

## Wall Street arms-controllers target the defense budget

by Mark Burdman

On Thanksgiving Day, Nov. 22, 1984, as most Americans, including the President of the United States, were engaged in their holiday feasts, there was a most unusual flurry of activity around the White House among the factional allies of Henry Kissinger in the Reagan administration.

It was only 16 days after one of the greatest electoral landslides in American history, 16 days after President Reagan had received a resounding national mandate for his Strategic Defense Initiative (SDI) anti-ballistic missile program and against the KGB's "nuclear freeze" program, and yet, there was National Security Council adviser Robert McFarlane, before the White House press corps, announcing that "the United States and the Soviet Union have agreed to enter into new negotiations with the objective of reaching mutually acceptable agreements on the whole range of questions concerning nuclear and outer-space arms."

In Moscow, the aura of holiday surprise was missing, but the announcement was the same: Soviet Foreign Ministry spokesman Vladimir B. Lomeiko announcing "new talks to reach a mutually acceptable arrangement on the entire range of questions concerning nuclear arms and space weapons."

By mutual consent, both Moscow and Washington announced that U.S. Secretary of State George Shultz and Soviet Foreign Minister Andrei Gromyko would be meeting Jan. 7-8, 1985. McFarlane added that a "sustained dialogue" would be continued through "private channels," and read a statement from President Reagan, from his holiday retreat in California, welcoming "a serious dialogue on arms control

toward the purpose of lowering tensions and lowering the level of arms."

As *EIR* has stressed repeatedly in its pre-election and immediate post-election coverage, the central, overriding issue in the 1984 campaign is whether or not, in the post-election period, the United States would pursue a crash program to realize the program for space-based ballistic missile defense that the President has committed himself to since March 23, 1983, in what the Liberal Establishment misnomers "Star Wars."

With the announcement of the Thanksgiving arms-control breakthrough, the President has potentially boxed himself into a corner, mainly for reasons less obvious than the arms-control process itself. As the talks unfold, in and of themselves, the Kissingerians might find themselves disappointed by the President's knack, in negotiations when the interests of the nation's defenses are at stake, to take a tough, no-compromise Commander-in-Chief's position on the space-defense question. Should the President's position be that the United States will only talk about talking about space weapons, while pursuing the program all the more vigorously, it might be argued that nothing would be lost by an apparent public-relations drive in favor of peace.

But the trap lies elsewhere, in the realm of Reagan's most persistent blind spot: economics. And it is on that vulnerable flank that the Soviets and the London, Geneva, and Wall Street financiers are ganging up to knock the SDI off course.

It is no accident that the forces behind the "arms-control"

lobby and the investment houses that have a significant stranglehold on U.S. government-bonded debt and that are screaming for "cuts in the U.S. budget deficit" are one and the same.

As City of London sources have frankly pointed out to *EIR*, the game of these investment houses—Goldman, Sachs; Merrill, Lynch; Brown Brothers Harriman—has been very simple during the autumn 1984 political season. First, they bought up substantial shares of U.S. government debt in the weeks leading up to the elections. Then, with the Reagan victory of Nov. 6 consolidated, they have been preparing to unload several billion dollars worth of bonds onto the financial markets, as a *political* move to generate the tremors of financial panic that would strengthen the hands of those in the Congress and in the administration who want to slash the budget for space defense.

This is designed to "give Wall Street major blackmail leverage over the Reagan budget process," a London source commented.

The literal *political* spokesmen for these investment houses—McGeorge Bundy, Averill Harriman, and the like—happen to be the movers and shakers behind the scenes for the Arms Control Association, the main umbrella group overseeing the organized opposition to the President's program.

The main in-administration mouthpiece for these interests has been Donald Regan, Secretary of the Treasury, who reportedly spends his time in cabinet meetings badgering Defense Secretary Caspar Weinberger to accept cuts in the defense budget.

Under the pressure of Regan and others, what amounts to a "creditors' committee" has been formed in the White House to pressure Reagan to cut defense spending to compensate for the size of the U.S. government debt. According to the Nov. 20 *New York Times*, this group has chosen the name "White House Budget Working Group." It includes James A. Baker III, White House chief of staff; Richard Darman, deputy chief of staff; John Svahn, assistant to the president for policy development; David Stockman, director of the Office of Management and the Budget (OMB); Donald Regan; Malcolm Baldrige, Secretary of Commerce; and William Niskanen, acting head of the Council of Economic Advisers. Additionally, Reagan stalwarts like Edwin Meese, the President's special counselor and attorney-general designate, and Craig Fuller, assistant to the President for Cabinet Affairs, are members of the group.

Pressure from Wall Street into this group comes from the Bipartisan Committee to Balance the Budget, which has demanded upwards of \$100 billion in budget cuts. Its main organizers have included Peter Peterson, formerly of Kuhn, Loeb and a top backer of environmentalist organizations such as the World Wildlife Fund and the Club of Rome; former U.S. Secretary of Defense Robert McNamara; and three former U.S. Treasury Secretaries, W. Michael Blumenthal, Henry Fowler, and William Simon.

Similar pressure is coming from the W. R. Grace Commission, nominally against "waste." The findings of the Grace Commission have become the rallying-point for financial circles in London, Frankfurt, Geneva, and elsewhere. Said one London banker: "Savings are possible in the defense budget, and the Grace Commission has indicated where they can be found.

"Reagan's new openness to the Russians shows the way: If there are arms-control negotiations, then cuts become possible in the defense budget."

There, of course, is the rub: As playback, the Russians can signal their "openness" to the "arms control" process, to tactically strengthen the hand of those banking houses ready to go after the SDI like vultures. Of course, since these same banking houses are run by individuals committed to what they think is a global "New Yalta" deal with the Soviet Union, the whole matter becomes quite a cute marriage of convenience.

The "rub" is there all the more because Reagan is most susceptible to grave political error in the realm of finances and economics, as contrasted with strategic-defense issues. His toleration up to this point of the debt-ballooning policies of Federal Reserve chief Paul A. Volcker and his unwillingness to negotiate a new economic world order premised on renegotiation of developing-sector debt and placing the United States' own debt-strapped financial situation on a "Hamiltonian" footing, has made Reagan vulnerable to being made the prey of the Wall Street investment houses and related Soviet manipulation.

## Enter Henry Kissinger

As could be expected, if there is this kind of chicanery going on, Henry Kissinger could not be far away. On the advisory board of Goldman, Sachs and a tool of these financial circles, Kissinger would be the first to be offering sage advice on how the President could accommodate to the new realities these bluebloods want.

In his latest column written for a *Los Angeles Times*-led international syndicate, written Nov. 18, Fat Henry calls on Reagan to break from "his traditional constituency"—which just gave him one of the greatest electoral victories in American history!—to "seize the middle ground." He insists that Reagan resist the advice of "fanatics" who have gained "disproportionate influence in primary campaigns."

The meaning of such verbiage would not be lost to Washington insiders. In the immediate aftermath of the Nov. 6 election, Kissinger told a European journalist that he would do "everything in my power" to sunder ties between the Reagan administration and the associates of Lyndon LaRouche, "and you can quote me on that." LaRouche, Kissinger's main opponent in the United States, has outspokenly supported the President's policy for beam-weapon anti-missile development and has called for that policy to be implemented on a crash basis.