widely denounced as promoting anti-government agitation among Indian groups. Once again the PAN showed its treacherous colors when Congressman Jonas Flores publicly defended the Institute. As of this writing, the case is under review.

Michael Novak preaches in Monterrey

The Jesuit Order has tailored a different version of "Christian" organizing to manipulate gullible businessmen.

On May 19, the International Union of Christian Entre-

preneurs (better known by its French acronym UNIAPAC) held its annual convention in Monterrey. The colloquium was a high point of anti-government rhetoric among oligarchical groups passing as businessmen. Headed by the Belgian Baron Antoine Bekaert, UNIAPAC is an offshoot of European aristocratic networks using so-called Christian "solidarist" doctrines against the economic growth brought about by industrial capitalism. The Mexican branch of UNIAPAC, the Social Union of Mexican Businessmen (USEM) was founded in the 1960s and has its stronghold in Monterrey, a hotbed of hostility against the central government. A prominent participant in the meeting was Andrés Marcelo Sada from Monterrey, nationally recognized as leader of a business faction rabidly opposed to any collaboration with the government on development projects.

The convention was modeled on the "Atalaya" business colloquium held in Guadalajara in January 1982, which gave the green light for the massive capital flight and peso devaluation which hit Mexico last year.

A high point of the UNIAPAC colloquium was the presence of Jesuit-trained "theologian" Michael Novak from the American Enterprise Institute. Political observers did not miss Novak's ideological transformation. He was last seen in Monterrey in 1968—a year of intense student destabilization—passing as an extreme liberal. In 1972 he worked for the presidential campaign of George McGovern. Adjusting to the times, Novak came this time to attack the Mexican government and to lecture right-wing businessmen on the convergence of Christian values and a "production ethic" he erroneously ascribed to Adam Smith.

UNIAPAC has produced similar transformations. Roberto Guajardo Suárez, a former head of the National Businessmen Confederation which worked behind the scenes on the founding of the USEM, went the other way on the same road. Guajardo abandoned his "right-wing Catholic" profile, and is now one of the major patrons of the Social Democratic Party (SPD) which attacks government-led capitalist development from a leftist "greenie" standpoint.

Novak's American Enterprise Institute is now pushing business groups in the United States and Mexico to go beyond their business orientation and become "Christian" political associations, what Jesuit terminology calls "intermediate groups," a strategy similar to the one pursued by the PAN and the evangelical groups for their more "popular" organizing. These groups would take further control of small businessman by "mediating" between them and such "big" (dinosaur-type, as Novak says) institutions as the state. Such a doctrine is being hotly debated in the Mexican Confederation of Employers (COPARMEX), where some businessmen have shown suspicions of the insurrectionary purposes of such a doctrine.

Part three of this series will deal with the terrorist organizing of the leftist Theology of Liberation current of the Jesuit Order in Mexico and its links to Central America.

Sendero Luminoso, drugs, and the Jesuits

by Gretchen Small

Current investigations by Peruvian intelligence services into the origins, funding, and controllers of Sendero Luminoso, the gang of brutal killers terrorizing Peru under the mantle of class warfare, may prove the most important counter-intelligence break in Ibero-America since the government of Siles Suazo began arresting and extraditing Nazi drug-running terrorists from Bolivia for trial in Europe last October.

Peruvian President Fernando Belaunde Terry charged June 4 that international aid and human rights organizations, foreign-financed religious congregations, and international institutions carrying out social research were fomenting and financing Sendero's activities within Peru. Money, given under the cover of "sentimental postures," is "simply to give tips to intellectualoids who, instead of building [the country], indirectly back discord and death within our borders," the Peruvian president charged. "Peru cannot convert itself into a battlefield for outside quarrels as is happening today in Central America."

Belaunde's speech has triggered a national mobilization against the support apparatus for Sendero Luminoso (the "Shining Path").

To facilitate the investigation of the controllers of the terrorists, the heads of the Peruvian Investigative Police (PIP) and civil guard were removed after the imposition of a 60-day state of emergency in the wake of Sendero's May 27 bombing spree. Interior Minister Luis Pércovich Roca announced June 14 that every agency receiving international aid in Peru is currently under investigation by both police and military intelligence services for connections to Sendero Luminoso.

"As the investigation advances, the cases which are not proven to be involved in actions outside the realm of international aid will be discarded, and responsibility will be established in those cases in which this responsibility exists," the minister warned.

Sendero Luminoso identifies itself as a radical Maoist grouping, a follower of Cambodia's Pol Pot, the Chinese-run fanatic whose regime exterminated half the population to wipe out all traces of modernity, learning, and culture. President Belaunde's charges have now called attention to the nest of University of Sorbonne-trained anthropologists and Jesuit-trained *indigenista* activists within Peru who, with outside support from Amnesty International and the *New*

York Times, are the masterminds of Sendero's genocide. Sendero's ideologues, self-proclaimed "defenders" of the poor Indians of the highlands against the oppression of Peru's capitalist state, can be traced back a decade to a core team trained by "action" anthropologists at the University of Huamanga in Ayacucho.

On May 27, Sendero Luminoso moved into a new phase of activity, striking simultaneously in several cities nationwide and concentrating actions for the first time on the capital city, Lima. The terrorists used dynamite to blow up 10 electrical towers, several of them near Lima, leaving the capital without light. More than 40 bombs exploded in banks and offices across Lima.

The message: Sendero Luminoso's activities are no longer confined to impoverished rural areas around the province of Ayacucho, but it can strike national terror where it will. Random bombings have continued into June. Sendero squadristi blacked out the cities of Arequipa and Cuzco for hours, and electricity sources for Lima were hit a second time.

A wave of terror and counter-terror, as in Central America, is projected for Peru. Such international insurance companies as Lloyds of London understood the message, and upped their premiums on Peruvian customers.

In the climate of terror that Sendero has unleashed, some forces in the country have moved to swing the investigations against nationalist currents in the military, attempting to polarize the country between right and left and destroy civilian and military nationalists alike. If, however, the Italian-style investigation just launched against the international controllers of these terrorists is carried out in full, the whole game could blow apart.

Positive proof of cooperation between cocaine traffickers and the terrorists is in the hands of the intelligence agencies, Interior Minister Pércovich announced the same day Belaunde spoke. In return for arms and financing, Sendero Luminoso runs protection for the drug traffic, Pércovich charged, citing such Sendero favors for the drug networks as a recent attack on the Ayacucho jail in which the terrorists took care to release all the drugrunners first!

Bolivian sources warned *EIR* a few months ago that the cocaine mafias of the Andean region had set into motion plans to organize a regionwide "Indian rights" movement out of peasants caught in the coca-producing racket. The escalation of Sendero Luminoso's operations is the first shot of that plan. Overt separatist movements, seeking to dismember the nations of the region entirely, can be expected to follow.

The Peruvian authorities are also investigating the links between Europe's mafia-run terrorist apparatus and Sendero. U.S. intelligence sources report members of the Red Brigades used Peru as a safehouse after the 1978 murder of Italy's Prime Minister Aldo Moro. West German terrorist involvement in Peru was established with the arrest May 1 of Renata Hear, a member of the Baader Meinhof gang who is charged with participating in some 25 attacks within Peru since her 1980 return to Peru.

The Sudan is made a focal point for superpower showdown

by Mary Lalevée

Sudan will be the flashpoint for a new international crisis, a source in Europe closely connected to Israeli circles warned the first week of June.

"It will blow up," he said. "There will be civil war in the south of the country; Egypt will intervene, Ethiopia will intervene, and the Libyans too." He predicted that the United States would get drawn in on the side of Sudan and Egypt, against Soviet-backed Ethiopia and Libya.

A September explosion?

The source stressed that "a trap [was] being laid for the United States by the Soviets" and that Israel was also deeply involved. "Moscow, via Libya, is aiding the secessionists," he went on, referring to the secessionist movement in the deperately poor southern region of the Sudan, "and Israel is playing both sides." He cited former Israeli Defense Minister Ariel Sharon's reported brief visit to the Sudanese capital, Khartoum, last year.

Another source stated that the various operations would come to a head in September, speculating that these could include a Libyan attack on Egypt as an explosive civil war occurred in the Sudan.

Sudan has had a long history of internal strife, with the primarily African animist population of the south fighting the mainly Arab Muslim population of the north. The civil war of 1955-72, when the south attempted to secede from the north, is not forgotten.

The population caught in this staging ground for superpower confrontation is faced with a holocaust. Three million Ethiopians alone are threatened with death by starvation this summer, due to drought, to the chaos of threatened civil war and invasions, and to the fact that any attempts at developing northeast Africa have come to a halt in the course of the world economic and strategic crisis.

Egypt, the key U.S. ally in the region, has very close ties to Sudan, for reasons which become clear by looking at a map of the area.

The Nile River, the focus of all Egyptian agricultural and economic activity, flows through Sudan before reaching

Egypt. As one African commentator noted, "If there were a government in Khartoum hostile to Egypt, they could simply build a dam and cut off the flow of water to Egypt. Sudan is Egypt's 'Achilles' heel.'" He pointed out Sudanese President Gaffar Mohammed Nimeiry's problem with the loyalty of sections of the army, and indicated the important role played by Egyptian intelligence officers posted in key positions in the Sudanese army, enabling the Sudanese authorities to nip potential rebellion in the bud.

The anti-Nimeiry secessionist movement is being aided by the World Council of Churches (WCC), which is very active in southern Sudan, ostensibly proselytizing and running charitable organizations. It is the small elite of southern Sudan, educated on grants and scholarships from the WCC and the German Evangelical Church, and not the population in general, which favors secession. The Council's proselytizing consists of strenuous efforts to "convert" the animists in the area to a belief structure which retains the most primitive animist beliefs, including the existence of witch doctors and "voodoo" cult practices. Such "converts" from a poorly educated population are easily manipulated.

The WCC has set up a special task force on Sudan and has recently circulated a confidential memo on the situation there to the members of its Committee on International Affairs. This report "predicts" a civil war in the near future. A European source who had read the report assured a journalist that "civil war in the Sudan is bound to happen."

The Ethiopian question

Claims have been made that Ethiopia is aiding the secessionists, and there are reports of rebels being trained in Ethiopia by Libyan officers. A top military source in Egypt commented that it was a "well-known fact" in Egypt that Ethiopian forces have occupied outright parts of the Sudan when pursuing Ethiopian rebels across the border. In addition, numerous small secessionist movements operating against the Ethiopian government base themselves in Sudan.

The anti-Ethiopian activities of the Eritreans, the Tigre Liberation Front, and others—groups supported both by German and Swedish Protestant networks and by the networks of the Nazi International in Switzerland associated with the sister of the Swiss Defense Minister, Madame Chevallaz—could easily be used to destabilize the tenuous relationship between Sudan and Ethiopia.

The influential Ethiopian Orthodox Union Church, or Ethiopian Coptic Church, one of the Eastern rite sects, has played a central role in the growing Soviet influence in Ethiopia. The Soviets have been cultivating ties with the Church since the overthrow of Haile Selassie in 1974, according to a British source. Another European source compared the current rapprochement between the Church and the Ethiopian regime to the pact Stalin made with the Russian Orthodox Church during World War II to mobilize the population to defend "Mother Russia."

Part III: Genscher, Reagan's adversary

There are noteworthy financial relationships behind the foreign minister's ill-treatment of Pakistani exiles.

West German foreign policy is currently determined not by Chancellor Helmut Kohl but by his foreign minister, Hans-Dietrich Genscher of the Free Democratic Party. As *EIR* has argued in the previous installments of this series, Genscher is no "Atlantist" (contrary to popular belief in Washington), but is actively opposing President Reagan's policies, in league with Genscher's good friend Henry Kissinger.

Bonn's policy orientation has been taken over in toto by the *Mittleeuropa* crew Genscher represents, which seeks to loosen European ties to Washington and redraw the map of Europe.

As we have shown, Genscher maintains unsavory ties to such underworld characters as Iranian arms- and drug-dealer Sadegh Tabatabai, as well as to Libyan dictator Muammar Qaddafi. But Genscher's connections—like Kissinger's—reach into the world of organized crime. Journalists researching the scandal over illegal corporate funding of West German political parties, which made big headlines in 1982, found that Genscher and other prominent FDP politicians had been involved in real estate operations in the United States which tied the politicians to the real estate speculation markets and New York attorney Roy Marcus Cohn. Although most of the West German media did not pick up on this affair, further indications have shown that Genscher had connections to figures of the international gangster

scene such as Jack Sarlie and Jack Somers.

Another track led into a mysterious transfer of an estimated \$500,000 ordered via the U.S. National Security Council into a Swiss bank account—for Genscher's disposal. This action took place when Henry Kissinger was head of the NSC under President Nixon. A transfer of \$500,000—what for? This question has not yet been answered.

One might feel compelled to speak of a long-standing complicity between Genscher and Kissinger, since the Bonn foreign ministry has refused to take any official notice of Kissinger's name being mentioned in connection with the ongoing investigations by Italian magistrates into the real background of the 1978 assassination of Aldo Moro.

What other explanation than complicity could be found for Genscher's refusal to secure political asylum for thousands of refugees from Pakistan after Kissinger's personal protégé, Zia ul-Haq, moved to murder his predecessor Zulfikar Ali Bhutto and dismember Bhutto's Pakistan People's Party? It has been shown that Kissinger ordered the coup by Zia against (and likely also the assassination of) Bhutto. The question remains, therefore, what it is that drives Genscher to support Zia rather than his legitimate adversaries, the refugees from Pakistan who barely escaped prison and murder by Zia's regime.

A related aspect of Genscher's behavior is his continued diplomatic relations with the toppled regime of the former Cambodian dictator Pol Pot, the criminal who murdered between three and four million Cambodians between 1975 and 1979. It is said that Genscher's vote in favor of seating a Pol Pot representative at the United Nations—instead of a representative of the new government of Cambodia under Heng Samrin—originated in special recommendations made by Kissinger.

While it is no secret that Kissinger is trying to undermine Reagan's position in Europe wherever he can, Genscher and his ministry arranged a special public appearance with the former U.S. Secretary of State at a German-American Friendship Event in the West German city of Worms June 12. Meetings between Kissinger and high-ranking West German government officials took place the day before in Bonn. Sources in Bonn say that Kissinger's "blitz" visit here has to be seen in the context of acting German Chancellor Helmut Kohl's upcoming visit to Moscow's Yuri Andropov on July 4th.

Chancellor Kohl has felt compelled to issue at least seven official denials in the past two weeks of international press reports that his upcoming Moscow trip would be to the disadvantage of Reagan's position vis-à-vis Andropov. If there were nothing to the report the *Washington Post* had on Kohl's plans for some "special German deal with Moscow," why should the West German government react so nervously by issuing one denial after the other?

It seems clear that President Reagan, unable to trust his own State Department, cannot trust the Bonn government with its foreign policy shaped by Foreign Minister Genscher either.

Miami finance scandal hits Colombia

The collapse of the fraudulent Duque empire points to former President López Michelsen.

Miami is in an uproar over the spectacular downfall of the "golden boy" of Miami's Colombian community, Alberto Duque, and, back in Colombia, the behind-the-scene patrons of Duque's paper empire are quietly chewing their nails. One person with special reason to worry is former Colombian president Alfonso López Michelsen, whose treasurer for his 1982 presidential campaign was Duque's father.

Alberto Duque, the 33-year-old son of Colombian coffee magnate Luis Duque Peña, arrived in the United States in his early twenties with a fat bankroll from daddy and a long list of influential friends to contact. The poor little rich boy ensconced himself at the Wall Street offices of the Colombian Coffee Company, owned by his father and run by a fellow Colombian, Eduardo Orozco Prada.

Within months, Alberto was vice-president of the firm. By age 25 he was based in Miami, a millionaire jet-setter. Early this year, he was a multimillionaire owning half a dozen enterprises, including General Coffee, Allsun Juices, Corporate Jets, Domino Investments Ltd., and the majority shares of City National Bank of Miami.

"Golden boy" Alberto was named one of the 100 top Colombian businessmen in the United States, and counted among his friends the son of Vice-President George Bush, Miami mayor Maurice Ferre, former president of Costa Rica Daniel Oduber, and the families of former Colombian presidents López Michelsen and Turbay Ayala.

And then on May 19, Duque Jr. filed for personal and corporate Chapter 11 bankruptcy proceedings after learning that he was being sued by more than 20 banks to whom he owed some \$135 million. The banks discovered that many of their loans to Duque had been guaranteed by documents for non-existent coffee shipments from Colombia.

Duque's closest business associates resigned from their posts and several fled the country while Duque pleaded total ignorance and ran home to Papa. The case is currently being investigated in the U.S. courts, and Duque faces possible charges ranging from fraudulent business practice to violating banking and currency laws.

While both the Colombian and U.S. press are giving extensive coverage to the Duque story, the scope of the scandal has yet to be revealed. For example, press coverage has bypassed the question of a drug connection, and yet Colombian Coffee Co., where young Alberto got his start, was run by Eduardo Orozco, who was just convicted by a New York court of running one of the largest drug-money laundering operations on the East Coast.

Further, the president of the Duque-controlled City National Bank of Miami is Donald Beazley, formerly president of Nugan Hand Bank of Miami. The Australian-based bank was a key drug-money laundering center until its liquidation in 1981 after its chairman blew his brains out.

Perhaps the biggest scandal of all lies in the *reason* for Duque's bank-

ruptcy. Duque Sr. made his fortune in Colombia during the drug and coffee "bonanzas" of the seventies, and he was a major funder of López Michelsen's 1982 presidential campaign.

When López lost to Belisario Betancur, the Duque empire was deprived of the hen that laid its golden eggs. No longer assured of high-level political patronage, Duque Sr. rapidly slid toward bankruptcy, prompting an investigation of his companies' financial situation by the Betancur government. A last-minute injection of \$20 million was provided by Duque Jr. to prop up his father's empire, but the millions that young Duque continued to pump in were illegally secured with false shipping documents from banks such as Shawmut Boston Intl., Arab Banking Corp., Société Generale Française, and various Florida banks.

The López family has long been associated with fraudulent and dirty money operations in Colombia. López Michelsen's 1974-78 presidency coincided with the period of the biggest illegal drug boom in Colombia's history. The former president's first cousin, leading banker Jaime Michelsen Uribe has just weathered a major scandal involving large-scale speculation. The López clan can therefore ill afford to be tied to another scandal of the proportions the Duque case threatens to acquire.

It is not surprising, then, that the leading Bogotá newspaper backing López Michelsen, *El Tiempo*, undertook an unabashed defense of Duque Jr. and Sr., including lead headlines claiming that Alberto Duque was being persecuted for the "crime" of being young, rich, and Colombian.

The question is: if and when the investigation leads to López's front door, will Duque Sr. be willing to send his son to jail to protect López's political future?

The ghost of 1968

Eight universities are out on strike, and authorities are thinking back to the blowup 15 years ago.

The largest union of teaching, administrative, and custodial personnel at the National Autonomous University (UNAM) of Mexico City went out on strike on midnight May 30, together with unions in seven other universities across the country.

The strike is a particularly delicate one for several reasons.

First, the leading union, STUNAM, and most of those that have followed in other states, are controlled by the PSUM (Unified Socialist Party of Mexico, formerly the Communist Party of Mexico). At issue is the role of the so-called independent unions (almost all leftist, in fact), that have been making gains against the government-aligned CTM-led labor organizations.

The entirety of the CTM apparatus was set to go out on strike May 30, not just the STUNAM. CTM leader Fidel Velásquez was threatening a general strike, then pulled back after he won a 25 percent wage increase for the confederation and other concessions from the government.

However, inflation is running at 36 percent so far this year by official calculations and is closer to 50 percent according to independent studies.

The STUNAM is calling for a 40 percent increase, hardly an unreasonable amount under the circumstances. The official union structure is consequently ambivalent. On one hand, it would appear that Velásquez is giving at least tacit support to the strike, in order to keep broader pressure on the government faction which is insisting on the wage-gouging guidelines of the International Monetary Fund.

Emerging from an unusual June 7 meeting with the veteran CTM leader, STUNAM secretary general Eleizer Morales told the press that Velásquez had indicated he was opposed to seeing the strike declared illegal by the government Board of Conciliation and Arbitration and had assented to a full meeting of the Labor Congress umbrella organization to consider a STUNAM petition of support.

But the CTM groups do not want to give too much credibility to the PSUM-linked leadership of the strike. Hence the statement by Labor Congress president Napoleón Gómez Sada the next day after the full Congress session: The strikers have the Labor Congress's support, "as long as it is a labor, and not a political, question."

Similarly, when the Trotskyist PRT (Revolutionary Workers Party) leadership met with President Miguel de la Madrid on June 6, a PRT leader who is also on the executive committee of the STUNAM was not there. Her presence "could have been misinterpreted," was the diplomatic formula accepted by the PRT.

Just how fine a line it is was demonstrated on June 9, when somewhere between 50,000 and 100,000 strike supporters marched through Mexico City, and upwards of 100,000 schoolteachers around the country, members of the dissident teachers' Coordinadora, stayed off the job for a day. All the participants in the support actions came from the independent trade union movement.

Education Minister Jesús Reyes Heróles is giving under-the-table support to the Coordinadora in an effort

to break the power of the parent union, the CTM-allied SNTE.

But the real tension comes from the danger that the strike could serve as the background for a resurgence of student confrontationism à la 1968, when student mobilizations eventually provoked the bloody official repression of Tlatelolco. The intensity of Mexico's current economic collapse has considerably lowered the threshold for student action—and for combination with other forces in the country.

A sign of the times was an incident in a high school in Mexico City, the Prepa of Tacuba, on May 9. Rival gangs of thugs, parading under pseudo-left designations like the National Federation of Bolshevik Organizations, invaded the school and began a shoot-out. The toll was two dead and 14 wounded.

The police did not intervene. In a press report subsequently confirmed to me by several sources, it was noted that Mexico City police chief Gen. Ramón Mota Sánchez had not moved in because he wanted "to avoid situations like those that occurred in 1968," when uniformed police were injected into similar gang warfare and ended up the object of student hatred.

Fear of provoking another 1968 was not the only motive for the police chief's seeming passivity. Everyone knows that the *porros* roaming the schools are the paid thugs of higher-ups in the political system, and any competent law enforcement officer has to disentangle "who owns the dog," as a Mexican expression goes. It looks like police officials may be getting the intelligence they need, because the Tacuba violence has fallen off.

But the incident is a useful reminder of how much the unfolding student issue is being shaped by memories of 1968—on all sides.

International Intelligence

German Protestants in disarmament frenzy

The national convention of West Germany's Protestant churches in Hannover June 8-12, was attended by more than 120,000 people, two-thirds of them below the age of 25. The tearful, folk-singing youth with more than 90,000 violet "peace" banners and the monster church service of almost 100,000, recalled scenes of 50 years ago when the Nazis celebrated their "Reichsparteitag."

The conference was presided over by Social Democratic Party luminary Erhard Eppler, who stressed the necessity to follow the examples of the American and East German churches in fighting for peace. A big delegation from the East German Church attended, as well as one from the Russian Orthodox Church, who sent Archbishop Pitirim from Moscow.

Egon Bahr, the disarmament expert of the SPD, called for a "doctrine of common security" between both German states. When U.S. disarmament spokesman Norman Birnbaum told the peaceniks that they have a "pedagogic effect" on public opinion in the United States, the violet banners went wild.

"For us religious people and for all peace forces in Europe, the fight against the stationing of the new American medium range missiles in the west of our continent will be of fundamental importance. I want to underline that the peoples of Western Europe have no cause at all to fear aggression by the Soviet Union," read a statement from Orthodox Patriarch Pimen in a booklet distributed to the crowd. No one asked the bearded Orthodox priests in attendance what the Patriarch meant by "our continent."

Latin American bishops' summit on cult plague

The head of the Latin American Bishops Conference, Antonio Quarrancini, called in early June for a summit of the Catholic bishops of the continent to confront the plague of religious sects from Mexico to Argentina.

There are now over 120 different fundamentalist sects running riot in Central America alone. Pope John Paul II severely criticized the Ríos Montt regime during his

March 7 visit to the country. The Council of Guatemalan Bishops on June 8 warned that Ríos Montt's drive to "militarize the country" through a policy of forced participation in paramilitary "civil defense patrols," and the promotion of a "wave of aggression" by fundamentalist sects are acts "dividing our communities, which could easily lead to a religious war of incalculable consequences." The bishops' letter confirmed that massacres continue, especially of Indians.

The same day the letter appeared, Gen. José Echeverría Vielman, the senior officer in the Guatemalan army, challenged his commander-in-chief by demanding that the army be removed from all political functions and called for early elections. Ríos Montt immediately dismissed him from active duty. The auxiliary bishop of Guatemala City, Ramiro Pellecer, made a point of hailing the general's manifesto, and the Vatican has refused to recognize the credentials of Guatemala's new ambassador-designate to the Papal state.

The strongest support for the beleaguered cultist comes from Richard Stone, the U.S. State Department's new itinerant "special envoy" to the region, who met with Ríos Montt for breakfast June 12. There have been "positive changes" in recent months, Stone said of the country in which Ríos Montt's forces are known to have murdered and eaten children.

A 'Bulgarian' student movement for the U.S.?

The East-West "scientists'" conference that has served as the main channel for informal communication between the KGB and the blueblood controllers of the American peace movement, is turning its attention to creating a new student movement in the United States. Spokesmen who attended the early-June Pugwash Conference in Plovdiv, Bulgaria report that this will now be a major objective of Pugwash.

Bulgarian representatives and others will lead a discussion on chapter building at the June 20-26 International Student Pugwash Association conference at the University of Michigan at Ann Arbor. The U.S. International Student Pugwash office, which presently exists only in Washington, D.C., MIT,

and the University of California at Berkeley, has immediate plans for Atlanta, San Diego, Boston, and Yale.

The Ann Arbor conference will be addressed by, among others, Leonard Woodcock; Chris Payne of the Federation of American Scientists; former Deputy Director of the CIA, Herb Scoville, and MIT's George Rathjens, a public spokesman for the opposition to President Reagan's Ballistic Missile Defense policy.

Russian Church gets back old monastery

Moscow's oldest monastery, the Danilovsky, is to be handed back by the Soviet government to the Russian Orthodox Church, according to a TASS news agency report covered by Reuters June 13. The monastery, built in 1272, will become a new administrative headquarters. Seized by the Bolsheviks after the 1917 revolution and closed to the public, it has been used as a factory warehouse.

"The decision to return it to the Moscow patriarchate reflected the increasingly warm relations between the Communist leadership and the Orthodox Church," Reuters commented.

Terrorists target LaRouche leadership

Intelligence sources warn that new, "professional" assassinations are planned against leaders of the International Caucus of Labor Committees, the cadre organization of EIR founder Lyndon LaRouche. Immediately targeted are LaRouche and his wife Helga, a political figure in the Federal Republic of Germany, and executives of the Mexican Labor Party (PLM).

A traveller of the Revolutionary Cells (previously the RAF), operating from the student exchange program at New York University, is conducting intelligence developed by former Maoist Dennis King and others in the employ of the Anti-Defamation League's Irwin Sull to the RAF networks. The Cells, thought to be responsible for previous attempts on the life of Helga LaRouche, are reportedly being fed additional

intelligence by Ariel Sharon-connected elements of the BKA (Bundeskriminalamt, the West German FBI), which function under the patronage of former Interior Minister Gerhard Baum.

Patterns of surveillance detected at the West German Club of Life founding conference in Karlsruhe in May correspond to the estimate that another attack is being prepared.

In Mexico, an alliance of the fascist PAN party, the leftist CDP, and the Cuban-exile Alpha 66 is targeting leading members of the PLM for thug attacks on the basis that "a few murders will scare them out of the country." Weapons shipments originating from the FDR guerrillas in El Salvador are delivered to the CDP in Mexico, and are then divided between the PAN and Alpha 66. Some of the weapons are reputed to then make their way to an Alpha 66 network in Elizabeth, New Jersey run by an individual said to be a contract agent of the ADL.

The same intelligence sources identify Alpha 66 as the "cutout" for Israeli minister Ariel Sharon's operations in Central America.

General blasts Italian 'military culture'

General Giulio Macri, the European Labor Party (POE) candidate for Parliament in Rome and Milan, made some pungent observations on the state of the Italian military in an interview released by the Repubblica press agency in Rome in mid-June:

"The military culture of the high ranking officers of the Army is notorious. . . . What did the U.S. and the Soviet ambassadors have to tell each other during the military parade of last June 2 when they were surprised smiling and absorbed in a confidential discussion? They had before their eyes a parade of the squadrons trained for peace, squadrons that are more appropriate to [mafioso 'Civil Protection'] Minister Loris Fortuna than to [Defense] Minister Lagorio."

"These are squadrons," Repubblica commented, "trained by generals like Santini and Cappuzzo whose successors are part of the same school. If the 'culture' of the top brass is reflected in the military policy of the '80s, one understands very well the reason why the U.S. announcement about beam weapons—the famous laser weapons

Reagan speaks about—is being rejected inside the Italian army leadership. An army for technological warfare, even in the context of a 'defensive shield' scenario, is inconceivable here. The best thing the defense ministry can come up with is the anti-earthquake squadron. This is why we decided to interview a maverick general, a general who prefers the laser to the plowshare, General Macri, who has been nominated for office by a small pressure party."

Gromyko backs anti-nuclear movement

Politburo member Andrei Gromyko endorsed the activities of not only the peace movement, but also the anti-nuclear movement—in the West—in his speech to the June 16 session of the Supreme Soviet of the U.S.S.R. It was at this meeting that Yuri Andropov was confirmed as president of the Soviet Union.

"The antinuclear and antiwar movement that has arisen in the West is a kind of a popular referendum," he stated. Gromyko emphasized the Soviet campaign "to conclude an international treaty on the non-deployment of weapons of any kind in outer space." He denounced the U.S. government for failing to respond to a Soviet proposal to "let Soviet and American scientists, specialists in the field, get together and discuss the possible implications of establishing a large-scale ABM system"—which Soviet proposal was made as a bid to elicit more support from U.S. academics opposed to President Reagan's Mutually Assured Survival strategy of developing anti-nuclear missile directed-energy weapons. Moscow has consistently opposed Reagan's defensive weapons policy.

Eyewitnesses of the recent Institute for Policy Studies-USA/Canada Institute meeting in Minneapolis noted that Gromyko's speech appeared to be compiled from the presentations made at the Minneapolis meeting by Russian Orthodox Church representatives and by the Pugwash conferences supporters assembled there. The Pugwash conferences were established by Bertrand Russell after World War II to plan the use of "limited nuclear warfare"—including the occasional bombing of selected U.S. cities to "appease" the Soviets.

● **THE LOCKHEED TRIAL** of former Japanese Prime Minister Kakuei Tanaka, ended June 17 after six years. Three of the top defendants admitted delivering alleged bribe money to Tanaka from Lockheed, undercutting Tanaka's denials. The verdict by the judge is expected in October or November. Tanaka was the major force behind last November's accession of Prime Minister Yasuhiro Nakasone.

● **IRAN'S** Deputy Foreign Minister Hossein Kazempour Ardebili visited Foreign Minister Shintaro Abe in Tokyo June 17, and warned Japan against trying to bring Iran into the Western camp. This is the first visit to Japan by a high-level Iranian foreign ministry official since the Khomeini takeover. Abe, who is scheduled to visit Iran soon, told Ardebili that ending the Iran-Iraq war would make it easier for Japan to give aid for Iranian reconstruction.

● **PETRA KELLY** is suing *EIR's* publisher NSIPS, Campaigner Publications, and the National Democratic Policy Committee for libel. She complains of being called a "fascist and terrorist" and an "unchaste person."

● **DAN SNEIDER**, *EIR's* Asia editor, is currently in Kampuchea, talking with government officials and others.

● **GIUSEPPI VERDI** has been deployed into the electoral campaign of the European Labor Party in Italy (POE), which is interspersing its soundtruck attacks on the Jesuits, the masonry, and the Italian Socialist and Communist parties with choruses from *Nabucco* and *La Forza del Destino*.

Euthanasia policy poses clear and present danger

by Kathleen Klenetsky

Under the pressure of depression politics, the United States is close to adopting the same cost-cutting “useless eaters” policies promulgated by the Nazi regime in Germany. Less than a decade ago, the court order to remove a young New Jersey woman, Karen Ann Quinlan, from a respirator precipitated a major national outcry. Many people were properly horrified that someone who was so obviously alive should be allowed to die—and die she would have, had her doctor not defied the courts and slowly weaned her from the respirator.

Today, the euthanasia lobby has been so successful in foisting its Malthusian arguments on the medical profession and the American population in general, that untold numbers of people are literally being murdered on the grounds that it “costs too much” to keep them alive, or that their “quality of life” would be so awful that it is more humane to let them die.

This year a panel on medical-ethical issues set up by President Jimmy Carter released a report advocating termination of life-sustaining treatment in certain cases. Father John Paris, S.J., was a consultant to the panel, which was chaired by New York attorney Morris Abram. According to the section he wrote, stated cost is one of the principal factors determining whether a treatment—including feeding—is classed as ordinary or extraordinary.

Cultural pessimism and the Nazi model

The entire area of medicine and health care is being pervaded by the same cultural pessimism that is afflicting so many other areas of national life. Not too long ago, the burning issue in the field of medicine was how quickly and effectively science could achieve new breakthroughs in curing disease and lengthening life. Now the debate centers almost entirely on such issues as cost containment, helping people “die with dignity,” and providing “care” instead of a cure.

Now it is standard practice in hospitals across the country

for patients who are terminally ill, comatose, elderly, or born with physical or mental handicaps to be denied routine medical treatment. A growing gaggle of self-styled “medical ethicists”—generally with no medical or scientific training—are being called upon by the medical profession to make the final determination as to who should live and who should die. And the health insurance sector—with help from the American Medical Association—is radically restructuring medical benefits with the explicit aim of deterring people, primarily by raising costs to prohibitive levels, from seeking sufficient and timely medical care.

The euthanasia lobby is utilizing exactly the same Malthusian arguments which Adolf Hitler himself put forth to legitimize his program to eliminate what his regime called *Ballastexistenzen* (“dead weights”)—the mentally ill, the retarded, the elderly, and the infirm; namely, that they placed too great a financial burden on the state. Hitler’s Jan. 30, 1934 speech articulating this policy differs not one whit from the cost-accounting justifications offered by today’s euthanasia advocates:

So long as the state is condemned to raise from its citizens enormous sums which are increasing from year to year . . . for the maintenance of these unfortunates, it is compelled to adopt the remedy which both prevents such undeserved suffering being handed down to posterity, and also obviates the necessity of having to deprive millions of healthy people of what is absolutely necessary to them, in order artificially to keep alive millions of unhealthy people.

Hitler’s “remedy,” of course, was the murder of millions.

Starving the sick

In recent months, the euthanasia lobby and its cost-accounting accomplices have added a new dimension to their efforts by claiming that not only respirators and antibiotics,

but food and water as well, constitute “extraordinary” medical treatment and should on that account be withheld from what are called “hopeless” patients. Furthermore, the definition of “hopeless” is constantly being expanded, so that whole new categories of patients—for example, retarded adults with cancer or kidney failure—and not simply those literally on their death beds are faced with the prospect of being starved to death.

Several recent cases underscore how swiftly this policy is being legitimized:

- **The Baby Doe case:** This case involves a Down’s syndrome infant born in Bloomington, Ind., in April 1982. Although “Baby Doe” had a surgically correctable blockage of the digestive tract which precluded normal feeding, the infant’s parents denied permission for an operation. Subsequently, a federal court refused to intervene on the child’s behalf. Six days later, “Baby Doe” died of starvation.

Widely publicized, the case attracted the attention of the Reagan administration. In congressional hearings, Surgeon General C. Everett Koop called the death of “Baby Doe” infanticide. At the prompting of President Reagan, the Department of Health and Human Resources issued a notice to health care providers reminding them that under section 504 of the Rehabilitation Act of 1973, it is unlawful for hospitals receiving federal financial assistance to withhold nutrition or medical or surgical treatment from handicapped infants if required to correct a life-threatening condition. In a follow-up measure in March 1983, the administration issued a ruling that required hospitals and other medical institutions receiving federal financial assistance to post permanently and conspicuously a notice urging anyone with information on violations of section 504 to contact a “Handicapped Infant Hotline” at the Department of Health and Human Services.

The administration’s initiative raised an unholy commotion from the euthanasia lobby, which promptly sued to have it overturned. On April 14 of this year, Federal Judge Gerhard H. Gesell did just that, justifying his support for murder on the grounds that the administration ruling did not take into account the “allocation of scarce medical resources between defective newborns and other newborns or other patients” and that the quality of life of infants such as “Baby Doe” might not be satisfactory.

- **The Clarence Herbert case:** A patient at Kaiser Permanente’s Harbor View Hospital in Los Angeles, the 55-year-old Herbert became comatose after undergoing routine surgery in August 1981. Within 48 hours, Herbert’s attending physicians, Drs. Neil Barber and Robert Nedjl, persuaded his family to permit him to be removed from a respirator, claiming that he had suffered severe, irreversible brain damage, that he was just hours from death, and that his “spirit had already left his body.” When Herbert continued to breathe on his own, the doctors ordered all food and water to be discontinued. Herbert died six days later—not of “brain damage” but of acute dehydration.

The incident was brought to the attention of Los Angeles authorities by Sandra Bardinella, a nurse at the hospital. At a preliminary hearing to determine whether charges should be pressed against the two physicians, expert witnesses testified that not only was Herbert not “brain-dead—the only legal justification in California for the removal of a respirator—but that he actually had a good chance for at least partial recovery. Nevertheless, Los Angeles Municipal Court Judge Crahan ruled that there were no grounds for prosecution.

The Los Angeles District Attorney’s office appealed Crahan’s decision, and on May 5, 1983, Superior Court Judge Robert Wenke ruled that murder charges should be brought against the two physicians.

- **The Claire Conroy case:** Claire Conroy was an 84-year-old woman in a New Jersey nursing home whose nephew sought a court order early this year to have the nasogastric tube through which she was being fed withdrawn. On Feb. 2, State Superior Court Judge Reginald Stanton ruled in favor of the nephew—despite the fact that Conroy was not even comatose. “The nasogastric tube should be removed,” Stanton said, “even though that will almost certainly lead to death by starvation and dehydration within a few days, and even though her death may be a painful one.” Stanton justified his decision as follows: “If the patient’s life has become impossibly and permanently burdensome, then we are simply not helping the patient by prolonging her life, and active treatment designed to prolong life becomes utterly pointless and probably cruel.”

While Stanton’s decision was never carried out—opponents obtained an immediate stay and Conroy died two weeks later—the “death by starvation” ruling still stands as an ominous legal precedent.

Just the beginning

The progression from a policy of removing “hopeless” patients from respirators to one of denying them all nutrients demonstrates one crucial truth: the euthanasia movement, based as it is on a zero-growth outlook, will inevitably broaden its definition of “useless eaters” as economic conditions worsen.

Dr. Leo Alexander, an American physician who took part in the 1946-47 Nuremberg War Crimes trials which tried Nazi medical officials who had carried out the *Ballastexistenzen* extermination program, accurately described this process in a 1949 article in the *New England Journal of Medicine*:

Whatever proportions [Nazi doctors’] crimes finally assumed, it became evident to all who investigated them that they had started from small beginnings. The beginnings at first were merely a subtle shift in emphasis in the basic attitude of the physicians. It started with the acceptance of the attitude, basic in the euthanasia movement, that there is such a thing as a life

not worthy to be lived. This attitude in its early stages concerned itself merely with the severely and chronically sick. Gradually the sphere of those to be included in this category was enlarged to encompass the socially unproductive, the ideologically unwanted, the racially unwanted, and finally all Germans. But it is important to realize that the infinitely small wedged-in level from which this entire trend of mind received its impetus was the attitude toward the nonrehabilitable sick.

One illustration of this point can be seen in the demands now emanating from various quarters to consciously *increase* the mortality rate among the elderly. At the May convention of the American Association for the Advancement of Science, for example, two leading gerontologists, Dr. Eileen Crimmins of the Andrus Gerontology Center of the University of Southern California and Dr. Leonard Hay-

flick, director of gerontological studies at the University of Florida, warned that the "historically unprecedented" decline in the death rate among older Americans could lead to "absolutely catastrophic" economic effects. This judgment was echoed by two economists from David Stockman's Office of Management and Budget, who warned that any further improvements in mortality rates will increase the "already ominous" growth in government programs for the elderly.

In a similar vein, economist Alan Greenspan, who aspires to replace Paul Volcker as head of the Federal Reserve Board, told a Texas audience in April that one of the main flaws in the Medicare program is that too much of its funding is going to keep "hopelessly" ill patients alive. Doctors and families alike, Greenspan said approvingly, are starting to question "whether it is worth it to spend large amounts of money to provide care for patients who are hopelessly, terminally ill when it means extending life for only a short time."

Father Paris prescribes for 'useless eaters'

The recent spate of court rulings justifying the withholding of food and water from patients would not have occurred had it not been for the activities of certain key institutions and personnel in propagandizing for this and other forms of legalized murder. One of the most insistent advocates of "death by starvation" is Father John Paris, a Jesuit "medical ethicist" based at Holy Cross College in Worcester, Massachusetts and at the Jesuit-run Kennedy Institute for Ethics in Washington D.C. The first Catholic priest in the United States to publicly advocate "living will" legislation, Paris has been particularly active as a pro-euthanasia "expert witness" in a number of precedent-setting legal cases. He appeared as a star defense witness at the preliminary hearing on the Clarence Herbert case, defending the decision of Drs. Nedjl and Barber to stop feeding the patient while at the same time acknowledging that the patient was not brain dead. Excerpts from Paris's testimony follow:

Is the withdrawal of treatment active killing? Some people . . . cannot make the distinction whatsoever between killing and letting die. . . . If you believe there is no distinction, and killing is wrong, then you will fall into the trap we cannot ever let an individual die; that is, we in medicine are responsible for doing everything to maintain life. . . . To withdraw treatment is not murder. . . .

What you really have to understand is that the physician's role is not to save lives. . . . If that's true [that the

role of medicine is to save lives] then medicine is in each and every instance a total, colossal failure . . . because in each and every instance, despite the whole armament and arsenal of technology, medicine will fail. In fact, this is what Ivan Illich, who wrote a book of criticism on medicine, calls the medical nemesis, this mad dream of progress we have that somehow we are able to achieve salvation through science and immortality through medicine. He says what that is, is a denial of the reality of the human condition; that we are mortals, that we will suffer, and that we will die. And as a result of that kind of mindset, what we do is we trade in our freedom, we trade in our autonomy, we trade in our dignity to be plugged into machines in I.C.U. [intensive care] units and live in this anesthetized hell in which we become nothing more than a cog in some machine and we call it life. What the physician's role is, is not to save lives but to care. . . .

By feeding [permanently comatose patients] . . . you are sustaining them in the dying process . . . for a long period of time at an extremely high expense. . . . I agree with Dr. Arnold Relman, the editor of the *New England Journal of Medicine*, that the single most important political and social issue in the 1980s is cost. . . . We have an enormous pressure to reduce the costs, and the highest factor of inflation in our society is medical care costs.

The President's Commission [on Medical Ethics] mak[es] it very clear that as a matter of public social policy in the United States, that it is morally appropriate, that it is ethical, that it is good medical practice in patients for whom there is no hope, to remove respirators, to cease antibiotic treatment, to cease feeding treatment, and to cease any and all forms of intervention except those that preserve the dignity of the patient with good hygiene care.

History of the 'budget process'

Susan Kokinda describes the final stages of the process of institutionally turning legislative debate on appropriations away from nation-building.

Part I of this article, in the June 7 EIR, examined the way in which the "budget process" has been used by enemies of the American System to divert Congress from its proper responsibilities of nation-building as defined by Article II, Section 8 of the U.S. Constitution. Congress has been increasingly infested by a budgetary form of systems analysis, in which Congress endlessly manipulates revenue and expenditure statistics whose parameters have been determined externally—by the credit policies of the Federal Reserve Board, to which Congress abdicated its constitutional responsibilities over the nation's credit in 1913. The creation of the Fed and the budget process was traced in the second decade of this century and identified as the work of anglophile political figures, such as Woodrow Wilson, whose stated goal was to replace the U.S. Constitution with a British parliamentary structure.

Below, the conclusion of EIR's history of the budget process will examine how the same theoreticians who conspired to create the Fed and budget process laid the basis for the final congressional capitulation with the passage of the 1974 Budget Control Act, which has resulted in the near-emasculation of Congress as an institution of republican government.

One of the leading operatives of the early 20th-century budget-reform movement was William F. Willoughby, a consultant and member of the various commissions and committees which established the 1921 budgetary reform measures; most of these committees were connected to the British Fabian Brookings Institution, which was formed to institute budget reform. Willoughby was quoted in part I relishing the "great possibilities" inherent in the creation of extra-legislative (and unconstitutional) "outside organizations" which would direct congressional policy making. In his Brookings-published *Principles of Legislative Organization and Administration* (1934), which cites cultists John Stuart Mill and Jeremy Bentham as political forebears, Willoughby describes a theory of the U.S. governmental system *that precisely outlines the form of political subversion which was to take place 40 years later with the passage of the 1974 budget act.*

Willoughby argues that the problem with the American form of government is that it distinguishes only three func-

tions of government—that of the executive, legislative, and judicial—when in fact, there are two more: that of administration and of electoral action (political parties). Willoughby praises the British system for accommodating these fourth and fifth functions. The British oligarchy's administrative apparatus puts into practice the broad policy decisions of the executive, while Britain's parliamentary form of party government holds members of parliament accountable to party policy rather than to their constituents. Thus, Willoughby seeks to justify the institutionalization of those "outside organizations" which will batter the constitutionally established branches of the American system of government which were painstakingly established by the Founding Fathers to ensure a republican and representative form of government. Subjected to maverick institutions outside the constitutional chain of command, the administrative branch has become dominated by a virulent brand of Viennese systems analysis and the party caucus, functioning primarily in the Democratic Party, has been a hotbed of British Fabian and sometimes KGB influence.

'End legislative control over appropriations'

Willoughby's 1934 theories had already seen action. According to the testimony of members of Congress, the Federal Reserve Act of 1913 passed only because the Democratic Caucus had imposed party discipline on its members during that session of Congress—forcing them to vote for the legislation on the floor (regardless of massive constituency opposition), once the Democratic Caucus had taken that position. And Congress's capitulated, shortly thereafter, to the creation of a federal budget to be administered by the "Fourth Branch" Bureau of the Budget.

It was many years before Congress took the next step.

The 1947 Legislative Reorganization Act called for the promulgation of a congressionally originated budget, but, after two unsuccessful congressional attempts to match appropriations to the proposed budget, Congress repealed that provision. Efforts were continually afoot to create a Joint Committee on the budget or to statutorily or constitutionally hold congressional appropriations to the levels proposed by the Bureau of the Budget. But Congress, led by the historically powerful Appropriations Committees, resisted any sub-

stantive change. It was not for nothing that Willoughby had argued, "There are cogent grounds for holding that the legislature should be largely if not wholly excluded from the direct determination of appropriations."

Congress finally crumbled in the early 1970s when caught in the interplay between the systems analysts of the Fourth Branch and the British Fabians of the Fifth Branch (with a little help from the KGB's FBI).

Secretary of State George Shultz played a predominant role within the Fourth Branch side of the operation. Shultz, then Nixon's Secretary of Labor, and Litton Industries' Roy Ash (who began his career at the evil Venetian *fondis*' Bank of America) conspired to promote the most decisive reorganization of the executive branch economic policy making in the postwar period. That produced the 1970 establishment of the Office of Management and Budget, which replaced the bureaucratically hidebound Bureau of the Budget with a modernized version of systems analysis accounting and management. Shultz was the first director of OMB and Ash the second. (Ash sought also to destroy the constituency links of the Departments of Labor, Agriculture, Commerce, Transportation, HUD, and HEW by creating in their place four super-agencies right out of 1984—Human Resources, Economic Affairs, Community Development, and Natural Resources.)

But, most importantly, in 1973 Ash and Shultz (who had succeeded in a 1913-style subversion of U.S. economic sovereignty by helping decouple the dollar from gold) initiated the "impoundment" controversy with Congress. President Nixon refused to spend (or, impounded) funds which had been appropriated by Congress. While the Supreme Court eventually ruled such executive action unconstitutional, the Congress was sent into frantic motion to "regain" its power over the budget by imposing a budget process on itself.

The Democratic Party caucus

However, congressional acquiescence to the "budget process" coup of 1974 had been preceded by one other element, the Democratic Party Caucus.

The Congresses of the 1950s and 1960s had been ones in which seniority and powerful committee chairmen—especially of the Appropriations, Ways and Means, and House Administration committees—held sway. It was from these institutional bulwarks of congressional independence—beholden only to the wishes of constituents and constituency-based interest groups—that effective resistance to budgetary reform came.

In 1959, the Democratic Study Group (DSG), a long-term project to subvert the Congress, was launched by Rep. Eugene McCarthy (D-Wis.). McCarthy was and is an asset of the Third Rome/KGB-tainted St. John's College in St. Paul, Minnesota. In 1962, the same networks and personnel involved in the DSG, spun off the KGB-tainted Institute for Policy Studies, which became the de facto think tank for the

Democratic Study Group.

The purpose of the DSG was to wreck the power of traditional committee chairmen through a process of "congressional reform." The byproduct was, of course, congressional budget reform. Key to the DSG's proposals, elaborated in 1968, was the revival of the "Fifth Branch" Democratic Caucus. The year 1969 saw the establishment of monthly meetings of the House Democratic Caucus, and by 1970, the DSG had succeeded in establishing a House-sanctioned committee study which proposed sweeping changes in the seniority system of the House. The convening of the new Congress in January 1971 saw an increasingly vigorous Democratic Caucus decide that seniority would no longer be the automatic determinant in committee succession, and that members would be limited to only one chairmanship of a major subcommittee. The latter move opened up 16 subcommittees to new chairmen that year and presaged a major shift in the House power structure.

Gaining momentum, the DSG proposed another series of caucus reforms in January 1973, including provisions for secret ballot voting for committee chairman, which were promptly adopted. The continuing procedural successes inside the caucus led the reformers to attempt a major escalation. Later in 1973, Rep. Richard Bolling (D-Mo.)—one of the original reformers and a close ally of then-majority leader Tip O'Neill—was established as head of a select committee to reform the House committee structure. The Bolling committee proposed radical jurisdictional changes in powerful committees such as Ways and Means (chaired by Wilber Mills) and House Administration (chaired by Wayne Hays).

This assault on the committee chairmen did not succeed in actually toppling sitting chairmen until the massacre of 1975, which deposed Wilber Mills, Banking's Wright Patman, Armed Services' Edward Hebert, and Agriculture's Edward Poage. (Mills and Hays were the victims of manufactured, lurid scandals.) The massacre was accompanied by an escalation of the budget reform movement, fueled by the Ash-Shultz orchestrated impoundment controversy. At the same time the Bolling committee was sitting, a Joint Study Committee on the Budget was formed in 1973. Its recommendations for a congressional budget process were adopted in 1974 with no substantive opposition. In the leadership of the congressional budget reform movement were, among others, Bolling, now-retired Swiss agent Henry Reuss (D-Wis.), and Sens. Edmund Muskie, Walter Mondale, Jacob Javits, Sam Ervin, Robert Byrd, and Lee Metcalf (a founder, along with McCarthy, of the DSG when both served in the House).

Today, we find the budget process initiated by these reforms being used by both Harrimanite Democrats and Kissinger Republicans to massively cut federal spending. This undercuts the positive effect the U.S. government can have on the economy, and helps pave the way to turn the United into a post-industrial society.

Will the real Henry please stand up?

A person professing to be Dr. K. has been traveling at high speed around Europe, with odd results.

West Germany's newspaper of record, the *Frankfurter Allgemeine Zeitung* (FAZ), reporting on Henry Kissinger's June 12 stopover at a German-American Friendship Day in Worms, West Germany, noted that as Friendship Day organizers introduced what appeared to be Dr. Kissinger, a man rose from the audience "claiming that he was 'the real Dr. Kissinger'" and asserting that the man on the podium was a fraud.

FAZ reported that the man on the podium then nervously joked that he was being pursued by "an American radical group" ever since "my wife had been rude to them at the airport. Maybe they are here today because my wife is not present."

This latter statement is particularly curious. Although FAZ chose not to pursue the matter further, individuals present report that the Kissinger-claimant from the floor called out "Nancy!" and that a woman rose from the audience, identifying herself as Mrs. Kissinger and informing the audience about the distressing homosexual proclivities of Dr. K.

EIR is still investigating the matter. Suffice it to say at this point that we warned our readers on Jan. 4 that at a certain point, given signs of Dr. Kissinger's approaching political demise, persons would arise in public claiming to be Dr. Kissinger, while the real Dr. K. would in fact have passed from the political scene.

We cannot assert that that point has been reached. But in the period of June 10-13, the self-professed Kissinger has been shuttling around Europe

at a pace uncharacteristic for a man with such reputed heart troubles.

On June 10, Henry suddenly showed up in Sweden, for meetings with industrialist Peter Wallenberg, reputedly a member of the P-2 Freemasonic lodge, and with the heads of the L. M. Ericksson Wallenberg-financed telecommunications giant. By Saturday, Henry was in West Germany, spending the evening of June 11 huddled with West German Foreign Minister Hans-Dietrich Genscher at the exclusive Spargel-7 restaurant in Bonn-Alfta. On June 12, he arrived in Worms. On June 13, he was back in Sweden, in the town of Vesteras, for meetings with the heads of the company ASEA, which achieved some notoriety in past years for featuring a swastika symbol on the locomotives and other vehicles it produced.

In Sweden, Kissinger, the sworn opponent of technology transfer to the Third World and of industrial development, was quoted in the Stockholm and Vesteras press calling upon Sweden to turn its sights to the Third World for market opportunities and praising Sweden's "high-technology industry" as "on a par with that of the United States and Japan." Had his palms been greased with large amounts of Swedish crowns, or was something else behind this conversion?

A veteran Kissinger observer who watched Henry speak in Worms's outdoor Marktplatz on the afternoon of June 12 commented: "It was like he wasn't really there, almost disconnected. His German was more abominable than I would have anticipated,

and his words made no sense." The observer also cited a comment Kissinger delivered in English: "There have never been wars in this century where American troops were stationed, only where they were not stationed." It was ironic to hear this, the observer noted, in view of how many wars Kissinger himself initiated, in the Middle East and elsewhere, in his years at the helm of power.

Assuming for the moment that the individual in question was really the notorious Fat Henry, it was possible that he was unnerved by the unfriendly reception accorded him by a joint German-American-Italian delegation of the "Cincinnatus" division of Lyndon H. LaRouche's National Democratic Policy Committee from the United States. Among other things, the 1,000 attendees of the Marktplatz event received an NDPC leaflet advising them to learn more about "the eminent Dr. Kissinger," by consulting the just-released book by *New York Times* correspondent Seymour Hersh about Kissinger. The leaflet reported on Hersh's findings about Kissinger, with particular reference to Alexander Haig's commentary about Kissinger's propensities to masturbate in the privacy of his office and about Dr. K's "pussy-whipped and cock-crazy" state of mind.

Aspects of the NDPC's intervention at the Worms event was covered June 12-13 on the Armed Forces Network and by the *Mainz Allgemeine Zeitung* in the Federal Republic and by the Tanjug news agency of Yugoslavia. The mass-circulation West German tabloid *Bildzeitung* ran a short item entitled "Riots Around Kissinger." Like everyone else, *Bild* is reportedly highly interested in the new revelations about Kissinger contained in the Hersh book. We will soon have more to say about the book.

'Project Democracy' funded by House

By a relatively close vote of 215 to 194, the House passed on June 9 a \$31.3 million authorization for FY84 for a National Endowment for Democracy known as "Project Democracy." These funds are part of a two-year, \$6.9 billion FY84 and FY85 authorization for the State Department. The Endowment is charged "to promote . . . democratic training programs and institution-building abroad . . . [and] to strengthen democratic electoral processes."

The Senate Foreign Relations Committee has passed a similar authorization out of committee, and the bill is now pending floor business; no date has been set for consideration. If approved by the Senate, the endowment will automatically dispense \$13.8 million to the AFL-CIO's Free Trade Union Institute; \$2.5 million to a similar organization to be set up by the U.S. Chamber of Commerce; and an additional \$15 million for unspecified use. Representative Dante Fascell (D-Fla.), who floor-managed the bill in the House and who has been "breaking arms" to push through Project Democracy, will become the interim chairman of the project.

Hank Brown (R-Colo.) led the House fight against Project Democracy, claiming that any private agency that took government money would be inhibited by this association in its activities abroad. Black Caucus member George Crockett (D-Mich.) attacked the endowment as "at best a boondoggle." Brown succeeded, by a vote of 267 to 136, in eliminating \$10 million that would have funded entities set up by the national Democratic and Republican parties.

An attempt to cut the authorization for funding the Free Trade Union Institute was defeated by a voice vote.

This operation is run by protégés of Jay Lovestone, the former secretary-general of the Communist Party U.S.A. who has been operating for decades under an anti-communist cover, and associates of Luigi Scricciolo, a self-described stringer for East bloc intelligence agencies who is now in prison in Italy for his role in the Red Brigades' kidnapping of NATO General Dozier in December 1981.

In his testimony before the Senate Foreign Relations Committee on June 15, Secretary of State Shultz, who, along with AFL-CIO president Lane Kirkland is promoting Project Democracy, cited strident Soviet attacks on the project as proof of its importance. Some Capitol Hill sources speculated that Shultz may be using his "back channel" contact with Soviet leaders to boost his own "anti-communist" credibility.

Mullen attacked for FBI coverup

At his confirmation hearings before the Senate Judiciary Committee, Francis M. Mullen, nominated to head the Drug Enforcement Administration (DEA), came under intense questioning on his role in the investigation of former Labor Secretary Ray Donovan. Mullen was second in command at the FBI at the time of the Donovan caper.

Mullen was appointed acting DEA administrator 18 months ago. His nomination as permanent DEA head has been held up because Senate Labor Committee Chairman Orrin Hatch (R-Utah), also a senior member of the Judiciary Committee, demanded that a Labor Committee staff report on the Mullen-FBI-Donovan matter first be completed.

That report, released in early April,

charged that the FBI misled the Senate and "usurped the Senate's constitutional responsibilities" by withholding pertinent information.

At the June 15 hearing, Hatch pressed Mullen on his decisions to withhold information about allegations of organized crime ties to Donovan. Hatch stressed that the issue was not Donovan or the content of the allegations, since Donovan had been cleared and many of the allegations proven false, but rather Mullen's and the FBI's conduct in keeping the facts from the Senate.

After listening to Mullen's justification of what he considered merely a bad "judgement call," liberal Howard Metzenbaum (D-Ohio) told Mullen, "I am astounded and flabbergasted that you could sit there and tell us that you consciously withheld this information from the U.S. Senate."

Percy hearings promote U.S.-Soviet summit

Beginning his prepared testimony with the statement that the President of the United States had reviewed, changed, and then initialed on his statement, Secretary of State George Shultz presented the administration's reading of U.S.-Soviet Relations to the Senate Foreign Relations Committee on June 15.

The hearings, which initiate a series on U.S.-Soviet relations, have been launched by the Harriman wing of the Democratic Party and Kissinger-allied Republicans. The goal is to pressure the President into a summit meeting with Soviet leader Yuri Andropov which would result in some geopolitical "deal" undermining the March 23 commitment to develop de-

fensive anti-ballistic missile weapons.

Averell and Pamela Harriman are scheduled to testify before the committee June 16, and Henry Kissinger will conclude the hearings in July.

Despite the manifest hope of committee chairman Charles Percy (R-Ill.) to extract a pro-summit statement from the Secretary of State, Shultz did not deviate from the President's stated policy. Shultz insisted that the President was willing to meet with Andropov if a summit were well prepared, and if there were serious expectations that the meeting would have a substantive result.

When Paul Tsongas (D-Mass.) tried to goad Shultz by noting that the Reagan administration might be the only one in postwar history to never conduct face-to-face negotiations with the Soviet leaders, Shultz replied, "So be it. We are not interested in a face-to-face meeting for the sake of it, just as we are not interested in arms control for the sake of it."

Percy, Tsongas, and Claiborne Pell (D-R.I.) also placed great emphasis on the failure of the United States to ratify the Peaceful Nuclear Explosives Treaty and the Threshold Test Ban Treaty. Both have been signed by both superpowers but not ratified.

Again adhering to White House policy, Shultz cited the difficulties of verifying those treaties as the reason for U.S. non-ratification thus far, and underscored that the issue of verification was a crucial element of any arms control agreement with the Soviets.

House votes against space weapons ban

In a vote that some Capitol Hill observers view as a preliminary but significant test of policy on weapons deployment in space, the House rejected

an amendment to the FY84 defense authorization which would have taken out \$19.4 million for advanced procurement of an anti-satellite weapons system (ASAT) by a margin of 243 to 177.

The House action was considered a setback to those who are seeking a treaty with the Soviet Union banning space weapons, a treaty that would in effect be based on unilateral restraint of U.S. weapons development.

George Brown (D-Calif.), who is sponsoring the bill with Reps. John Seiberling (D-Ohio) and Joe Moakley (D-Mass.), said that the \$19.4 million deletion was "aimed at the initial steps in procurement of an operational system" which represented "crossing the threshold into the actual deployment of operational space weapons."

Brown slyly claimed he was "not even arguing not to cross that threshold," but "just arguing that it requires congressional discussion."

Member after member of the House, however, rose to speak in opposition, many pointing out that the Soviets were not only not restraining themselves, but had already developed and deployed their own anti-satellite capabilities in space, which were now threatening to leave the United States vulnerable to a Soviet first strike.

Advocates of a strong U.S. defense were joined by some members who have been seeking a space weapons ban treaty, but who assert that the United States should maintain a strategic balance with the Soviet Union rather than pursue unilateral restraint.

One such member, Martin Frost (D-Tex.), who opposed the funding cut, stated that "the only appropriate time for the United States to reassess its commitment to anti-satellite weapons development is when we have a reciprocal and verifiable treaty with the Soviets banning the use of outer space for weapons tests and deploy-

ments. Until that time, it makes no sense for our country to retreat from the ASAT program."

The vote may indicate support for President Reagan's program of directed energy weapons development and deployment. The *Rocky Mountain News* headlined its coverage of the House vote: "House Agrees Not To Sabotage Beam Weapon Program."

Congress kills the Clinch River breeder

The Senate Appropriations subcommittee on Energy and Water voted June 4 to delete any funding for the Clinch River Breeder Reactor project slated for construction in Tennessee. This action follows parallel budget votes in the House.

For the past year, the Reagan administration has been divided on the question. David Stockman and other ideologues have propagated the idea that since the breeder is "near-term" technology, private industry should pay for it. Though the President and Energy Department officials know that if the government does not fund the project, it will not be completed, a compromise with Congress was reached months ago, in which it was agreed that industry must "fund some portion of the cost." The bill states that if industry can come up with money, the House can put the project back into the budget.

Because no funding plan submitted by any industry has been accepted on Capitol Hill, the House authorization bill does not include any funding for Clinch River. And according to Senate Energy Committee staff members, it is not likely that the nuclear or utility sectors, both in a state of collapse, will provide the necessary funds.

National News

Danny Graham attacks Reagan, LaRouche

At a Denver meeting of his High Frontier group in early June, Gen. Daniel Graham attacked President Reagan's policy of developing beam weapons defense systems against nuclear missile attack.

Graham, the retired chief of the Defense Intelligence Agency, claimed that Reagan had decided to adopt Graham's own scheme for a space-based conventional-technology anti-missile system. Yet Graham also attacked the President's actual speech and policy, as elaborated in the background briefings given by administration officials.

Referring to Reagan's March 23 policy announcement, Graham asserted to the 150 participants, "The President said 'I want to look at current technologies.' Reagan never said a word about lasers or particle-beam weapons. All that Star Wars stuff was what the press threw on his head. . . ."

Graham continued, "The President made two mistakes in his speech, probably inserted by people I hadn't briefed well enough. His mistakes were: First, he called on scientists instead of engineers. Engineers solve problems with existing tools. Scientists tend to argue with you and then come up with five or six way-out answers. You don't get anything done by going to scientists.

"Secondly," Graham said, "Reagan shouldn't have mentioned the 21st century, 21st-century technologies. The fact is the technology is here now. . . . You don't need laser beams and particle-beam weapons. All you need is buckshot. You don't even need something as heavy as buckshot. You could use aspirin, marshmallows, or ice cubes."

Graham's statements are not merely silly: they point up the security risks represented by a battery of "conservative anti-communists," including the KGB-tainted Heritage Foundation, who have backed him in his efforts while opposing the policy adopted by the President.

Sharing the podium with Graham was John Rees, aide to the rabid John Bircher and Georgia Rep. Larry MacDonald. Rees, a British intelligence-trained "security" specialist, recently met with high-level Soviet intelligence operatives at the conclave of

peace movement and nuclear freeze supporters organized this May in Minneapolis by the leftist Institute for Policy Studies. At the conference, one of Yuri Andropov's close associates coached Richard Barnet of IPS on a national campaign against the President's beam weapons policy.

Graham's High Frontier event also featured Gen. John Singlaub, who aside from a ritual "anti-communist" monologue, joined Rees and Graham in a slander attack on the most vigorous supporter of the President's beam weapons policy in the Democratic Party, *EIR* founder Lyndon LaRouche.

One of the first questions, prompted by a leaflet distributed by the National Democratic Policy Committee announcing a June 24 beam weapons conference in Denver, was "What do you think of beam weapons?"

Graham replied with a diatribe against LaRouche, whom he portrayed as a paranoid who claims that "the Pope, the Queen of England, and the Knights of Malta" are out to assassinate him. LaRouche, said Graham, has also accused him of being part of a conspiracy to assassinate the Democratic Party leader. "LaRouche would be dead if I were out to try to get him," said Graham.

Singlaub, a recently initiated member of the Russian Order of the Knights of Malta, and John Rees added, "LaRouche belongs in a mental institution."

Another questioner asked, "General Graham, tell the truth. You know High Frontier won't work. You know the Soviets are developing laser systems now."

Graham's response: "I used to like lasers. But you get five or six scientists, one tells you we need chemical lasers, one says x-ray lasers, one says something else."

Corcoran takes on Senator Percy

Representative Tom Corcoran announced June 13 that he will challenge Sen. Charles Percy in the 1984 Republican primary in Illinois. Corcoran cited Percy's undermining President Reagan and the administration's policies for U.S. defense among the reasons that he has decided to give up a safe seat in the House to challenge Illinois's senior senator.

Corcoran specifically attacked Percy for his attitude toward Soviet leaders—"just as devastating is his battle against our President in foreign affairs," Corcoran said. "Immediately after Ronald Reagan's landslide victory in November 1980, Chuck Percy, as incoming chairman of the Senate Foreign Relations Committee, traveled to Moscow. Incredibly, we learned from U.S. State Department cables that while meeting with Kremlin leaders he repudiated President-elect Reagan's foreign policy campaign pledges—spoke not of Ronald Reagan's programs for rebuilding America's defenses, but about undercutting future Reagan programs for America."

"Every Illinois citizen was deeply and properly embarrassed by Senator Percy's spectacle in Moscow," Corcoran added.

He also scored Percy for having fought President Reagan's nomination of William Clark as deputy secretary of state, and for having cast the "one vote" by which President Reagan lost the vote for his budget in the Senate in May.

Corcoran is a supporter of the President's directed-energy weapons strategic defense program and is expected to make it a campaign issue. He is cosponsoring Rep. Ken Kramer's (R-Colo.) People Protection Act, which backs the President's beam weapon program.

Industrial erosion a defense issue

Defense Secretary Caspar Weinberger and his confidante and former deputy Frank Carlucci have warned that the United States and its allies must consider what steps must be taken to rebuild the necessary industrial capabilities for a full-scale mobilization of the alliance.

Speaking to a seminar at the Brookings Institution June 13, Carlucci said, according to the *Washington Times*, "All the procurement reforms in the world won't do us any good if we don't have the industrial base to implement them. . . . In area after area, we have watched the erosion of our industrial base. . . . Only with additional investment can you get modernization and cost reductions. . . ."

"The danger is not the military-industrial complex. Our concern ought to be how we rebuild that complex so that we can have that sure capability. . . ." He added, "I find it ironic that those who would not have us modernize are those who would force us into the Mutual Assured Destruction doctrine and a hair-trigger response. . . ."

During a June 14 address to the National Press Club, Weinberger declared, "The problem isn't the military-industrial complex. . . . The problem is we don't have one. And we may very well need to have one if we need to go to mobilization."

Keyworth speaks for beam weapons

In an interview in the *Washington Times* June 15, Presidential Science Advisor George Keyworth continued the public elaboration of President Reagan's new defense strategy.

Keyworth was asked if the United States is developing an "automated defense against Warsaw Pact armor should it be used against NATO in Europe." His reply:

"First, we do not have any such system fully developed—at least not with that implied comprehensive capability. Let me go back to the speech the President gave on March 23, in which he said essentially that the time had come for a new defense strategy that emphasized defense over offense. Many people have failed to interpret that speech correctly. Whereas anti-ballistic missile defenses would receive the greatest emphasis, since ICBMs represent the most destabilizing weapon and are feared most, the President, nevertheless, did discuss an overall change in strategy, and that, I think, was the major thrust of his speech.

"Now, let's examine conventional military weaponry—the tank, armor. Do you counter tanks by the acquisition of more tanks alone, or do you use the very best, the most sophisticated, American technology to develop broad and flexible anti-tank defensive capabilities? I think what the President was urging the technological community to do was use our technology and through emphasizing defense, give America sufficient leverage . . . to ensure far greater protection

than we now have."

On the CBS-TV national news program "Overnight," Keyworth said that President Reagan's March 23 speech "means particle beams, lasers, microwaves—this means all of the most advanced technologies. . . . All the components already exist—we simply have to assemble them."

Our emphasis, he said, is not on the offensive weapons of Mutually Assured Destruction, but on defense. If we carry out our program, he continued, we will eventually be able to scrap nuclear weapons. "These programs are a lot closer than people think," he told the shocked reporter.

As he spoke, top scientists heading the nation's beam-weapons development program have been gathering for closed door sessions with Reagan administration officials. The top-secret sessions will go until concrete proposals are worked out.

The meetings are taking place under the auspices of the special inter-agency task force established by National Security Directive 85, "Eliminating the Threat of Nuclear Missiles." A sub-group of the task force under Assistant Secretary of Defense Richard DeLauer is reported to be nearing decisions on a program for the next year, which the President will soon announce.

Kirkland 'explains' electoral politics

At the recent Memphis AFL-CIO regional meeting, federation president Lane Kirkland tried to silence opposition to the organization's plans to endorse a Democratic presidential candidate early in the campaign by telling the delegates:

"As I understand this point of view, the candidates are urged to pay scant attention to such elements in our society as working people, women, minorities, the elderly, and the youth. These groups are defined as 'special interests.'

"Of course, if you exclude these groups from the voting public, and then extract all others who happen to be Republican, you leave only a rather small segment of society to run the country.

"All that is left is the middle-aged Southern WASP. That must mean me."

Briefly

● **GEORGE M. PERRY**, a business associate of leading Khomeini arms procurer Sadeqh Tabatabai and a former General Motors executive, was found three months ago shot in the head and weighted to the bottom of an upstate New York lake—but word of his discovery was not released until June 12. Perry was killed about the time that Tabatabai was arrested in West Germany with a suitcase of heroin, and then released thanks to Kissinger ally West German Foreign Minister Hans Dietrich Genscher.

● **THE ASSOCIATION** of Military Chaplains of the United States and the Catholic War Veterans have both recently passed resolutions backing President Reagan's defense policies. In contrast to the U.S. Conference of Bishops, both support the President's defensive beam weapon development program. In a press release the chaplains noted, "The association affirmed our current national defense buildup as an essential component of efforts that peace might prevail. The defense philosophy of this nation is 'Power for Peace' and not for offensive war."

● **MARION HILL**, youth director of the NAACP in Los Angeles, has sent letters to NAACP Executive Director Benjamin Hooks and California Assembly Speaker Willie Brown urging President Reagan place South Africa under a full embargo because of its recent bombing of the Mozambique capital. Hill stated that the attack was a "terrorist bombing" conducted "the way the Nazis operated" by an "outlaw nation" bent on "population reduction."

● **MARTIN GILBERT**, Winston Churchill's official biographer, told *EIR* recently that the activities of Churchill's daughter, Mrs. Averell Harriman, would cause "Churchill [to] go berserk if he saw what she was up to. Reading about her sent a bit of a shiver down my spine."

Editorial

Batyushka combats the heretics

The Soviet Central Committee and the Supreme Soviet held their deliberations on June 14 and 15 in the Kremlin. Little Father Yuri Vladimirovich Andropov, Batyushka, with Archduke Chernenko, dedicated the proceedings to an elaborate, comprehensive doxology declaring total "ideological war" against "Western imperialism." Under the rubric of "spiritual mobilization" of the masses, Andropov outlined what he considers the six key elements of this spiritual mobilization.

"In the entire educational and propaganda work, it is necessary to constantly take into account the specificity of the given period of history through which mankind is living. And this period is marked by a confrontation, unprecedented in the entire post-war period by its intensity and sharpness, of two diametrically opposite world outlooks, the two political courses, socialism and imperialism. A struggle is going on for the minds and hearts of billions of people in the world. And the future of mankind depends in no small measure on the outcome of this ideological struggle."

Then, "Our entire ideological, educational and propaganda work must be resolutely raised to the level of the big and complex tasks which the party is solving . . . the party committees of all levels, every party organization, must understand that no matter how important are the other questions with which they have to deal (economic, organizational etc.), ideological work is advancing to the fore."

Under the spires of the Kremlin's Uspenskii Cathedral, the Little Father marshaled to action his great divisions of "ideological warfare:" "We have at our disposal a tremendous arsenal of means of education and upbringing. These are the press and radio, television and oral propaganda, and the huge network of educational establishments of various types . . . the matter now is to utilize all these means more correctly, to use them more vigorously, creatively, taking into account, in particular, the increased level of education and requirements of Soviet people. . . . A new, considerably higher standard of ideological and theoretical work in the field of social sciences, of the work of our scientific institutions and of each scientist separately must be ensured . . . the social sciences must become

an effective assistant of the party and the entire people in the solution of these tasks."

Then, the Little Father droned on, "a big role must be played by a change of style in the performance of the network of our political education and mass political study. It is necessary first of all to put an end to formalism, to a mechanical, divested from life memorizing, or reading from prepared texts, of these or those general propositions." Continuing to read from his prepared text, Andropov shifted to economic tasks: "A single scientific-technical policy acquires decisive importance now. A tremendous amount of work awaits us in the creation of machines, mechanisms and technologies both for today and for tomorrow. We will have to automate production, ensure the widest use of computers and robots, and the introduction of flexible technology allowing for a quick and effective readjustment of production for the manufacture of new output. The future of our power industry is in the utilization of the latest atomic reactors and in the future, also the practical solution of the problem of controlled thermonuclear fusion." *But:*

"Unfortunately, comrades, as you all know, it is the introduction of the achievements of science and technology into practice that is a snag for us."

For the Little Father and his legions of necktie-wearing helpers, it is no easier to bust out of their technological-industrial bottleneck, their "snag," than it is to proceed with a "change in style" or to stop "reading from prepared texts." The comrades, therefore, very aware of these, only human failings, decided to play it safe. So, the aging Andrei Gromyko, representing the usual consensus of opinion, the following morning announced to the assembled Supreme Soviet that the just mobilized ideological warmaking machine of the Motherland will dedicate its efforts to support the antinuclear, environmentalist movement of the United States, as an insurance policy just in case the "comrades" can't get past their "snag."

If your local antinuclear environmentalist continues to bore you with his unimaginative exhortations, don't blame him any more. Not even Little Father could let go of his prepared text.

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