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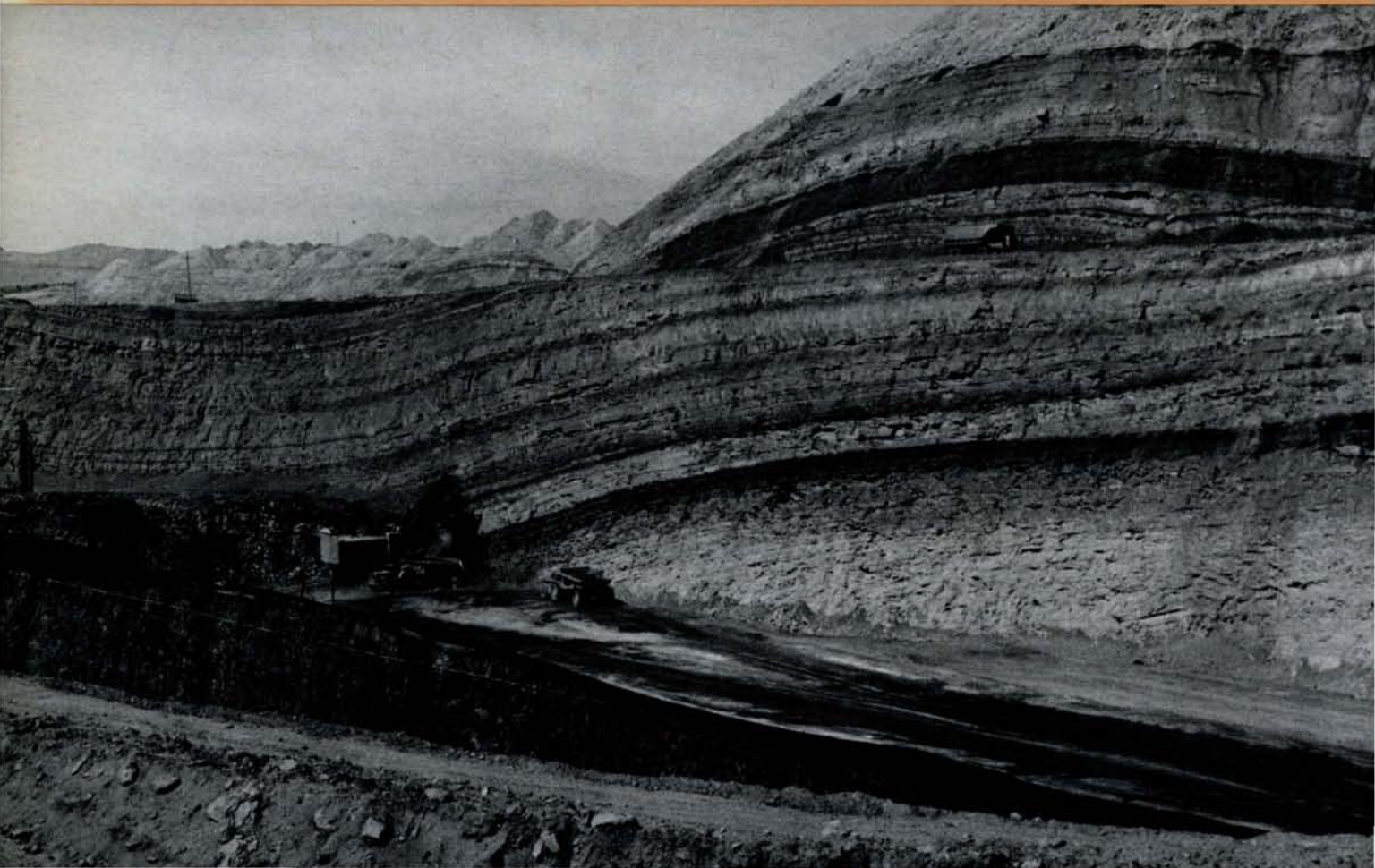
Executive Intelligence Review

February 16, 1982

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**Robert O. Anderson's grab
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This week we present the first part of Economics Editor David Goldman's critique of computer-based economics as an instrument of mind-control and shaper of managerial policies. The article serves as a sort of continuation of *EIR* founder Lyndon H. LaRouche, Jr.'s series in our Dec. 29, Jan. 5, and Jan. 12 issues, titled "Systems Analysis Is White-Collar Genocide," a series which variously provoked extreme delight and extreme outrage among our readers. Mr. Goldman's historical examination of how economics as the science of industrial development has been perverted will, we expect, have something of the same effect.

Coming up in future issues are the following big reports, among others: Mitsubishi Research's \$500 billion proposal for global infrastructural development; how the Middle Eastern branch of dirty-money banking and narcotics financing operates; the history of Anglo-Venetian manipulation of the Balkans, and the flashpoints being created there today; the real situation in communist China; and the inside story of the Wharton School's intelligence deployments against U.S. companies, cities and populations abroad.

As many of our subscribers know, a barrage of dirty financial operations against *EIR* has undercut our ability to meet our normal printing and mailing schedule. Naturally, we are determined to remedy this situation. We are all too well aware that the delay of vital information is a great inconvenience. If you have any questions, please call your regional *EIR* representative, or call Peter Ennis, Special Services Director, at (212) 247-8820 in New York City.

Susan Johnson

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Many of you are continuing to receive telephone solicitation from an unsavory group operating out of Detroit which were formerly distributors of *EIR*. These people are seeking subscriptions to a newsletter called Producers & Investors, and in some cases they are soliciting business investments of a questionable nature.

In many cases these people are representing themselves as *EIR*, or are telling you that they have purchased *EIR*'s subscription list. This is a lie. These people have no affiliation whatsoever with *EIR* or with *EIR*'s founder Lyndon LaRouche. They have in fact abandoned the principles

for which Lyndon LaRouche and this publication stand, and have thrown in their lot with the evil forces of Dope, Inc. and the Global 2000 genocide lobby.

The Detroit group operates under the name of Inform America, Inc. If you are contacted by this group and you are asked to subscribe to Producers & Investors, Parity Newsletter, American Labor Beacon, or to invest money in businesses such as Renaissance Printing or Computype, please advise us immediately. And do not allow any charges for *EIR* to be made payable to Inform America or any Detroit-based entity.

Special Report



Giant shale projects like this one in Kemmerer, Wyoming threaten the region's water availability.

D. J. Feeley/USDA

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Correction: An editorial error in the Jan. 26 article titled "The Myth that Low Japanese Wages Wrecked the U.S. Auto Industry:" the footnote to Figure 1 stated that the reference was to growth of the Japanese and U.S. *economies*. It was in fact to the average yearly growth of *wages* for the periods in question.

Computer economics as a brainwashing tool

by David Goldman, Economics Editor

No one would take seriously the admitted frauds of the Club of Rome's "Limits to Growth" model were its premises not deeply prepared for throughout American business and government, and to some extent in the population itself. What is most disturbing about the original Meadows-Forrester linear forecast of global calamity, and its successor, the "Global 2000" world model, is not merely that they juggle their numbers to fit specious pre-arranged conclusions, but that the perpetrators of these models would feel confident enough to present such an evident fraud in hope of getting away with it.

The success of the final "sting" in a confidence game—the point at which the mark turns over his money—depends on a chain of smaller deceptions, each of which so disorients the mark that he may, at last, throw aside his suspicions, common sense, and money all at the same time. The classic confidence games turn on a familiar array of objects which pretend to be a key to instant riches: a lost wallet, a palmed playing card in three-card monte, a secret means of obtaining racetrack results early, a chain letter, and so forth. In this case, the means of distraction has been the *digital computer*. If it is possible to summarize the suicidal management practices of American industry in a single maxim, it would be the substitution of computer-based data processing for replacement of fixed capital as a source of profits, the message of the Jacob Marshak school of "information theory."

That is not to underrate computer technology as such, but merely to insist that technology has proper uses

defined by the current state of man's ability to transform nature. The greatest technological progress in wood-burning stoves has taken place during the past 10 years, almost doubling the efficiency of now available such devices. But to the extent that anyone might argue—as the conservation fanatics indeed have—that an improvement in the technology of wood-burning justifies the widespread use of wood as a heat source, they are to be recommended to psychiatric care. Computers have been applied to cheapen the cost of white-collar functions in business enterprises, but in such a way as to underwrite the parasitical expansion of clerking functions at the expense of industrial employment.

In the 35 years since the end of the Second World War, the percentage of goods-producing employees in the U.S. labor force has fallen from 66 to 32, and the present devastating industrial decline will push it down even further. In absolute terms, the industrial labor force has not increased since the late 1950s, and has fallen in absolute terms since 1971. Meanwhile the absolute number of clerks and other administrative personnel has risen from 7 million to more than 20 million, or by a factor of three. The productivity, meanwhile, of our dwindling industrial labor force rose only marginally (1.6 percent annually) during the decade to 1978, and not at all since then. The computer has been the great catalyst of this change. Far in excess of its weight in overall production—computer sales of \$26 billion in 1980 were half those of the auto industry—the computer industry persuaded other industries to adapt their policies to its methods, with the just-cited lamentable results.

That the computer industry's pretensions to the role of technological vanguard were a hollow fraud has been proven remarkably well by the Japanese, who now threaten to out-compete the American producers on their own terrain. Japan's Fujitsu Company, for example, has obtained research and development results equal to or better than IBMs, with barely one-tenth the research budget, in such fields as the development of super-fast chips. Already, the Japanese are better equipped in physical production of semiconductors. But most important is Japan's use of a technology developed first in the United States, in industrial control applications. Japan now has more than five times the American number of industrial robots in operation, and has several fully computer-controlled factories on line.

IBM's little secret

That is not to hold Japan up as a model, but to note that the application of computer technology in the most obvious rational ways would seem impressive next to the perverse practices dominant in the United States. It would seem that the widespread introduction of computers would have led to precisely the opposite results we have seen here. Optical scanning devices linked to data-processors would have eliminated millions of unrewarding clerking jobs, standard computer forms would have replaced the welter of invoice and inventory forms now prepared manually, and a substantial portion of the labor force would have been freed up for better employment. But the industry's guilty little secret is that International Business Machines has never once been interested in efficiency of corporate administration. Its business is to transform the outlook of corporate management by fixating its attention on computers. With their IBM mainframes, corporations bought not merely a machine, but also its following of systems planners, consultants, programmers, and repairmen. The attention of management shifted to what uses this electronic miracle might be put.

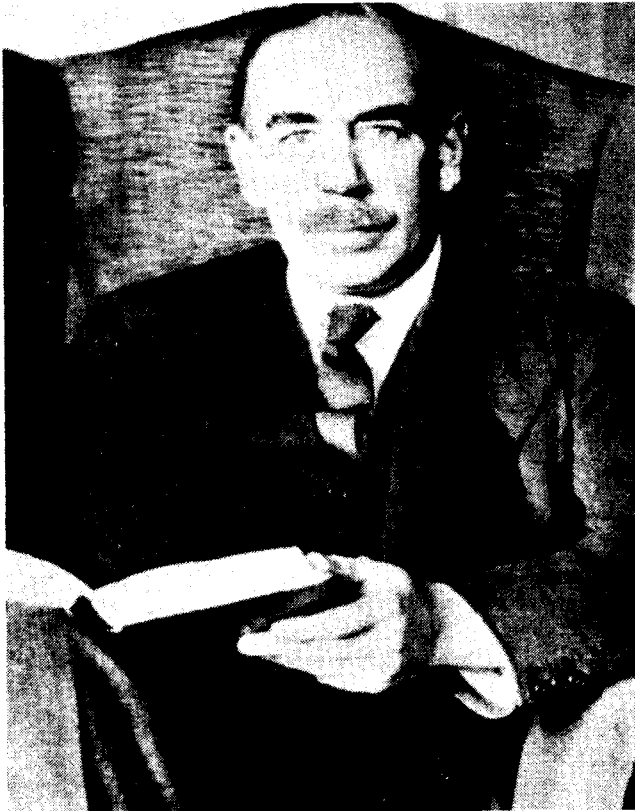
Of course, if management had much propensity to resist the new outlook, the flim-flam of IBM salesmen would not have meant much. U.S. Steel's executive suite has been a division of Morgan Stanley, and Ford management has been dominated by Goldman Sachs, since the war. But it is one thing to dominate a corporation with an anti-industrial outlook at the top, and another to transform an organization of several tens of thousands of apparently normal people into an instrument for suppressing investment and new technologies. For this the computer was indispensable.

Only when both corporations and the government—most emphatically, Robert McNamara's Pentagon—had begun to worship the digital computer as the guide to corporate management did it become possible to take a further, if long-prepared step, and persuade the na-

tion's leaders that computers were the key to planning the future. Computer-based futurology began under the sponsorship of the vanguard of computer misusers, the American Council on Life Insurance, in the mid-1960s, and took hold in a handful of pace-setting corporations. By the time Meadows and Forrester released their pre-cooked results with a computer gloss, most of the American leadership had abandoned its mind to the new Delphic Oracle, whose name the Rand Corporation, with a fine sense of historic irony, took for its own strategic planning project.

We are now witness to the big payoff, the "sting." The campaign to persuade the world to commit suicide began, in formal terms, among a handful of professed Malthusians at the University of Vienna and Cambridge University in England. Cambridge was the laboratory where the flotsam of pre-war Vienna dug out Parson Malthus' fraudulent population theory and re-furbished it for circulation in the capitalist world (through J. M. Keynes) and to the new Soviet republic (through Oskar Lange and Michael Kalecki). Through Cambridge, Princeton, and Columbia Universities, as well as the University of Chicago, it became the subject of the Wells-Russell-Carnap World Congresses on the Unification of the Sciences, and thence passed into the Allied military scientific establishment, finding its apotheosis in the postwar Strategic Bombing Survey, and picking up the first MIT digital computers en route. The alchemy was transferred from the Strategic Bombing Survey and Air Force Intelligence to the latter's civilian installation, the Rand Corporation, in 1977; and from Rand what later became known as "systems theory" permeated every economics department at major universities in the United States and several major corporations. The Air Force systems "whiz kids" took over and nearly ruined Ford Motor Company. When Ford's President, Robert McNamara, became Defense Secretary in 1961, the American military became the center for the dissemination of systems theory back into the corporate sector.

Cambridge's half-century-old plan to poison both the United States and the Soviet Union with the same Malthusian doctrine grew into institutional form with the 1971 founding of the Vienna International Institute for Applied Systems Analysis (IIASA), which combined the Wharton, Rand, and Yale Malthusians with the second generation of "Cambridge Communists" in Eastern Europe. The new Delphi at IIASA now controls not merely university-taught economics, but the economics functions of the U.S. government at the Office of Management and Budget, the Pentagon, and other crucial installations; the "strategic planning" divisions of most corporations; the Organization for Economic Cooperation and Development; and the economic bureaucracy of the United Nations at UNCTAD,



John Maynard Keynes

UNITAR, and other agencies; in short, the major economic policy bodies of the industrial capitalist world. Despite still-widespread abhorrence for the Malthusian doctrine promulgated through these bodies, and resistance at many levels of government to formal agreement to these policies, they nonetheless fix the general direction of the world economy—as nothing shows better than the emerging world depression.

Nothing short of tearing the Malthusian doctrine up by its roots will forestall a holocaustal depopulation from which the human race might never reemerge. But these roots are well-implanted, and they must be known in order to be destroyed.

Cambridge exhumes Malthus

There is not an idea in the repertoire of the systems religion not already fully-developed first by the Jesuit-trained British economist William Petty in *Mankind and Political Arithmetic* in 1682, which calculated rates of population growth against the rate of potential settlement of the world's surface with then-existing rates of agricultural productivity, and concluded that the human race would begin to die out in about 2,000 years (although Petty, chiefly responsible for the genocidal resettlement of the native Irish population in that century, proposed to begin immediately). Restated a

century later by the Venetian monk Giammaria Ortiz and in 1798 by Parson Malthus, Petty's theory formed the premise of all British economics up through John Stuart Mill and Alfred Marshall.

Although the Malthusian elements were always present in Marshallian, or Cambridge, economics, and in the monetary theory based at Yale with Irving Fisher and the University of Chicago with Frank Knight, Henry Simons, and Milton Friedman, Cambridge first undertook to revive Malthus as the explicit basis of economics, and to prove in theory Malthus' old proposition that capital investment itself led to declining profits and economic crisis. Cambridge pre-occupied itself with demonstrating the physical limitations of the economy and has remained relatively esoteric among university economics departments, while the Yale, Harvard, and Chicago groups set out to sell the same proposition.

A group of individuals such as is not to be found elsewhere in economics history gathered at Cambridge in the elite Apotles' Club in the early 1930s. There was, of course, J. M. Keynes; Keynes' chief assistant and disciple Joan Robinson; the triple-agent trio of Philby, Burgess, and MacLean; official British Communist Party economist Maurice Dobbs; and the inspiration of all of them, Italian communist Piero Sraffa, the editor of the now-standard editions of the works of David Ricardo and T. R. Malthus.

Although Sraffa's work was only published in 1960 under the title, *Production of Commodities by Means of Commodities*, his work from the 1920s onward had the most profound influence on both Keynesian theory and linear-programmed economic models. He was the connection between Vienna and Cambridge. A close friend of Italian Communist leader Antonio Gramsci, Sraffa had studied with the Vienna nominalist Ludwig Wittgenstein, a sometime collaborator of Trinity College Apostle Bertrand Russell. Through what a friend of Sraffa called "the European homosexual network," the Italian met another Trinity College man, J. M. Keynes, during the 1919 Versailles negotiations, where both were serving as economic advisers to their national delegations. Keynes brought Sraffa back to Cambridge with him, and the dedicatee of Wittgenstein's *Philosophical Investigations* set to work on economic theory.

Sraffa revived Malthus' 1819 *Principles of Political Economy* as a source for further inquiry into economics, with special emphasis on Malthus' "crisis" theory. Cheerfully willing to admit that improvements in agricultural productivity could, indeed, sustain greater population, Malthus nonetheless insisted that lower food prices meant overinvestment and, ultimately, lower profits:

"The millions in capital which have been expended

in drainings, and in the roads and canals for the conveyance of agricultural products, have tended to raise rather than lower profits; and millions and millions more may yet be invested with the same advantageous effect. . . . (But) our present body of manufacturers . . . seem quite to forget the prodigious increase of supply which must be occasioned by the competition of so many more workmen and capitals in the same line of business.” Malthus argues that overinvestment in industry will lower profits all around and bring about the same crisis that would otherwise emerge from an increase in the cost of labor due to food scarcity, thereby putting the Petty-Ortiz simple food scarcity theory into a general statement concerning the impossibility of capitalist development. As we shall see, he merely formulated what is now taught as the “production” and “supply of capital” functions in more general terms, namely, that at a given technology, marginal cost rises as consumption of inputs increases.

Linear equations and the real world

Sraffa did not attempt to prove Malthus’ remarkable assertions through simple bombast, as the old parson did, but rather through a twist of method so blindingly stupid that it is painful to believe that all of contemporary university-taught economics hangs on it, as it does. Sraffa set up a system of linear equations that attempted to describe the circulation of commodities in the productive system, in general following the erroneous methodology of Karl Marx’s interrupted Volume II of *Capital*. The exercise is straightforward: the production inputs to each commodity may be described as a “basket” of other commodities. For example, an auto may be described as a given amount of steel, aluminum, copper, glass, and other raw materials; as a depreciation cost for machine tools and other capital goods; and as a consumption basket for the labor force that produces the auto. All this is familiar from input-output matrices which have since become popular in econometrics. The commodities that make up each commodity may be written as a simple linear equation, and the totality of economic product may be written as a system of linear equations. Such a system may be solved for the case of economic growth only if the system grows in the identical proportions, i.e., if there is a change in technology such that the ratio of capital to labor employed shifts, the system of linear equations is insoluble. Cambridge economics boils down to the assertion that anything which cannot be solved through a system of linear equations cannot happen in the real world, and that the task of economics is to make sure that the ratio of capital to labor, or the capital intensity of production, remains constant!

That argument brings to mind Lyndon LaRouche’s

quip about the mathematician who thought that babies were caused by counting. Yet that is the level at which Cambridge argued, extending Viennese logical positivism’s attempt to force reality into the Procrustean bed of linear statements into an hysterical charge that the economy could work in no other way. Sraffa’s close friend Joan Robinson, the surviving matriarch of the Cambridge School, postulated the need for a “Golden Age” in which the capital intensity of production did not change so as to “make possible a rise in output per head of consumption goods while requiring an unchanged cost of equipment per man employed.”

Keynes himself wrote in his *General Theory*,

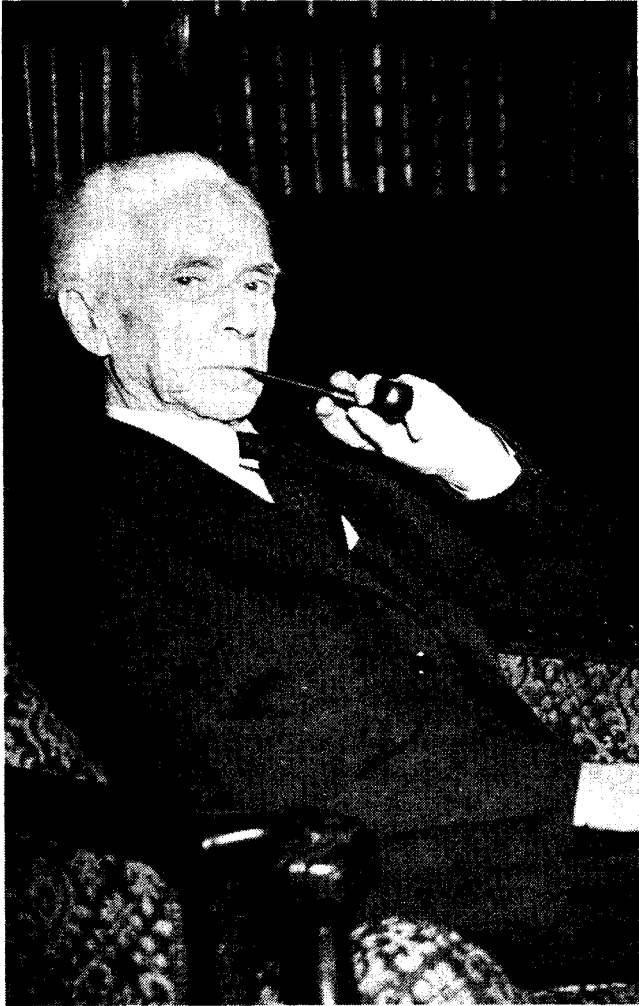
I sympathise, therefore, with the pre-classical doctrine that everything is produced by labor, aided by what used to be called art and is now called technique, by natural resources which are free or cost a rent according to their scarcity or abundance, and by the results of past labor, embodied in assets, which also command a price according to their scarcity or abundance. . . .

With a given labor force, there is a definite limit to the quantity of labor embodied in roundabout [i.e. capital-intensive] processes which can be employed to advantage . . . there must be a due proportion between the amount of labor employed in making machines and the amount which will be employed in using them. The ultimate quantity of value will not increase indefinitely, relative to the quantity of labor employed, as the processes adopted become more and more roundabout.

The later chapters of the *General Theory* cited Sraffa’s work in reviving the Ricardo-Malthus discussions of 1819-21, and favorably cite Malthus’ argument

that an attempt to accumulate very rapidly, which necessarily implies a considerable diminution of unproductive consumption, by greatly impairing the usual motives to production must prematurely check the progress of wealth. . . . But if it be true that an attempt to accumulate very rapidly will occasion such a division between labor and profits as almost to destroy both the motive and power of future accumulation and consequently the power of maintaining and employing such an increasing population, must it not be acknowledged that such an attempt to accumulate, or that saving too much, may really be prejudicial to a country?

With reference to the problem of Soviet participation in IIASA some thirty years after the great Malthus revival, it is important to note that the tendrils which ran westwards from Vienna to Cambridge also ran east



Lord Bertrand Russell

from the outset. The principal guides to Polish economic planning under the postwar Communist government were two Vienna-trained economists, Oskar Lange and Michel Kalecki, the latter of whom had already stated all of Keynes' celebrated conclusions in a 1933 paper on business cycles, two years before Keynes' *General Theory* appeared. The Polish and British Malthusian theorists were so close that "Kalecki's version of the General Theory, rather than Keynes', has been incorporated into the post-Keynesian tradition," wrote Joan Robinson. Kalecki in turn had "a lifelong friendship with Joan Robinson and Piero Sraffa," according to his biographer. In advice to the Polish government, which he served as chief economic adviser 1954-60, Kalecki recommended, "Investments should be kept at the lowest level at which the full employment of the labor force is obtained." Prior to this he had worked for the United Nations Secretariat as Deputy Director of the Division of Economic Stability and Development. A 1960 *Festschrift* for Kalecki contains laudatory essays by Joan Robinson (entitled "Kalecki and Keynes") and

by Wharton School guru Lawrence Klein, whom we will meet again later.

Still more influential than the Keynesian theory, as popularized later in Cambridge, Massachusetts, were the logical-positivist methods introduced by Wittgenstein's student Sraffa. While this odd assortment of communists and Bloomsbury homosexuals worked up the new economic theory, the exemplar of the previous generation of Cambridge Apostles, Wittgenstein's teacher Bertrand Russell, had set in motion the second track leading towards the computer-based economics hoax: the movement for "Unification of the Sciences."

Logical positivism

Russell, his old student Rudolf Carnap, the Viennese standard-bearers Hahn, Neurath, and Frank, and the talented but misguided Budapest mathematician John von Neumann gathered at Oxford in 1930 at the Seventh International Congress of Philosophy, where, for the record, the logical-positivist movement was born. Carnap's effort, presented to the Congress, to reduce both the syntax of language and of mathematics to Russellian logical format is the conceptual basis for the worst mistakes made in the development of linear programming. In close touch with the Oxford group was the founder of the Princeton Institute for Advanced Studies, Abraham Flexner, who had been persuaded to create an American equivalent to All Souls College of Oxford after a lecture tour in England on behalf of the Rhodes Memorial Trust in 1928. One of the most influential American Anglophiles, Flexner ran the Rockefeller Foundation's General Education Board, advised the Ford Foundation and the Carnegie Corporation, and worked for the Morgan bank in New York. Flexner personally recruited von Neumann to Princeton during a visit to Oxford in 1931.

Von Neumann's first major project at Princeton was a mathematical solution of the Cambridge system of linear equations, which included the mathematical refinements required for computer-based linear programming, which is to say that in the mind of its makers, computer-based economic models preceeded the computer itself. Virtually all the "mathematical economics" now in professional use derives from that nine-page document, first presented to a mathematics seminar conducted by the Viennese economist Karl Menger. "Only Cambridge took notice of the paper," according to a participant, and the paper, which Menger published in Vienna in 1938, first appeared in the Cambridge quarterly economic journal in translation in 1946.

The argument begins from Sraffa's formulation, "goods are produced not only from 'natural factors of production' but in the first place from each other. These processes of production may be circular, i.e. G^1 is produced with the aid of good G^2 , and G^2 with the aid of

G'. There may be more technically possible processes of production than goods and for this reason 'counting of equations' is of no avail. The problem is rather to establish which processes will be actually used and which not." Von Neumann demonstrated "equilibrium solutions" for this problem with the aid of part of the Göttingen mathematical repertoire (past the sophistication of the mind-damaged Russellians at Cambridge), through a generalization of the Brouwer Fixed Point Theorem of matrix transformations, introducing the maxima-minima technique which has become a staple of econometric jargon since then.

As summarized in an accompanying commentary by Cambridge economists D. G. Champernowne, Nicholas Kaldor, and Piero Sraffa, von Neumann demonstrated that economic "equilibrium" implies:

1. . . . every process in use should make zero profits; for under perfect competition, positive profits would attract competitors to use the same process and negative profits would deter people from using the process at all. [Von Neumann] thus obtains the following rule for equilibrium: *Profitability Rule*.—Only those processes will be used which, with the actual prices and rate of interest, yield zero profits after payment of interest. These processes will be the most profitable ones available.

2. Since, in the real world, land is limited in supply, the only possible quasi-stationary state is a strictly stationary state or conceivably a contracting state: for an expanding quasi-stationary state would eventually be confronted with a shortage of land and its equilibrium would be destroyed.

3. Wage costs are not considered as such, for laborers are not separately considered any more than farm animals. It is supposed that they will do their work in return for rations of shelter, fuel, food, and clothing, just as a horse works when it is fed and cared for. . . . Suppose that the working-class effectively insists on a higher real wage, then this has the effect of increasing the input needed in any process (to secure a given output) by the amount of the extra fodder which the workers demand. Hence, there will be a change in equilibrium conditions, and the position of quasi-stationary equilibrium will change to one with a lower rate of interest and a lower rate of expansion.

Here it is of only secondary interest that Joan Robinson, in keeping with her well-cultivated image as a leftist with sympathies toward the East bloc, made the last point the core of the post-war "Cambridge Controversies" (between England and Massachusetts) in the economics profession, i.e. insisting that capital accu-

mulation and the workers' share of national income necessarily had an inverse relation—although all history of economic expansion shows the opposite, as Henry Carey demonstrated in his proof of the "harmony of interests."

Von Neumann had succeeded in putting the Malthusian prejudices of four generations of British economists into a mathematical language susceptible to computer-based analysis, and the economics profession went roaring into the "quantitative" mode where it remains today. The formulation of the economic equilibrium problem in a way that required massive numerical computation coincided, in the work of the "turned" Göttingen-trained mathematician John von Neumann, with the improvements in matrix algebra required for linear programming, precisely was what one would have expected.

Equilibrium uncertainty

As Lyndon LaRouche and this writer demonstrated in *The Ugly Truth About Milton Friedman*, all equilibrium economics is Malthusian in content. Malthus' own profit theory (the source of Karl Marx's rage against him) states simply that capitalist profits are only the result of overpricing of goods, i.e. "profit upon expropriation," because the capital inputs plus labor cost equal the capitalist's net returns minus the rate of interest on capital. Keynes transformed this into a recommendation that the authorities intervene to prevent disequilibrium—a condition of net profitability of the capitalist economy—by keeping interest rates just high enough to siphon extra investment in industry off into government bonds or other forms of non-productive consumption. Milton Friedman's teacher Frank Knight at the University of Chicago, the founder of what passes for modern microeconomics, re-framed this as an "uncertainty" principle of doing business: Since the system as a whole in equilibrium could have no *net* profits, the profit of the individual firm was due only to the "uncertainties" of pricing and market strategy; some firms would take net profits at others' expense. Knight's dictum actually became the guiding maxim of management practice, which we shall encounter later.

Strictly speaking, von Neumann's statement of the conditions of "equilibrium" is entirely valid. What is false is the notion that "equilibrium" is an interesting condition to be studied, or a situation to be desired at all. That the mere word "equilibrium" could attract interest in 1932 is not to be explained by the brilliance of arguments in its behalf, but by the fact that the world was in the trough of its worst economic depression, which Keynes and the other Malthusians tried to blame on "over-investment." On the contrary, as LaRouche and I demonstrated in the cited book, coordinated efforts by the Bank of England and the Federal Reserve

Bank of New York brought on the 1929 crash, introducing what the economists would blinkingly describe as an "exogenous shock"—but making Cambridge's insane premises seem reasonable.

Any change in the capital intensity of production (the C/V ratio) immediately throws the system into disequilibrium, according to the Malthusians. But it is not possible to have a capital goods industry at all without continuous changes in the capital-intensity ratio: the decision to build capital-goods-making facilities on the scale at which each individual facility would be profitable assumes that there will be a market for such goods. In Rosa Luxemburg's example, after a railroad which will last for, say, twenty years, has been built, what will happen to the locomotive factories and rail mills that were built to produce the capital goods for the railroad? They cannot wait for twenty years until a new railroad is required; the mere existence of the railroad implies facilities for the manufacture of railway capital goods far in excess of the "rate of depreciation" of existing railways. Either they are shut down, and the economy undergoes a non-linear ratchet collapse, or they are employed in a geometric rate of economic expansion. The illusion that an economy may employ capital-goods facilities whose output is just equal to the depreciation of the existing capital stock—what Joan Robinson defined as a "Golden Age"—is only possible in a dying economy whose capital stock emerged during an earlier period of growth, a description that applies to the (now-collapsing) United States economy of ten years ago.

Even in the course of a single production cycle the course of the economy is dictated by the transformation of existing production processes. Short-run decisions are only comprehensible as a moment in the process of transforming the existing "input-output" matrix to a more technologically advanced one. Any other approach yields nonsensical, and Malthusian results. As LaRouche demonstrated, the most elementary consideration, the starting-point for all economic analysis, is the transformation of the economy through successive new matrices reflecting technological advances. Since the replacement cost of total output in matrix n is, in the case of a growing economy, reduced nonlinearly from the standpoint of matrix $n+1$, prices cannot be a starting point for analysis. Similarly, any attempt to value commodities as bundles of other commodities will founder on the nonlinear changes in cost of production. The only consistent metric is therefore *relative population density* as LaRouche has defined it. That the alternative approaches are, in LaRouche's term, "white-collar genocide," is demonstrated by the stated implications of systems theory from the outset, no less than by the passionate Malthusian prejudices of those who invented it.



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Democratic
Policy
Committee

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**Lyndon LaRouche
and Helga Zepp-LaRouche**

speaking on

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the World Depression"**



Federal Reserve Chairman Paul Volcker's high interest-rate regime has plunged the U.S. economy into a collapse which threatens to drag the rest of the world with it. This conference has been called as part of a campaign to rescue the nation from Volcker's policy and its defenders—starting with Democratic National Committee Chairman Charles 'Banker' Manatt and AFL-CIO President Lane Kirkland.

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Helga Zepp-LaRouche is the leading European advocate of these policies. She will report to the conference on the potential for a renewed industrial development alliance between American and its allies, against Volcker and his "post-industrial" friends on both sides of the Atlantic.



Friday, February 19, 1982

2-5 p.m.: Helga Zepp-LaRouche: "Helmut Schmidt, America's Best Ally"

7-9 p.m.: Lyndon H. LaRouche, Jr.: "The American People are Tired of 'Banker' Manatt and Lane Kirkland Covering Up for Paul Volcker's Depression"

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Dollar rise is temporary

Examining Europe's reaction to last-minute attempts to right the U.S. economy.

It is unimaginable that Volcker would maintain the present high-interest rate policy for more than six weeks," said the chief of the international department at one of the Big Three Swiss banks Feb. 4. "Were he to do that, the American economy would go into an uncontrolled crash."

Hints and signals from the financial circles here and abroad who ultimately give orders to errand-boys like Paul Volcker now add up to a consensus that, by the end of March, the Fed will turn about-face and ease credit conditions, relying on the effect of a substantial rise in defense spending to bring the economy off dead-bottom in time for the administration to announce a "recovery" before the November congressional elections. No major recovery is to be expected, only a noticeable shift.

The factors that otherwise add up to a brutal beating for the dollar later this year would thus obtain the additional weight of a break in the interest-rate spiral that is now the dollar's only source of support.

West Germany, Japan, and Saudi Arabia, as we have emphasized recently, will probably be the only countries in current-account surplus by the end of 1982, while the price of oil, the major prop to the dollar in international trade, may fall significantly.

In this context, there might be a connection between Gordon Richardson's speech to the Overseas

Bankers Club in London on Feb. 2, in which the Governor of the Bank of England predicted a stronger German mark and Japanese yen relative to the dollar, and a remarkable report from the International Energy Agency in Paris, issued the same day. The IEA reported that British North Sea oil was leading a fall in the spot price of oil, i.e., that the British were dumping onto an already-soft market. Some British traders have speculated that the oil price may come down to \$28 per barrel this year. Meanwhile, Saudi oil is already selling at a \$2.50 discount.

Such actions would seem to run against the immediate interests of the British, whose oil revenues have accounted for unexpected balance-of-payments strength during the last three years.

However, the answer to this apparent contradiction of interest may lie in recent agitation for Britain to join the European Monetary System, and in some even more interesting remarks recently by French President Mitterrand.

New York Times op-ed columnist James Reston, referring to the French leader, wrote on Feb. 3: "He was not judging President Reagan's economic policies, he said, for that was not his responsibility, but high interest and exchange rates were weighing very heavily on the economies of the allies. What could Europe do about this? As there is already a European

Monetary System, he said, it would be a good idea if there were also a European system for rates of interest, and, he added, there would also have to be a system of control in order to avoid capital outflows from Europe."

West Germany rejected precisely such a French proposal when it was made before a Jan. 16 meeting of finance ministers; but the extraordinary turns of American policy may change this.

There is a survival mentality building in West Germany, based on the increasing conviction that the present U.S. administration is not capable of acting in America's most basic interests, after the double disaster of the administration's Polish bluff, and the open break on interest-rate policy, which West Germany initiated at the Jan. 16 meeting. After 18 months of attempting to persuade the Reagan administration to prevent Volcker from throwing the United States into depression, the West Germans are thinking of how they may insulate their economy from a U.S. depression.

Should Volcker either steer the United States into a monetary catastrophe, or seek to pump credit into the handful of economic sectors that stand to gain from a military program that is unlikely to impress anyone in the Kremlin, the dollar will be the first casualty on the financial front; a currency whose international deposit base has grown several times faster than world trade volume in the past 10 years, in that sense, has it coming. All the monetary defenses that have been proposed in the past year will cease to become a matter of choice, and turn into a fact of economic life in Europe.

Eurodollar lending crunch for 1982

New Bank for International Settlements figures show market expansion cannot continue.

Data released in January by the Bank for International Settlements on the status of the Eurodollar market justify, in retrospect, the International Monetary Fund's warning of last Sept. 27 that the mammoth payments deficits of the Third World were "unsustainable" for 1982. The new data prove that the market continued expanding at a record rate in order to finance a deficit for 1981 of \$100 billion (and almost certainly much larger this year), but that previous financial resources are no longer available.

However, the International Monetary Fund did not specify how these deficits might be reduced; senior IMF staff ridicule the proposal still defended by the U.S. Treasury and by some former Carter administration officials that the developing countries may simply cut back. They have already cut to the bone and are importing for the most part only what they need in order to continue to export.

What is clear, however, is the previous pace of Eurodollar lending cannot continue, and that the prospects for a general crisis on the Eurodollar market, realizing in the worst way fears that arose in the context of the December events in Poland, are extremely dangerous.

Precise estimates of the volume of new credits differ. A World Bank survey released by the International Monetary Fund Jan. 25 showed a total \$140 billion in new bank credits on the Eurodollar market, while a survey by the West German news-

paper *Frankfurter Allgemeine Zeitung* Jan. 20 showed a total of \$200 billion in volume. The difference lies in the World Bank's failure to count about \$40 billion in credits taken up by large American corporations in London to finance mergers in the United States. Both sets of figures put the Third World's borrowing at around \$40 billion.

However, these count only publicized credits, and the rule of thumb is that such credits equal only half of all lending to the Third World; the rest are mainly short-term credits not publicized. Add another \$40 billion to the Third World borrowing figure, and \$20 billion in borrowings from governments and international institutions, and the \$100 billion deficit figure is accounted for.

What is considerably more disturbing than the lending figures, which show a 50 percent higher volume of new loans is information provided by the BIS on the market's deposit base. Since the point of take-off for the Eurodollar market, the Eurobanks have relied on deposits generated first by commodity revenues of developing countries and, after December 1973, oil revenues of OPEC countries, to fund loans to countries thrown into deficit by combined high oil prices and high interest rates.

In 1980, the OPEC countries' surplus funds, most of which were deposited in the Eurodollar market, totalled \$110 billion, a figure that sank to less than \$70 billion in 1981,

and will fall to a *deficit* of between \$10 and \$50 billion during 1982—depending on whether the oil price holds (according to a just released IEA report, North Sea crude is bringing the price down sharply).

The evaporation of these funds is reflected in the BIS numbers. For the first time in a decade, the volume of foreign deposits in the Eurodollar market fell in absolute terms by \$13.1 billion during the first half of 1981, the most recent period for which data are available.

By comparison, the deposit volume grew by \$17 billion in the first half of 1980 and by \$28 billion in the second half of 1970. The annual rate of swing into deficit during 1981, therefore, was \$70 billion, or much more than the simple drop in the OPEC surplus. This indicates that the drop in world trade and commodity prices, particularly insofar as they affect Third World countries, has been reducing the deposit base; if anything, the trend would have accelerated during 1981's second half and will continue to accelerate this year, as OPEC moves into absolute deficit.

Where will the Eurobanks obtain the funds to bail out their debtors, particularly when the Federal Reserve is pursuing a high-interest policy at home? The apparent answer is that the Eurodollar banks, who must put up no reserve requirements, are creating "bank money" out of thin air, and that the expansion of loans represents principally fictitious lending and paybacks by banks who can lend no real deposits, and debtors who can pay no real cash.

This is a "supersaturated" environment, the classic condition in which any significant shock can precipitate a major crisis.

Regan's bad advice to Reagan

Failure to "scapegoat" the Fed means Volcker will be allowed to accelerate the depression.

Treasury Secretary Donald Regan's comment that the Feb. 1 increase in the prime lending rate from 15.75 to 16.5 percent is "a temporary phenomenon," and that this will not prevent, "a roaring recovery" from taking place in the spring of this year, shows confusion, to say the least, at the top levels of the administration. Regan, speaking Feb. 2 before the National Press Club, was still touting the line that tax cuts in July and budget slashes for fiscal 1983 would be sufficient for that recovery.

But Regan's Press Club remarks did not reckon at all with the reason Federal Reserve Board Chairman Paul Volcker forced interest rates upward.

On the surface, Regan's remarks might look like a case of foolish "boosterism" on behalf of the Reagan economic recovery package. Closer inspection shows that Regan may in fact be in on a Volcker support operation that may very well lead President Reagan down the path of Hooverization.

It is after all Regan who on CBS News' "Face the Nation" Jan. 31 said that "Volcker should definitely stay on as Fed Chairman; he's a good professional." Regan also said, "The administration does not intend to scapegoat the Fed" for the current recession. "The administration will take the blame or credit—I think the credit—for what happens to the economy."

Thus, Regan graciously loaded

onto Reagan's shoulders responsibility for what happens to the economy as a result of Volcker's disastrous monetary policy over coming months.

What is most remarkable is the way Regan bypassed the fact that interest rates are rising at all during a period when industrial production has been falling at a 17 percent annualized rate over the last July-December period, and will be shown to have fallen during the January period as well. If the Department of Labor is correct that the Consumer Price Index rose by 8.9 percent for the 12 months of 1981, then a 16.5 percent prime minus a 8.9 percent inflation rate gives a 7.6 percent real interest rate, the highest in 100 years. How is this possible in the middle of a still-worsening recession?

Two things explain this, which Mr. Regan should have thought about before he opened his mouth. First is the fact that Volcker is manipulating the situation on behalf of the New York-based Council on Foreign Relations policy of "controlled disintegration" of the U.S. economy. Volcker is, after all, the one who raised the federal funds rate at which banks trade excess overnight reserves from 12.54 percent Jan. 1 to 15.50 percent Feb. 1. This sets the floor under the prime rate. Volcker also ensured bank reserves were \$2.5 billion lower for the week ending Jan. 20 than for the week before.

Volcker, who told the Joint

Economic Committee Jan. 16, the day of President Reagan's State of the Union address, that there would be "more pain in the inflation fight," meaning further destruction of the economy, was disappointed that the President refused to push for new excise or oil import taxes. Failing that, the Fed created the tightness in the banking system that would force the prime rate up. Some people would call this retribution against President Reagan for refusing to impose new austerity taxes, and they would be right.

Then there is a second consideration: the fact that corporations are still borrowing exceedingly heavily to refinance the Volcker high interest rate-enlarged debt load. According to St. Louis Federal Reserve Board figures, the lending of large weekly reporting banks to business jumped from \$188 billion Nov. 20 to \$195.2 billion the week ending Jan. 20, for a 20.6 percent per annum growth rate—phenomenal in the midst of a recession. The tremendous borrowing of corporations scrambling to refinance their debt, is probably the biggest cause of the \$10.8 billion increase in money supply through the week ending Jan. 13. The fact that only \$600 million of this washed out over the next reporting week means that if there isn't further wash-out through the middle of February, business borrowing is the prime cause of the money-supply increase.

Volcker's tightening decision was taken against the background of a 24 percent drop in sales and 39 percent fall in production for the auto industry in January compared to last January's dismal levels. A tightening now will ensure a deeper depression; recoveries don't occur at 16.5 percent prime rates.

A gesture from Washington

Block and FmHA promise to exert themselves for farmers. What this means in dollars remains to be seen.

At a Jan. 20 press conference, Agriculture Secretary Block, and Assistant Secretary for Rural Development Frank Naylor, Jr. announced that a special effort would be made "to keep farmers in business during these cloudy times," as Secretary Block put it.

The move is a response to political pressure from the farm belt and to the fact that it is becoming increasingly difficult to deny the crisis in agriculture. Statistics show that rural America hasn't been in such trouble since 1933. Renewals and extensions of agricultural loans are at an all-time high and loan repayments at an all-time low. Net farm income is expected to drop again next year for the third year in a row, and, for the first time since the Great Depression, farm land values—the underpinning for the entire farm credit bubble—have begun to decline.

The focus of the press conference was Assistant Secretary Naylor's announcement that the Farmers Home Administration (FmHA) had issued a new set of guidelines to its 46 state officers that would prevent many foreclosures. It is estimated that one fifth of FmHA's \$23 billion loan portfolio is in trouble. FmHA is the farmers' "lender of last resort."

Block and Naylor were flanked by representatives of the American Bankers Association, the Independent Bankers, and the Farm Credit Administration, who joined the Secretary in insisting that while

farmers were indeed under "severe" pressure, the difficulty is only temporary. In a private session before the news conference, Secretary Block had reportedly urged the financial representatives to avoid foreclosures if possible.

Since at least 1979, FmHA has stood in the way of chain-reaction bankruptcies in rural America. As the Volcker usury policy shut down commercial lending in the farm sector, FmHA's portion of operating loans increased from five percent to 15 percent.

The new FmHA guidelines issued by Administrator Charles Schuman, which Assistant Secretary Naylor advertised as preventing foreclosure on more than \$100,000 of farmer debt, state that the FmHA will do "everything it can"—within sound lending practices—to assist borrowers in difficulty. Loan actions are to be considered on a case-by-case basis. FmHA will continue to work with borrowers who act in good faith, accept FmHA recommendations on running their operation, have a reasonable chance of success, and maintain property to secure their loans.

Preliminary investigation indicates that the new guidelines are little more than a sugar-coated restatement of the stringent October guidelines. Those guidelines, which have been described as a "declaration of war against farmers," sparked open protest by farm producers and their congressional rep-

resentatives. In the new guidelines, instead of declaring that borrowers who have failed to remedy their delinquency during 1981 will be foreclosed upon, it is stated that farmers who have been notified of serious delinquency early in 1981, and failed to live up to their farm home plan during the year, will be "denied further FmHA assistance and their repayment schedule may be accelerated." Further, the requirement for the maintenance of property—and not just "repayment capability"—to secure the loans is retained.

Finally, there is no indication that the administration has moved to increase the FmHA's 1982 authorization, cut 70 percent under Stockman's budget axe. The new guidelines assert that since additional assistance for current borrowers together with new loan demand will outstrip the authorization, FmHA will attempt as much as possible to use its fund to supplement credit from other sources.

Keeping the farm sector solvent this year will require a real financial commitment from FmHA, if not from commercial bankers. American Agriculture Movement President Marvin Meek estimates that as many as one third of the nation's producers may be forced to resort to the FmHA this year. Producers began to draw the line on FmHA policy early in 1981 when it came to light that FmHA officials systematically failed to inform borrowers of their rights under certain circumstances to a moratorium on repayments. Later in the year, as FmHA county offices moved to enforce austerity, scores of producers in Kansas, Missouri, Texas, and other major farm states were threatened with foreclosure.

EIR

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A development program for Mexico compiled jointly by Mexican and American scientists. Concludes Mexico can grow at 12 percent annually for the next decade, creating a \$100 billion capital-goods export market for the United States. Detailed analysis of key economic sectors; ideal for planning and marketing purposes. \$250.
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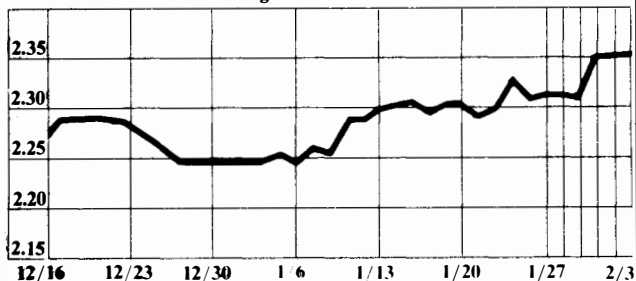
World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$180 mn.	Canada from U.K.	Imperial Chemical Industries is building a 373,000 tpy ammonia plant in Courtright, Ontario. ICI will bring in its British technology and use Canadian natural gas to make feedstock for Canadian fertilizer.	ICI, like many British companies, is shifting investments out of Britain, whose economy has been destroyed by Thatcherism, to seemingly greener pastures in America.
\$247 mn.	U.S.A. from U.K.	British Oxygen is building a plant to make carbon graphite electrodes on a greenfield site in Ridgeville, S.C. Will increase electrode output of its U.S. subsidiary, Airco, by 20% when completed and 50% in late 80s. Electrodes are used in electric arc steel furnaces. BOC is also building its first plant to produce needle coke, the base material for carbon graphite, near Houston.	Airco claims it needs upstream control because coke producers discriminate in favor of its carbon graphite rival, Union Carbide.
\$40 mn.	Romania/U.S.A.	Dow Chemical expects that its chemical barter agreement with Romania will result in \$40 mn. trade this year. Romanians take many Dow products in exchange for "chemical products related to Dow operations," but not revealed by Dow Chemical Europe.	Romania has several such barter agreements.
\$80 mn.	Italy/Mexico	Montedison has signed a contract with Pemex in which the Italian company will take Mexican crude oil, process it and return the chemicals produced to Mexico. Mexico will receive 100,000 tpy of polyethylene, polypropylene, butadene, and other petrochemicals Mexico now imports, for an estimated value of \$80 mn. Contract is for one year, but will probably be renewed so long as Mexican petrochemical needs outstrip its capacity. Montedison has been taking 20,000 bpd Pemex crude since Oct. for delivery to its Montedipe petrochemical subsidiary, which with Montepolimeri are the two arms in this deal.	First time developing oil producer has made this type deal. Goes far beyond Libya's deal with Italy to refine and return its oil. Italy's state petrochemical industry is being reorganized by Armand Hammer, but it's not clear if he's involved with this deal.
\$210 mn.	West Germany/various	Urenco, the Anglo-Dutch-German uranium enrichment consortium, will begin construction this spring of its German plant, which will be enriching 400 tpy of uranium when completed in 1986 with a potential of 1,000 tpy, should market expand. Urenco has already sold the entire 2,000 tpy enrichment capacity it will have on line in 1987 from plants in the 3 member countries, but is not building surplus capacity.	West Germany now has half its enrichment done by Soviets and half by U.S.A. With plant completion, each will enrich about 1/3.
\$68 mn.	Hong Kong from Japan	Hongkong & Shanghai's new 44-story bank headquarters will be assembled from 139 modular office units made in Japan. Its prime contractors, a consortium of Hitachi, Mitsubishi Electric and Toshiba Electric have signed a letter of intent with a Mitsubishi-Takenaka Komuten consortium for building the modules. Takenaka will design them; Mitsubishi will build them; and MHT Consort will attach them to the bare beams of the building. Each module will come with pre-installed air-conditioning and plumbing.	Modular method cuts 1 yr. from construction time; minimizes disruption of Hong Kong's crowded streets; and gives HongShang better quarters from which to manage international narcotics banking.
	Paraguay from South Africa/Switzerland	Construction of 148 km. road across Paraguayan flood plain awarded to partnership of Concor of South Africa and Swiss subsidiary of Skanska Cementgjuteriet of Sweden. Road follows Paraguay River north from Concepcion and into interior.	Road will give all-yr. access to areas now dependent on air transport. South African presence in Paraguay may interest geopoliticians.

Currency Rates

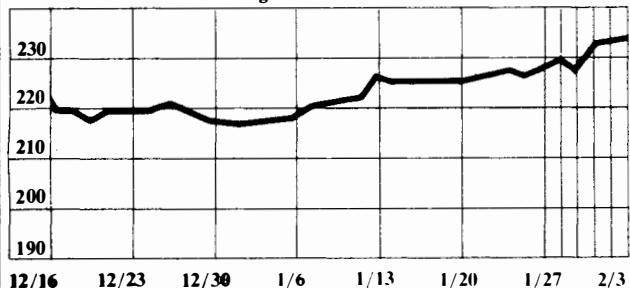
The dollar in deutschemarks

New York late afternoon fixing



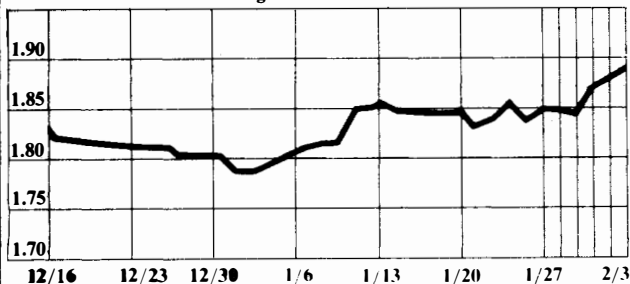
The dollar in yen

New York late afternoon fixing



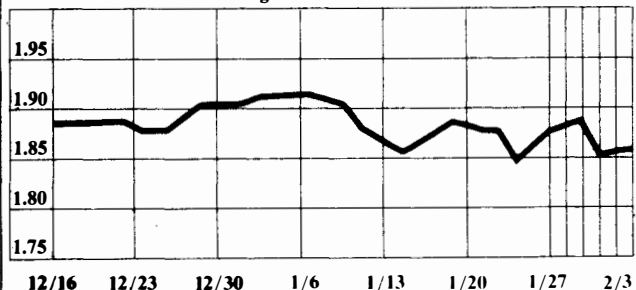
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



An EIR Conference

Strategic Perspective for 1982

The Global Strategic Shift
in the Light of Recent
East Bloc Developments
Wednesday, February 17

- 9:00 a.m.** Registration
- 9:00-12:00 a.m.** The hidden strengths of the Soviet command economy and the implications of the Soviet natural gas pipeline
- Speakers:** Uwe v. Parpart, Director of Research, Fusion Energy Foundation; Rachel Douglas, Soviet Sector Editor, *EIR*
- 12:00-2:00 p.m.** Luncheon
- 2:00-5:00 p.m.** The global strategic shift in light of recent East Bloc developments
- Speaker:** Lyndon H. LaRouche, Jr., Founder, *EIR*

The Strategic Implications of the Global Economic Crisis

Thursday, February 18

- 9:00-12:00 a.m.** Panel: Why does America face a second Great Depression?
- Speakers:** Dr. Steven Bardwell, Editor-in-Chief, *Fusion* magazine; Uwe v. Parpart; David Goldman, Economics Editor, *EIR*
- 12:00-2:00 p.m.** Luncheon
- 2:00-5:00** The strategic implications of the world economic crisis
- Speaker:** Lyndon H. LaRouche, Jr.

Embassy Hall Room
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Registration fee: \$100.00

For more information, call *EIR* Special Services Director Peter Ennis at (212) 247-8820 or *EIR*'s Washington Bureau at (202) 223-8300

Business Briefs

Corporate Strategy

Inchcape drug empire targets Latin America

The Inchcape International trading company, the London and Hong Kong-based company sitting at the center of Dope, Inc. since the opium days of China and India, is "making a bold bid to establish itself as a power in Latin America," the *Financial Times* of London proclaimed Jan. 26.

Buying up a string of companies from Lloyd's Bank International throughout the continent, Lord Inchcape plans to quickly extract one fifth of the company's "business and profits" from Latin America, today the source for only 3 percent of the Inchcape empire profits. Already the company's new South American managers have been sent to "visit other parts of the Inchcape empire to see what products and ideas they can pick up," the *Times* reports, and a massive increase in cross-Pacific trade is projected.

The Inchcape move signals a consolidation of the Asian Golden Triangle and Latin America's drug production from the very top.

GATT

Change in U.S. trade strategy?

Special Trade Representative William Brock told a private conclave of industrial nation representatives, including officials of the IMF and World Bank, that the U.S. would press for an agenda including "structural adjustment" of industry and promotion of service rather than manufacturing exports at this year's ministerial meeting of GATT, the Swiss daily *Neue Zürcher Zeitung* reported Feb. 3. The meeting was held during the European Management Forum conference in Davos, Switzerland.

The U.S. would not seek to protect old industries, Brock reportedly said, be-

cause this would encourage obsolescence and incompetent management, but would instead push for elimination of "non-tariff barriers" to service exports and investment. (In a related development, Senators Chafee and Roth have introduced legislation that would give services parity with manufactures in U.S. exports programs, on the grounds that the U.S. is a "post-industrial society" and a "service economy" that no longer need export goods).

Brock also said that credit flows to the East bloc diminish potential lending to the developing sector and therefore went against Western basic interest, and argued that the problems of "trade with non-market economies" should be on the GATT agenda.

Foreign Exchange

Saudi economist proposes Arabs break from dollar

There is now an increase in the Arab world of calls for dumping the U.S. dollar, and replacing it with an "Arab currency," and forming an Arab trade bloc. These calls parallel the calls coming from Belgian Royal Household economist Robert Triffin to divide the world into rival currency and trade blocs.

Saudi economist Wadi Ahmad Kabli told the *Arab News* daily newspaper Jan. 24 that Saudi Arabia and other Arab nations may split from the International Monetary Fund to form their own Arab Monetary Fund. Kabli said that such a move "would free the economies of Arab and Islamic countries from the restraints and dominations imposed by the industrialized nations majority within the IMF." He added that an Islamic monetary fund would enable Arab and Islamic nations to print a unified currency to fight against "the predominance of the dollar and the pound sterling."

The same theme was also sounded Jan. 28 at a meeting in Riyadh, Saudi Arabia of the six-nation Gulf Corporation Council, which includes Saudi Arabia, Bahrain, Qatar, the United Arab

Emirates, Oman, and Kuwait. At this meeting, these nations called for "the creation of a unified currency of the [Arab] Gulf," and for "unifying the economies of these six Arab nations into an Arab common market."

Trade

Senate holds hearings on embargo cost

The Senate Agriculture Committee Subcommittee on Foreign Agricultural Policy called hearings for Feb. 3 and 5 on the economic effect of agricultural embargoes both on the U.S. and on the countries affected by an American trade suspension.

"The possibility of any type of trade interruption looms ominously over our agricultural economy," said Agriculture Committee Chairman Jesse Helms.

The hearings coincide with a formal appeal from the conservative Farm Bureau Federation, nominally the largest U.S. farm organization, to the Reagan administration not to impose a grain embargo against the Soviet Union. Illinois Farm Bureau President Steele made a special point of urging the administration to put an end to public speculation over the possibility of an embargo. "Even the threat of an embargo over the Polish crisis is depressing grain prices as much as if an embargo were declared," Steele reported he had told Secretary of State Haig.

Agriculture Secretary John Block will be a witness at the hearings, and is expected to deliver a full report of the costs inflicted by the 1980 Carter embargo. A recent GAO report on the subject showed that the embargo was a net drain on the federal government, but did not concern itself with the income and long-term market losses which producers suffered.

Block recently held a press conference to defend the administration's decision to suspend negotiation of a new long-term grain supply agreement with the Soviets, and took the opportunity to assure the public that there were no plans

for an agriculture-only embargo against the Soviet Union. "We offered the Soviet Union 23 million tons of grain and to date they have purchased 10.9 million tons," Block stated in an effort to prove that grain exports wouldn't be affected by the suspension, "so there's a great deal more grain that they can go ahead and buy in accordance with what we have offered, and of course, they are still free to do so."

International Credit

Foreign influence factor in U.S. Polish policy

Foreign influence is playing a substantial role in the current fight in Washington around what U.S. policy should be on Poland's debt due to U.S. banks.

The most recent flareup around Poland's payments, which are expected to be in arrears through most of this year, occurred on Feb. 3, when U.S. Secretary of Defense Caspar Weinberger suddenly attacked President Reagan for refusing to declare Poland in default. Last month, Reagan announced the U.S. will finance Poland's January payment to U.S. banks of \$70 million, in the interest of helping to stabilize the troubled nation.

It has now emerged that Weinberger's attack was conceived by Swiss-based financial interests. According to a well-placed East coast think tanker, Weinberger was put up to launch the attack on Reagan by Fred Iklé, the Undersecretary of Defense who has been revealed to maintain closest contacts with relatives in the Swiss banking community who are of the same name. Iklé told Weinberger to spring loose an attack around Poland, the source claims, after Iklé's return from an international banking conference in Davos, Switzerland. The objective of such a confrontation for Iklé and his friends was not so much Poland itself—but rather to use the problems around Poland's finances to foster destabilization of West German Chancellor Helmut Schmidt, the source added.

On Feb. 4, the *Wall Street Journal* in

its editorial called for a complete shutoff of all financial and economic relations of the West with the Soviet Bloc. When Iklé was in Davos, he went so far as to demand in a public speech that the U.S. enact reprisals against Western allied countries which refuse to back such boycotts. What the Swiss hope to gain from such extreme gameplans is a profound economic destabilization of Europe and the United States.

Monetary Policy

Some observations from the gnomes

Here is the current Swiss view of the U.S. economic situation, as told by the chief of one of the big Swiss banks' international department:

"We are not worried about the administration's attacks on Mr. Volcker. After Secretary Regan's remark last week concerning better European management of money supply, Volcker told Regan and Stockman that he would be happy to resign, if they thought they could manage money supply better than he. After Regan and Stockman recovered, they implored Volcker to stay.

"For the next four to six weeks Fed policy will be very tight. But Volcker is a realist. He has to fight inflation. But it is impossible to imagine that he will hold out for more than six weeks, because that would lead to an uncontrolled crisis in the U.S. credit system. After six weeks, he will gear monetary policy to significantly increased defense spending, and the effects of the tax reductions, increased depreciation allowances, and so forth. Interest rates will have to come down. What Volcker wants is a stabilized recession: he is trying to hold onto the situation.

"But, ach! that idiot Helmut Schmidt! He has ruined the independent Bundesbank, he has forced [Bundesbank President Karl-Otto Poehl] to reflate. He may win this week's vote of confidence, but he'll never last the 957 days until the next elections!"

Briefly

● **SAID RAMADAN**, an Egyptian national exposed by *EIR* years ago as a key Muslim Brotherhood leader stationed in Geneva, is now the object of a full-scale security operation by the Egyptian government aimed at dismantling the drug- and gun-running networks. The Swiss bank-connected Ramadan is son-in-law of Hassan al-Banna, cofounder of the Muslim Brotherhood in 1929, and has reportedly assumed the leadership of the newly formed London-based Brotherhood group set up in December as part of the reactivation of Brotherhood activities in Europe and the Middle East.

● **THE INTERNATIONAL Wheat Council** estimates the 1981-82 coarse-grain crop by the six major world net exporters at a record 316 million metric tons compared with 265 million in 1980-81, a 19.2 percent increase.

● **DUKE POWER COMPANY** has officially dropped its plans to build a 3.8 gigawatt three-plant nuclear complex in North Carolina, which has been on hold since 1979. Citing "financial and regulatory concerns," the utility announced the end of a project which was started in 1974, when the total cost of the plant was estimated at \$1.4 billion. Today the projected cost is over \$6.7 billion, and \$6.5 million has been spent without beginning construction.

● **THE DITCHLEY Foundation**, the elite British intelligence unit whose American branch includes as members Cyrus Vance and Paul Volcker, will meet Feb. 5-7 at Ditchley Hall, England, to discuss the "International Technology Development in Telecommunications." The meeting will be chaired by Peter Benton of British Telecommunications and will have as speakers E. R. Nixon of IBM-United Kingdom, and Richard Pitts of AT&T International. Also to attend is James Robinson, the head of American Express.

Robert O. Anderson's strategy will blight the American West

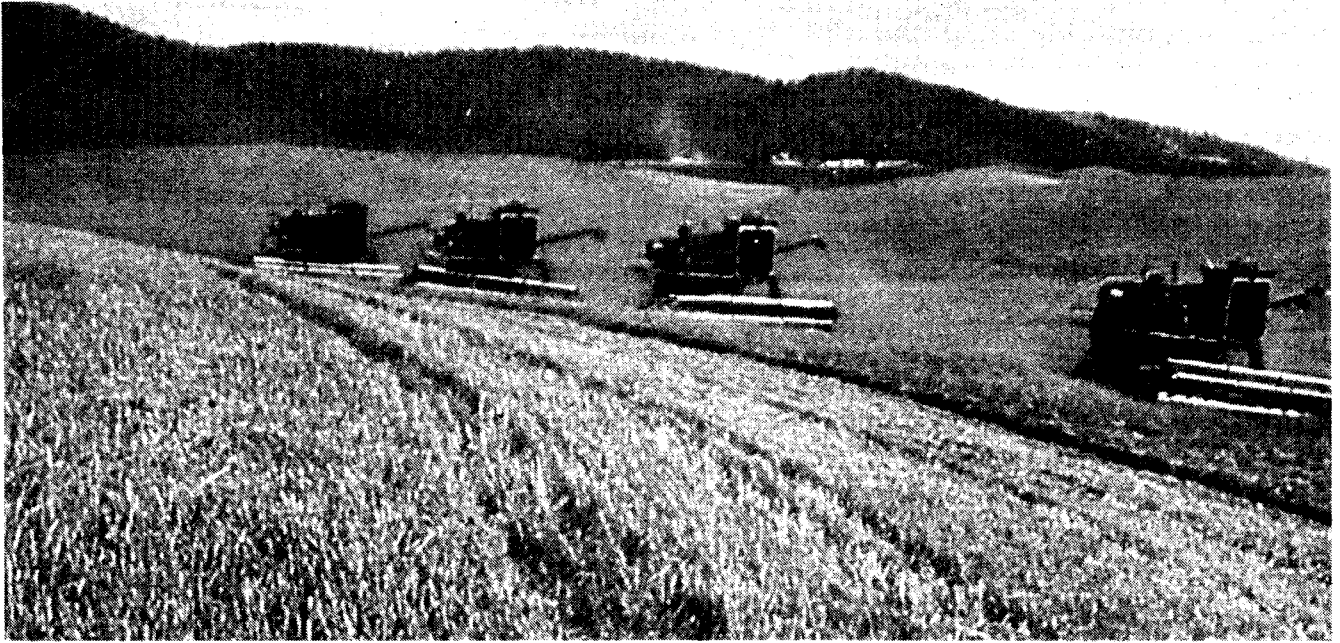
by William Engdahl, Energy Editor

Within the brief space of nineteen years, our people have opened up to settlement a larger area of territory, valuable as a source of supply for nearly all the necessities of man, than has ever before in the world's history been brought within the limits of civilization in so short a time.

This declaration was made by a U.S. Surveyors General official at the Interior Department more than a century ago, in 1868. It refers to the area of the United States west of the Mississippi encompassing California, Arizona, Colorado, Montana, Idaho, Washington, Oregon, Wyoming, Utah, and Nevada. At that time the broad region encompassing the spine of the Rocky Mountains was referred to as the Golden Crescent. Geologists quite rightly believed it to contain in abundance practically every mineral of value for the industrial development of a modern nation.

Today, more than 100 years later, this Golden Crescent remains undeveloped. And the region is in large part dominated by interests who are determined to control resources and impose what I call a high-cost energy alternative. This alternative is based on production and export of coal, vast overpricing of natural gas, and synthetic fuels—an energy policy which not only is so inefficient and expensive that it would ravage the West, but is certain, if carried out, to commandeer the water resources of the region, resources which are growing critically scarce for lack of a national water-development program.

At the center of this strategy is Robert O. Anderson, head of the Atlantic Richfield Corporation and the Aspen Institute, who is himself passionately committed to reducing world population. Mr. Anderson is the Chairman of the Committee for the Year 2000, private-sector counterpart of the Carter *Global 2000 Report* urging the elimination of 2 billion people by the turn of the century. Anderson's advocacy of both global genocide



Western agriculture (above: Idaho wheat) requires the water supplies and cheap fuel slated for extinction by Arco's projects and other high-cost energy ventures.

and this high-cost strategy are one and the same commitment, as the following report will show.

Below I will explain why the enormous Western synthetic fuel projects of Arco and Exxon, the multi-billion-dollar Alaska Natural Gas Pipeline project and Arco's coal slurry pipeline project add up to a coherent strategy. While the industrial Northeast and Midwest seem to be collapsing irreversibly, the West has become the focus of international attention as a booming center of energy and resource development.

But there is something hideously wrong with the resource strategies which are engulfing the West today.

Robert Orville Anderson

Before we describe the high-cost energy alternative, it is useful to look more closely at the man who is, at least symbolically, at the center of it. The single most important person carrying out those strategies, as a funnel for decisions made in New York, London, Geneva, and Toronto financial houses, is a gentleman by the name of Robert O. Anderson.

Today, Anderson is apparently one of the most colossally successful "self-made" men in history, going from head of the tiny New Mexico-based Hondo Oil Company in the early 1960s to Chairman of the Atlantic Richfield Corporation, one of the world's largest natural-resource conglomerates. Anderson's impressive mediocrity raises the obvious conclusion that he had "certain doors opened" to him; nor did he become the largest private landowner in the United States by accident.

In fact, it has been suggested that the unknown Anderson was hand-picked to benefit from the Kennedy-era Justice Department breakup of the Sinclair Oil Company. During the Eisenhower era, that company and its founder, Harry Sinclair, had been part of the political networks of General Douglas MacArthur.

Benefit he did. Anderson acquired the first chunk of Sinclair in 1966. By 1968 he held the "crown jewel," Sinclair's acreage in Alaska known as the Beaufort Sea. Robert O. Anderson had his grip on a 10-billion-barrel oil reserve and huge natural gas resources, the largest single discovery in U.S. petroleum history to date.

The son of a Chicago banker, Anderson has been groomed from kindergarten in the pernicious University of Chicago system of special schools through to college under the thumb of Robert M. Hutchins, a leading U.S. proponent of world federalism who was Anderson's tutor. Anderson's Chicago classmates included Charles Percy, now the liberal Chairman of the Senate Foreign Relations Committee, and Katharine Meyer Graham, the Lazard Frères heiress whose *Washington Post* ran the Watergate against the Nixon administration.

Anderson is a member of the Board of Directors of David Rockefeller's New York Council on Foreign Relations, an honor formerly enjoyed by Paul Volcker and Henry Kissinger. He bought a one-million-acre ranch in partnership with David Rockefeller in the Mato Grosso region of Brazil, and sits on the board of directors of David Rockefeller's Chase Manhattan Bank.

A major financial contributor to the Republican

Party, Anderson has even served on the Republican National Committee during the Nixon years. He is also a trustee of his University of Chicago.

But the most remarkable area of endeavor carved out by, or for, Mr. Anderson has been his role as chief financier for a too-little understood institution committed to treasonous subversion of republican institutions throughout the world. This is Robert Hutchins' project known as the Aspen Institute for Humanistic Studies, which Anderson has chaired since 1963.

Environmental warfare

It is the locus for the artificial top-down creation, of "the *political* weapon of environmentalism." Anderson brought together at Aspen and his Atlantic Richfield Foundation, the leading architects of the Ford Foundation projects which in the 1960s set up groups such as the Union of Concerned Scientists (consultants to Jane Fonda on "nuclear safety") and the Natural Resources Defense Council, the high-powered Washington, D.C. lawyers' group which has done more over the last 15 years to undermine industry and technology than perhaps any group of its size in history.

In 1969, shortly after discovery of his Alaskan oil, Anderson dipped into his own pockets for \$200,000 seed money to launch the Friends of the Earth. He assembled the funding in 1970 to organize the kick-off of anti-industrial sabotage known as "Earth Day." These were the first crucial steps to foster among drug-numbed youth an acceptance of the ideology of zero growth. This is the man awarded their highest honor in 1981 by the Independent Petroleum Association of America.

The 1970 National Environmental Policy Act, that landmark of regulatory destruction of industrial growth, is one direct result of Anderson's efforts. He and Maurice Strong, his fellow Aspen associate and energy "entrepreneur," founder of the huge state-owned PetroCan resources conglomerate in Canada, convinced their friends at the United Nations to "globalize" the U.N. project on energy and the environment by organizing the watershed 1972 Stockholm U.N. Conference on the Environment.

Anderson is an Honorary Sponsor of the Draper Fund, which considers itself "the game warden for the human race," weeding out undesirables and preventing population expansion by any means necessary; and a member of the Club of Rome, the NATO-created purveyors of "limits to growth."

How can we reconcile this commitment of Robert O. Anderson with his role as oilman and resource developer? Could it be that he and his sponsors have created the Frankenstein monster of "environmentalism" and carefully shaped its targets and funding?

It is relevant to note that one of the most heavily funded environmentalist causes has been to lock up more than one hundred million acres in resource-rich

Alaska, after Anderson, together with friends from Exxon and the British Petroleum-owned Sohio, had carved out their take. Or the fact that Anderson master-minded Jimmy Carter's \$228 billion Crude Oil Windfall Profits Tax, explicitly exempting his Alaskan oil "in the national interest." Or take his charitable work with the "underprivileged Indians" through his Atlantic Richfield Foundation. If he and his cronies cannot directly control the immense domestic oil, coal, and gas reserves in the Rocky Mountain spine, is it conceivable that his civic-mindedness towards environmentalists and Indians with huge mineral holdings throughout the Southwest could be convenient?

Creating the green environmentalist hordes and aiming them away from his coal and synfuel projects to sabotage nuclear-energy infrastructure, is, I have concluded, the strategy behind Anderson's immense involvement with Aspen. It is one of the most simple and effective weapons of economic warfare developed to date. Simply take note of the enormously destructive synthetic fuels program, which was drafted by John C. Sawhill, the Aspen Institute energy strategist who also drafted David Rockefeller's Trilateral Commission energy policy, and became the first Chairman of the \$20 billion-dollar federal Synthetic Fuels Corporation.

Is it not strange that these Aspen-Anderson energy projects have escaped the wrath of the green hordes? No, if we realize that the environmentalist movement is a weapon for economic warfare and resource control by the circle of which Anderson, his Canadian associate Maurice Strong, Exxon, and a few others are the controllers.

Let us look more closely at the Anderson-Aspen high-cost energy alternative which is being pushed to replace such solutions as development of cheap, clean, thermodynamically efficient nuclear power.

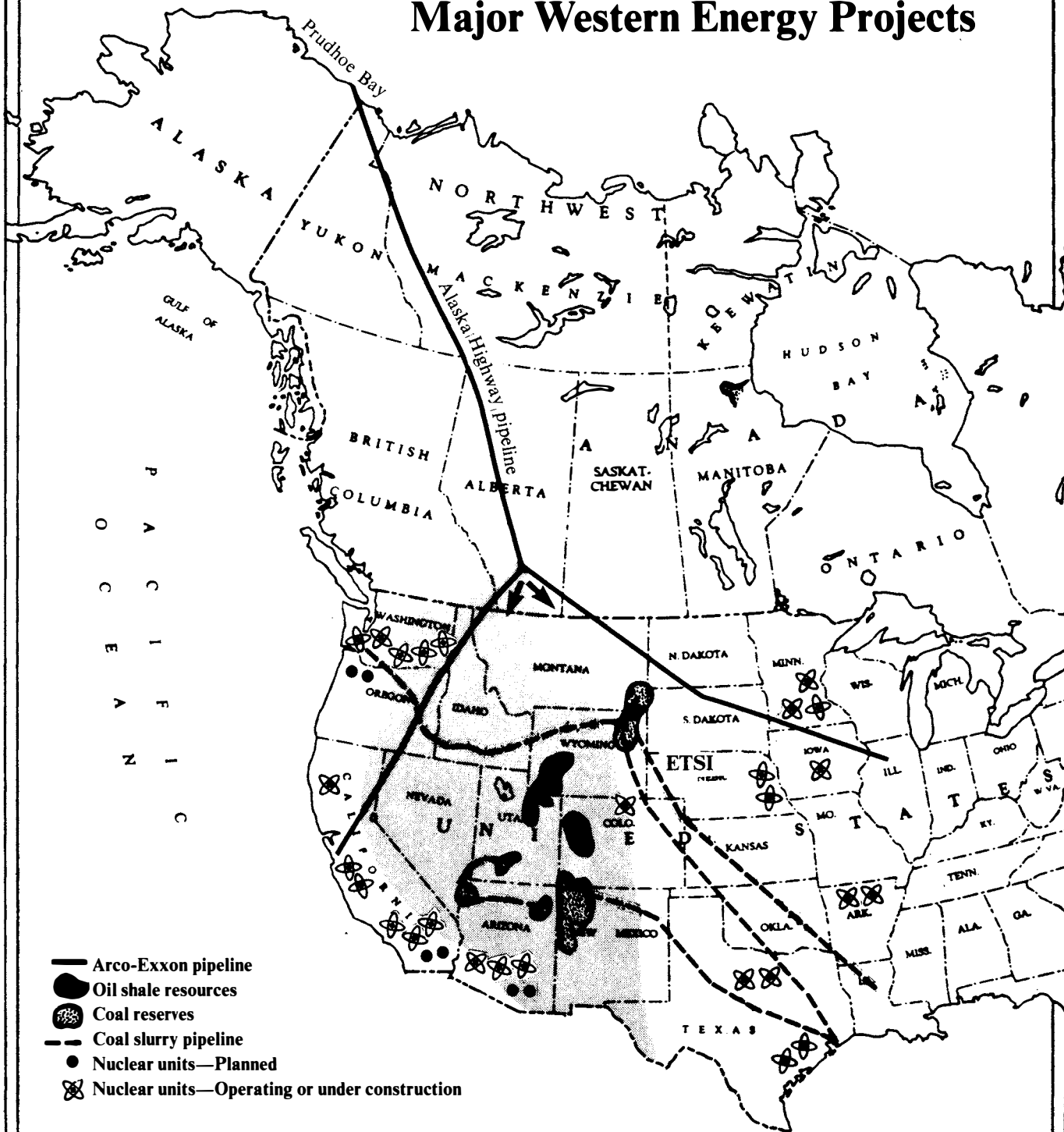
We have three broad categories of Western energy boondoggle which share these essential ingredients: they encompass enormous resources; they are enormously expensive; and they combine to give Anderson and his financial faction (including the accelerated flow of "hot money" from Canada over recent years to buy up huge amounts of real-estate, energy assets, and other resources in the American West), *strategic resources control* over the entirety of the United States' energy supply.







Synthetic fuels

The world's largest known concentration of shale oil, a substance geologically somewhere between coal and heavy crude oil, lies in a 17,000-square-mile region of the Piceance Basin-Green River Basin region where Colorado, Wyoming, and Utah meet.

In 1979, Aspen energy strategist John Sawhill, at that time running Carter's Department of Energy as Deputy Secretary, drafted a bill which was passed

Major Western Energy Projects



-  Arco-Exxon pipeline
-  Oil shale resources
-  Coal reserves
-  Coal slurry pipeline
-  Nuclear units—Planned
-  Nuclear units—Operating or under construction

Robert O. Anderson and allied interests have locked up an energy plan for the American West which is premised on eliminating the surrounding circle of nuclear capacity in the region. Anderson, both personally and through the Aspen Institute, is one of the leading financial backers of anti-nuclear environmentalism.

amidst popular hysteria over gasoline lines following the overthrow of the Shah of Iran. (Anderson, a large private landowner in Iran, was directly involved in the events placing Muslim Brotherhood agent Ruhollah Khomeini in power.)

The U.S. Synthetic Fuels Corporation was created under the Energy Security Act of 1980, perverting the notion of national security to make legitimate one of the largest legal (and reportedly illegal as well) swindles in history. This law provides, among other things, that the government establish an initial \$20 billion credit guarantee in the form of price supports and loan guarantees to "free-enterprise" corporations such as the Libya-linked Occidental Petroleum, the Libya-linked Charter Oil, and Anderson's Atlantic Richfield, as well as Exxon. The official legislated goal of this program is producing 500,000 barrels per day of synthetic oil or gas fuels by 1987 to replace imported oil. By 1992, the official goal is 2 million barrels per day.

Already, mining equipment has started moving into the Rocky Mountain region, as well as the coal region around the Powder River Basin in Northeast Wyoming around Campbell County, where Exxon, Arco, Amax and others have huge holdings. Despite the current downplaying of synthetic fuels in Washington and the current relative "glut" of world oil, the projects are quietly proceeding.

Shale oil and coal gas are the two major forms of synfuel being undertaken. To produce a waxy substance called kerogen, the shale rock in which it is embedded must first be crushed or pulverized. Millions of tons of shale must be pulverized and intensely heated to approximately 900° in order to produce a kind of frigid molasses suitable for boiler fuel, or refinable to lighter products.

Cost estimates for this enormously energy-intensive process range from \$60 to well over \$100 per barrel of shale oil at today's price. OPEC is presently pegging world oil at about \$36 a barrel.

There are other features of the synfuels program, still very much in experimental stages. A huge amount of dusty rubble, called spent shale, is a byproduct of the shale process; this debris creates enormous dust pollution and water needs.

From pilot-scale calculations, every barrel of shale oil produced requires seven barrels of water. Commercial scale-up may require considerably more—since Aspen and Atlantic Richfield planners kept water resources from being developed, this means that every drop of water consumed in producing synthetic fuels will draw from existing precious water resources.

A 1 million barrel-per-day shale industry could demand as much as 400,000 acre-feet per year in water use. If we accept a 2 million-barrel industry, we will use some 800,000 acre-feet per year. The entire Colorado

River Basin provides a total of approximately 800,000 acre-feet per year for all regional needs, including drinking water, agriculture, and industrial use! Moreover, it is a matter of public record that Exxon is talking about creation of a national 15 million-barrel synthetic fuel industry over the next 30 years at a cost of approximately one *trillion* dollars, of which 8 million barrels per day would be shale. The water requirements of such a proposal may be readily imagined.

This monstrous project will generate only the energy equivalent of electric power generated by three typical 1,100 megawatt nuclear plants. No less than 32 such nuclear units in the Western United States, completed or under construction, are presently threatened with shutdown or cancellation as a result of the anti-nuclear warfare Robert O. Anderson and his collaborators have financed.

Now Anderson's environmentalism becomes clearer.

These nuclear plants (see map) surround the Rocky Mountain spine with the energy equivalent of almost ten million barrels daily production of shale or other oil.

The fuel costs of substituting shale oil to produce the equivalent electric power of these 32 nuclear plants would come to almost \$130 billion per year.

Coal slurry

Atlantic Richfield has a second flank. In a consortium with Lehman Brothers Kuhn Loeb investment bank and Bechtel Corporation, Arco has just secured Interior Department approval for its highly controversial ETSI coal-slurry pipeline project. This project, only the first of some 11 already on the drawing boards, will take coal from Arco's huge strip-mined coal reserves in the Powder River Basin region of northeastern Wyoming, crush it, and mix it in a "slurry" with enormous quantities of water from the water-scarce region, in order to force this coal some 2,000 miles by pipeline to several power plants in Louisiana, Oklahoma, and Arkansas, where it must then be dried to be burned.

ETSI alone will take some 50,000 acre-feet of water per year. In fact, the company, extremely eager to secure the project, signed an unusual contract with the Governor of South Dakota giving Arco water rights for 50 years. The same governor has just come out against the water from Alaska plan, NAWAPA (see article p. 28).

If all those slurry projects planned were completed, they would use some 100,000 acre-feet per year of area water to deliver some 100 million tons of low-BTU Western coal. Again, there has been no mention of any water-creating project whatever in the coal slurry discussions. Twenty of the 32 nuclear plants targeted by Anderson would provide the energy equivalent, *without* the water loss. And uranium ore is approximately 30

times energy-denser than low-BTU Western coal measured in BTU per pound.

Alaska gas pipeline

A bit of backroom congressional lobbying by former Democratic National Committee Chairman and Texas wheeler-dealer Robert Strauss, among others, has granted Robert O. Anderson and his consortium partners, Exxon and British Petroleum (Sohio) a third element of the energy control strategy. John G. McMillian, Chairman of the little-known Salt Lake City-based Northwest Energy Company, is being hailed as one of the most successful businessmen in North America for obtaining an unprecedented series of waivers to the 1977 Carter proposal to build a gas pipeline through Canada—a project whose total cost is presently estimated at roughly \$43 billion.

McMillian, Treasurer of the Democratic National Committee during the McGovern years, chose his business friends carefully. Robert Anderson's Arco, British Petroleum, and Exxon received an unprecedented congressional okay to become part-owners in the pipeline itself, in addition to holding control of the Alaskan gas. One congressional report pointed out, to no avail, that this is an open conflict of interest, opening the way for an energy-cutoff by the suppliers.

Congress has calculated that the project will affect the natural-gas supply of some 60 percent of U.S. gas customers—industrial, residential, and agricultural. In the present context, congressional waivers will help lock in large gas-dependent customers from Chicago to San Francisco to 20-year supply contracts. Over the next several years this could mean a 1,000 percent increase in the price of this valuable energy feedstock.

The way the game has been rigged, even if Congress refuses to approve gas decontrol ahead of decontrol's legislated 1985 date, Robert O. Anderson has secured *strategic control* over the pricing and availability of this vital energy resource. He is in a position to eliminate any significant competition from thousands of unwitting independent exploration companies who would otherwise find huge amounts of far cheaper gas right in the lower-48 states, given even marginally higher prices.

An ersatz oligarch

The lockup of Western resources dates from the first discovery of gold in California in the 1840s. It was consolidated in the evil presidency of "nature-loving" Theodore Roosevelt in the early years of the century. Roosevelt was a passionate disciple of the concept of control of the nation's wealth by a tiny landed "aristocracy." He succeeded in locking away almost a quarter of a billion acres of Western land in the form of Indian Territories, coal preserves, phosphate preserves, forest reserves, and so forth. To this day, the federal govern-

ment is the landholder of *almost one-third* of the total land area of the nation, mainly in Alaska and the resource-rich American West.

Having installed Teddy Roosevelt after their terrorist assets murdered President McKinley, the oligarchist financial faction struck a lasting blow against the industrial potential of the United States. By declaring the most promising areas of this "Golden Crescent" a preserve—much like the British or Canadian notion of Crown Lands—the full potential of the American industrial economy to challenge the Commonwealth's resource control on a global scale has been aborted.

Interior Secretary James Watt and other Westerners want to open up its resources, yet they seem blinded to the question of what real development means. They adamantly oppose the prerequisites for it, including the NAWAPA plan (see article, page 28), while approving projects such as Anderson's ETSI. By competent scientific and technological criteria, the Anderson projects are not development in the American tradition. They constitute a means to force what Anderson's colleagues at the New York Council on Foreign Relations call "controlled disintegration" of the world economy, by forcing overall dependence on drastically lower-efficiency energy modes.

It is appropriate to note a slick propaganda piece being circulated in book form by Anderson's old University of Chicago friend, Katharine Meyer Graham: *The Nine Nations of North America*, by Joel Garreau. The book is an attempt to convince citizens of a nation-state which fought a War of Independence and a Civil War to preserve the principle of national sovereignty, that America will soon and suitably become a balkanized "confederation" of nine separate "nations." The book calls the vast area from Alaska right down the Rocky Mountain spine "The Empty Quarter."

Thus, Anderson's high-cost energy alternative for the West is a blueprint for using energy policy to enforce global immiseration and mass death beyond precedent by destroying the industrial and agricultural potential of the world's most productive, and most potentially productive, economy.

Realize the biting contempt, then, behind the statement to Congress several days ago by Anderson's close associate in population reduction, Russell Peterson, former head of the Council on Environmental Quality and present head of the cultish National Audubon Society. Peterson confidently told the legislators: "The economic development and population shift to the South and West should begin to reverse itself. There is simply not enough water out there to sustain continued burgeoning growth, particularly in the Rocky Mountains and the Southwest." Not, that is, if we continue to let Robert O. Anderson define American water and energy policy.

'Back to nature' with dryland farming: a dangerous fraud

by Sylvia Barkley

In the same package as Robert O. Anderson's intentionally retrograde energy proposal can be found the attempt to "return" American farmers to something they never were: a bucolic peasantry that relies on the unforced bounty of nature for its existence. Although some of them may not realize it, the advocates of dryland (non-irrigated) farming have more in common with environmentalists or tree-worshipping savages, than with the industrious agriculturalists who settled this country.

Nonetheless the campaign *is* being mounted: by the media, by the self-defined experts and their think tanks, and most importantly by a policy of inaction and even denial of the necessity for a national water plan. The campaign is being directed at farmers who are meeting reality in the form of falling net income and a national economic crisis. For farmers operating at under 50 percent of parity—receiving prices that represent less than half the cost of production of their crops or herds—the argument for "retrenchment" through the substitution of muscle power for expensive equipment, of "natural" rainfall for irrigation, can be brutally convincing.

And the fact that agriculture consumes over 80 percent of all the water captured would seem to make it reasonable to ask farmers to decrease their water use in a time of national belt-tightening.

Or would it? The American farmer, in a way only less immediately apparent than in the case of the factory worker, has never simply depended upon the "bounty of nature" for his livelihood. It is only as they have been able to *improve* nature, that American producers—whether of food or the machinery that processes the food—have been able to provide for their countrymen and for the well-being of their descendants. That is why today four percent of our population—mechanized farmers with full access to irrigation and fertilizer—can feed the other 96 percent and a good part of the rest of the world.

Water conservation or investment?

Farmers are now being urged to conserve water by various voluntary means. Labor-intensive processes of

no-till agriculture and precise adjustments to drip irrigation units are proposed. Sophisticated devices for measuring soil moisture and computerized programs for estimating water/yield relationships are marketed in glossy agricultural publications. This naturally involves a vast waste of capital investment as well as time. The farmer who spends the little capital he has available to install drip irrigation (which provides small amounts of water via pipes) does not have the money for the new tractor/combine or the new seed stock which he might otherwise invest in.

In the Great Plains area, where underground sources of irrigation water are being depleted, there has been a drop in the total acreage under irrigation. As a result, yields have also fallen, both per acre and per man-hour. The struggle to conserve natural water is extremely labor-intensive, as farmers use compost to hold the water, replace large machinery with smaller, less "disruptive" units, and go through a special, intense plowing cycle to allow the sparse rainfall to soak into the soil. At the same time, the investments in irrigation infra-structure are abandoned, and the entire network of production and distribution becomes underutilized. Thus, the average real cost of agricultural production is increased.

The comparative efficiencies of irrigated and unirrigated agriculture are shown in the accompanying table; the figures are necessarily approximate. They understate the case, however, because many crops could not be grown without irrigation in area where they are now produced, or could not be grown commercially. Nonetheless the figures give some idea of the magnitude of the crime against the economy which the dryland advocates are perpetrating.

The charlatans in question do not mention these figures; they combine restrictive water-use regulations with an intense effort to convince both farmers and the public that dryland farming represents a way out of current and future problems. Newspaper reports on the depletion of the Ogallala aquifer, for example, feature tales of enterprising old-line producers who have suc-

cessfully made the transition to the new mode of dryland farming, rather than abandon themselves to despair over the coming exhaustion of the local groundwater supplies. And in fact such shifts have been induced, not so much by the scare stories of coming water famines as by the steep rise in cost of pumping the ground water to the surface.

Natural gas, the primary fuel for irrigation pumping from the Ogallala, has increased in price seven-fold since 1974. This effect was not unexpected: a study done in 1977 predicted severe drops in irrigated acreage and in yield when the price of natural gas exceeded \$2.12 per thousand cubic feet; the price is now over \$2.80. Simultaneously, the effect of energy cost on the price of irrigation has multiplied as the supplies of ground water are depleted, and more and more energy must be used to raise the water from an ever-dropping water table. Natural gas prices are expected to soar.

The ecological dimension

One of the greatest ironies—and lies—of this entire operation is the idea that dryland farming could replace irrigation without affecting “normal” conditions. The relationship between irrigation and rainfall has been broadly known to scientists for some time now. A specific analysis of the southern Great Plains region, conducted in 1976, indicated that large-scale irrigation of the plains from the 1940s on increased the summer rainfall in the affected areas by 16 percent. The affected area was 162,000 square miles, more than three times the actual area irrigated at that time.

The converse of this discovery is also clear: if the level of irrigation were to fall drastically, there is good evidence that the amount of rainfall will decrease, and even the low levels of production projected for dryland farming will not be maintainable.

Unrestrained use of water in agriculture is an ecological necessity. As Arthur Pillsbury points out in an upcoming article in *Fusion* magazine, the process of irrigation necessarily transports dissolved salts into the soil. In general, these salts are not taken up by the plants, nor are they evaporated with the soil moisture, and therefore accumulate. Environmentalists advocate slowing down this process by lessening water application rates. But the salts can only be *removed* by applying excess water, flushing the water out of the soil. The more water a farmer “conserves” by not doing this, the less fertile his land becomes.

The scenario writers, such as the Arthur D. Little Company, which has masterminded the six-year, \$6 million study of the Ogallala aquifer, do give the farmers another choice. If they refuse to be “good citizens of spaceship Earth,” conserving water by labor-intensive methods and accepting economic uncertainty, they can become pure “free-enterprise” individualists.

Instead of the commitment to put food on the table of the world, they can choose to grow whatever cash crop will pay for itself under the current economic insanity. At present, cotton is the high-value alternative, although it tends to destroy the soil, and does little for progress in either the United States or any developing nation to which the cotton might be exported.

Thus, throughout the presentations aimed at the farmers, there is a strong undercurrent aimed at shutting down especially beef production, while upgrading cotton. Cotton is one of the most water-intensive crops grown in the irrigated states, but it does produce a sufficiently high rate of return that farmers can pay for the pumping costs of ground water—perhaps even for the outrageously expensive water that is proposed to be transported into the High Plains areas from the Arkansas or Missouri River basins. The Corps of Engineers estimates that such a project would yield water costing over \$400 per acre-foot.

The production of beef, on the other hand, is barely feasible at today's ratios of costs to prices, and would be virtually wiped out by increases in the costs of water for feed grains and for the cattle themselves in feedlots. In fact, the Arthur D. Little projections for the southern area of the Great Plains calls for eliminating beef production entirely, from areas which now produce around 40 percent of the beef in the country. Not only is production being lost, but some areas of the country are being steered toward a “cash crop substitution”-like policy as if America were somebody's colony!

Further down this road stands something even more frightening: forced abandonment of irrigation. Although no one is at present proposing this for the Great Plains, in Arizona it is already illegal to place new lands under irrigation, even to replace lands removed from irrigation; new pumping of ground water, unless it fits the state's master plan, is a felony.

The possibility for legal elimination of irrigated farming in Arizona was brought about as a trade-off for the passage of the Central Arizona Water Project, one of the largest water projects to be funded in recent years. The project, which ensures industrial and urban water supplies for the medium term, was achieved not by creating newly utilizable resources, but by diverting Colorado River water now used by California.

Under these conditions, immense interest has greeted the revival by Lyndon LaRouche's National Democratic Policy Committee and the Fusion Energy Foundation of a plan put forward in the 1960s to bring water from Alaska. New endorsements for the plan have been made, while others have taken up the necessity for *some* national water policy. In response, the advocates of stone-age agriculture are attacking the very concept of a national solution to a problem which has been clearly shown to have no local solutions.

Water for growth in California

by Sylvia Barkley

As stated by *EIR* founder Lyndon LaRouche in his National Democratic Policy Committee (NDPC) policy paper on water development for the United States, published in part in this journal Jan. 19, "Next to a general thermonuclear war, the greatest single environmental danger to the American people over the coming two decades is that whole regions of our nation will simply run out of usable fresh water supplies."

This danger is particularly acute in California. The critical importance of water development in California is that not only does the state currently support 10 percent of the population of the United States, it supplies 10 percent (by value) of the national food supply, which is equivalent to 40 percent of total U.S. exports. All agriculture in the state depends on irrigation.

There is no doubt of the immediate need for the increased transfer of water to Southern California. At present, the southern San Joaquin valley is experiencing a massive overdraft of ground-water supplies (extraction of more water than is naturally replaced). The Metropolitan Water District, which supplies Los Angeles, is facing the loss of half of the Colorado River water which it currently uses, or two-thirds of its total allocation from the river to Arizona under the terms of the Central Arizona Water Project agreement.

On Jan. 13, NDPC-supported candidate for Democratic nomination for the Senate in California William Wertz presented a White Paper for water development in the state, focusing on the Peripheral Canal project now being debated in the state legislature to meet immediate need in the San Joaquin valley.

The Peripheral Canal will connect the Sacramento River, through which most of the water flows from the high-rainfall northern section of the state, to the canal system which serves the drier southern section. At present, this connection is made by pouring the fresh water from Northern California into the marshy channels of the Sacramento River Delta, on its northern edge, and pumping water out at the southern end. However, approximately 80 percent of the inflow is wasted, since the pumping rate out of the Delta is limited by the intrusion of brackish water from San

Francisco Bay.

The Peripheral Canal, Wertz proposes, will become a vital link in the continent-scale NAWAPA project. NAWAPA (North American Water and Power Alliance), developed in 1964 by the Ralph M. Parsons Company of Pasadena, California, would use a 500-mile long valley in the Canadian Rockies as a natural reservoir to catch and store part of the enormous volumes of water now being lost as runoff in Alaska and Northwest Canada. By constructing major networks of irrigation canals, and connection into the Great Lakes and the Mississippi River, NAWAPA would move 130 million acre-feet of water per year (MAFY) for irrigation in the United States, and 100 MAFY for Canada and Mexico. The project would supply over 50,000 megawatts electric (MWE) in hydroelectric capacity *above* the amount of power used to move the water.

This water would enter California in two ways. One is via a major reservoir in the Panamint Valley, which would be easily connected the existing Owens Valley water supply for Los Angeles. The second route would be along the path of the Colorado River, where the water could be used for the further development of the blooming deserts of the Imperial and Coachella Valleys, and create immense possibilities for developing the Mohave Desert as well.

Before the intervention of Will Wertz, the debate over the Peripheral Canal had been defined, both "pro" and "con," along essentially environmentalist, no-growth lines. The project is opposed by Tom Hayden and his Campaign for Economic Democracy. Hayden's actual ally, Governor Jerry Brown, whom Wertz is challenging for the Senate nomination, is the leader of group who officially support the Canal, but are making every effort to insure that its construction is expensive, ineffective, and therefore will be the end of water development in the state. Brown's faction is explicitly requiring that very strict provisions against future water development are a condition for passage of the Peripheral Canal funding bill. Brown and his Resource Secretary Huey Johnson have published an official state document, *Investing for Prosperity*, based on "the guiding principle . . . that biological, water, and Earth resources are the real wealth of our State." This is the basis of the report's commitment to "vigorously implement the existing constitutional prohibitions against waste and unreasonable use of water. . . . California's water resources are limited and our economic ability to develop them is limited." The conservation goal is to "save" 2.5 MAFY each year.

The actual needs and resources of California are the polar opposite. These are based on rates of growth projected from a decade when economic and population growth were still real. During the period 1950 to 1960,

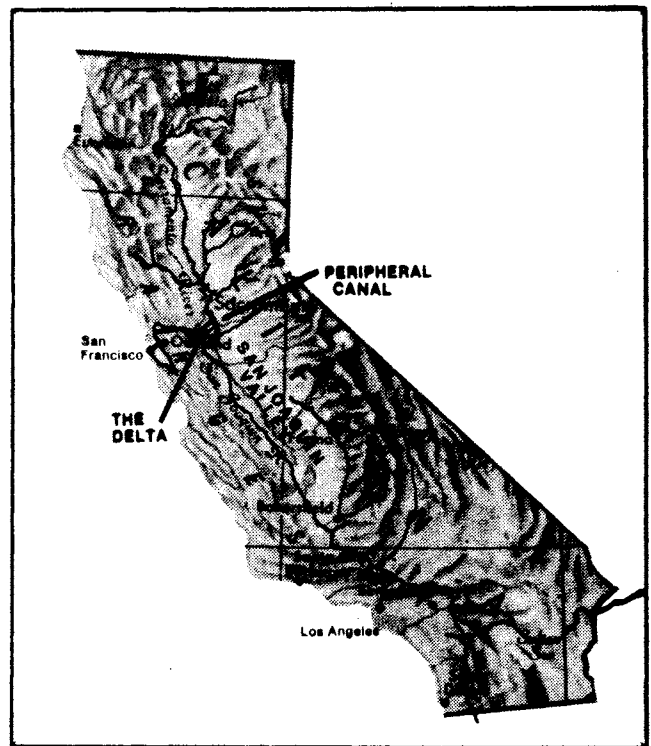
the state population grew at an overall rate of 24 percent. Applied to the current state population of 23.7 million, this will add 5.7 million people by 1991, and at that time, if the rate decreases to a still healthy 17 percent projected under Reagan's governorship, by 2010 the population would reach 40 million.

The water required to sustain the necessary growth can be computed from existing information. In 1972, the total domestic and industrial water use per capita was 0.25 acre-feet per year (AFY). The additional water needed to sustain growth to the year 1991 will be 1.4 MAFY. To this should be added at least 0.4 MAFY to replace the water now scheduled to be diverted from California's allocation of Colorado River water. In computing the water needs for 2010, however, some increase in average water use should be included to allow for increased industrial development. If the conservative figure of 0.3 AFY is used, the increase of water needed for domestic and industrial use would be 6.2 MAFY.

To meet today's demands, again we must look at a past period of growth. During the 1950 to 1960 period, one million acres of land were added to irrigated productive farmland. To add a comparable area in the coming decade, 3.6 MAFY are needed. At the same time this expansion occurs, to reduce the current overdraft by at least 50 percent by 1991, the agricultural requirements will be to 4.3 MAFY. By 2010, the same growth will mean 3 million irrigated acres have been added. However, the average rate of water application should be increased to avoid the build up of salts in the soil, which can only be done by flushing the soil, increasing water use by at least 25 percent to a level of 4.5 acre feet per acre year from the current 3.6 acre feet. This will bring agricultural requirements to 21 MAFY. To eliminate the overdraft of groundwater in the state will add 2.2 MAFY to agricultural needs.

In total then, California will need 6 MAFY by 1991, and 30 MAFY by 2010. This is a monumental task, but California does not lack the capability to do it, nor should the state perform it alone. The history of California's development is in large part the history of water projects, most of them beyond the scope considered "practical" at the time. Both Los Angeles and San Francisco import their water, the former over almost 250 miles of desert. Agriculture has been dependent on irrigation as well, first on groundwater alone, then on the massive public works of the 1930s such as the Central Valley project. By the 1960s, however the commitment to progress was already being undermined by the forces which were grooming Tom Hayden. At that time, an integrated plan for the statewide development of irrigation and transportation, the Weber Plan, was rejected by the state legislature.

Charles Weber III, the author of the plan, a civil



engineer and member of the California legislature, based his proposals explicitly on "criteria which we have set up as being in accord with natural law." His plan included a barge canal from north of Redding to Bakersfield for transport of agricultural produce in particular, and making the San Francisco Bay, now salt, a "fresh-water bank" for the rest of the state.

The Weber Plan has been superseded by some of the specifics of the state water plan, and each of these has added to the overall health of the state, but together they do not represent the level of nation-building which the Weber Plan embodied. California must not make another such mistake.

The Peripheral Canal is a crucial link in the development of California's water resources; however, it can in no way be considered the end-point of that process. The Peripheral Canal is vital both immediately, to allow continuation of that expansion, and over the longer term, to provide an efficient source of water for the southern San Joaquin Valley. Most important, it represents a mechanism by which the citizens of California can demonstrate that they have finally dealt with the green fascist mentality of Brown and Hayden, and are once again committed to the development of the state.

A lengthier treatment of this material appears in a White Paper issued by William Wertz of the National Democratic Policy Committee, entitled "Solving California's Water Needs with Water from Alaska." Mr. Wertz is a candidate for the Democratic senatorial nomination in California.

ADL's Sterling Bank sued in Italian Mafia case

by David Goldman

Sterling National Bank, which handles all financial operations for the Anti-Defamation League of B'nai B'rith, financed a \$27 million fraud operation for jailed Sicilian mafioso Michele Sindona in 1974, according to a legal suit filed in Federal Court Jan. 29 by representatives of the Italian government. The suit was filed days after the freeing of U.S. General Dozier by Italian anti-terror police, and in the midst of an Italian government sweep against Mafia dope traffickers, Sindona among them, who finance the Red Brigades terrorists.

Days before the suit was filed, the Italian authorities announced that they have corroborated Sindona's year-old confession that he had jumped New York bail in 1979 in order to join a Sicilian mob plot to overthrow the Italian government—the confession that led to the uncovering of the now-infamous Propaganda 2 terror and dirty-money operation in Milan in May 1981.

Sindona's partners in crime in New York City, according to the Italian government's court papers, included former Treasury Secretary David M. Kennedy and the Sterling National Bank, whose present Chairman of the Board, Theodore Silbert, is a past national chairman of the Anti-Defamation League of B'nai B'rith (ADL). Apart from its fiduciary role for the ADL, which in 1973 invested \$400,000 of its total \$405,000 in assets with Sterling, the New York-based bank's management includes top ADL officials. While Silbert served as ADL chairman and was ADL Treasurer until 1979, the bank's former chief attorney, Kenneth Bialkin of Willkie, Farr, Gallagher, is the ADL's present national chairman.

Starting in 1979, the ADL began a national campaign to tag National Democratic Policy Committee adviser

Lyndon H. LaRouche, Jr., as an "anti-Semite." LaRouche had commissioned a 1978 bestseller, *Dope, Inc.*, written by this writer and Jeffrey Steinberg, which identified a handful of aristocratic Jewish families as junior partners in the Hong Kong drug traffic. The *Dope, Inc.* charges were subsequently corroborated in a 1980 French-published bestseller by *L'Express* journalist Jacques Derogy.

Among the banks identified in *Dope, Inc.* as a laundromat for narcotics money was the Israel Discount Bank, controlled by the Italian-Jewish Recanati family. Sources at Sterling National Bank's investment adviser, Lazard Frères, say that a controlling interest in Sterling National Bank's stock is secretly held by the Recanati group. In a telephone interview today, Sterling Chairman Theodore Silbert denied that the Recanati controlled Sterling.

The Sindona scam

The Italian government's court papers show, in painstaking detail, how Michele Sindona and his associate, former Continental Illinois Bank Chairman and Nixon administration Treasury Secretary David M. Kennedy, used the ADL bank to milk \$27 million out of a failing institution Sindona controlled in Italy. After Sindona's Franklin National Bank went to the brink in May 1974, when it reported large foreign exchange losses, Sindona scrambled to loot his bankrupt banking empire for all the cash he could before the authorities closed in.

Sindona funneled the \$27 million out of the soon-to-be-bankrupt Banca Privata Italiana, his Italian vehicle,

into a set of Chinese-box financial fronts in Switzerland, the Italian lawsuit reports. He then transferred the money into Franklin National Bank, and used it to buy shares in Talcott National Company, a New York-based factoring company.

Then, on Sept. 26, 1974—with most of his financial empire in the glare of liquidation—Sindona gave Sterling National Bank an option to buy the Talcott shares. On the same day, Sterling lent the near-bankrupt financier \$2.5 million, using the same shares as collateral for the loan. In the following 18 months, Sterling then sold the shares off to Sindona business partner David Kennedy, “with money paid entirely by Sterling Bank,” according to the Italian court papers.

The Italian representation points out, “Sterling Bank could not lawfully hold the shares” in Talcott, a financial company, “without Federal Reserve Board approval,” which is required for all acquisitions of this kind. “Approval was never sought or obtained . . . by Sterling Bank.”

Throughout the period while Sterling was doing Sindona’s illegal business, the Mafia financier’s financial troubles were the subject of daily financial press headlines. Franklin National Bank’s imminent failure was in the headlines starting in May, and would have failed before its doors formally closed in October 1974, except for the obstinacy of Controller of the Currency James E. Smith, a personal protégé of former Treasury Secretary David Kennedy, Sindona’s business partner since the 1960s. The Controller of the Currency is the Treasury Department official responsible for commercial bank regulation. Meanwhile, two of Sindona’s banks, Banca Privata Italiana and Bankhaus Wolff in West Germany, had already been forcibly liquidated as of September—weeks before Sterling’s loan to Sindona.

Sterling Bank Chairman Silbert pleaded ignorance in a telephone interview today. “All this occurred prior to the public exposure of Sindona as an evil-doer. The loan was a good risk and a secured loan. Mr. Sindona was a member of the board of Franklin National Bank, and there was no reason to suspect him.” When it was pointed out that the loan had been made five months after Sindona’s trouble was in the headlines, Silbert sputtered, “I can’t possibly comment on that.”

All the trees in the forest

Italy’s decision to press the case against Sterling Bank on Jan. 29 represents a new, and possibly critical, flank in the anti-terror investigation which freed General Dozier. By first putting top Italian bankers and politicians under brutal investigative pressure, and then conducting the biggest-ever roundup of Sicilian mob heroin traffickers, Italian police collected the information required to pinpoint terrorists’ hideouts and to free the captive.

The lawsuit against David M. Kennedy and Sterling

puts a spotlight on the relationship between the gutter-level Italian mob, for whom Michele Sindona is a confessed bagman, and “citizens above suspicion” in the United States, including the Jewish branch of the American Mafia.

Especially embarrassing in the Sterling case is the presence on Sterling’s board of directors of Maxwell Rabb, a top Republican Party fundraiser and now the American Ambassador to Italy. In effect, the Italian government is suing the American Ambassador’s company for bankrolling a man who has confessed to a role in a terrorist plot to overthrow the Italian government!

Apart from his role at Sterling, Rabb was formerly the chief executive officer of a shady company known as International Airport Hotels, since publicly exposed as a business front for mob financier Meyer Lansky.

Another board member of Sterling National is Washington lawyer Eugene Rossides, a partner at Rogers and Wells, the firm headed by former Secretary of State William Rogers. Rossides was brought to Washington by David M. Kennedy as Assistant Secretary of Treasury for Enforcement while Kennedy was Treasury Secretary, and put in charge of such vital functions as Secret Service, U.S. Customs, and the Alcohol, Firearms, and Tobacco Bureau. Rossides became hated in law enforcement circles after he watered down provisions of the 1970 Bank Secrecy Act to the point that police cannot stop export of U.S. currency—a favorite mob vehicle for laundering drug profits, which are taken to the Bahamas in cash and turned into “legitimate” bank accounts safe from the eyes of law enforcement.

David Kennedy, who is now a senior official of the Mormon Church in Salt Lake City, has a number of interesting questions to answer. According to the London Sunday *Times* of July 20, 1980, Sindona was the paymaster for an abortive fascist coup plot in Italy, which subsequent investigation showed to be linked to the Propaganda 2 Freemasons’ group. The plot, known as the “Rosa dei Venti,” or “points of the compass” conspiracy, was hatched out at NATO headquarters in Verona, Italy—and took place while Sindona’s old business partner David M. Kennedy was U.S. Ambassador to NATO, a post he took after leaving the Treasury Department in 1970.

The connection between Kennedy and his old aide Rossides on one hand, and Sterling National Bank, whose principal business is in New York’s garment center, takes the investigation into some of the ugliest reaches of international politics. Asked what brought Sterling, a principally Jewish bank, and Italian high-flyer Sindona into the same swindle, a source at Lazard, Sterling’s investment banker said, “Sindona was the mob; the mob controls the New York garment center; and all of Sterling’s business is in the garment district. It’s that simple.”

But the shadowy Recanati family, the reputed power behind Sterling National Bank, is part of an 800-year-old financial elite, with operations throughout the Mediterranean, and a controlling position in the Israeli diamond trade through Israel Discount Bank, as well as major New York-based ship-owning interests. They figure prominently in the dirty-money world of "Dope, Inc.," and, according to well-informed Israeli sources, have a special role as financiers to Menachem Begin's Likud Party.

Italy's charges against the Recanati's New York front, Sterling Bank, and recent charges by Italian government investigators that the Israeli Mossad, or foreign secret service, is involved in the Red Brigades, may not be entirely coincidental.

A 'Gaullist solution' against the mafia?

by Paolo Raimondi

More than one-fifth of the Italian national budget—some \$25 billion—is estimated to be under the control of Mafia banks. But with the indictment of large chunks of the heroin Mafia in Sicily on Feb. 25, the Italian government has started to open the fight against the "submerged economy" that has prevented economic development. A probe has begun into the mushrooming of banking activities in Sicily. In 1979, for example, the volume of banking activity rose by 400 percent in Sicily alone.

The move against the drug Mafia's banking network is also beginning to touch its protectors in the Socialist Party. In early February, the government decided to withdraw the passport of the President of the Banca Nazionale del Lavoro, Nerio Nesi, because of the bank's shady-money dealings. Nesi, a longtime member of the Mancini wing of the Italian Socialist Party (Giacomo Mancini was formerly Secretary-General of the party and still rules in his home base of Calabria), is the personal banker of Bettino Craxi, the current head of the Socialist Party.

As the man responsible for Socialist Party funds, Nesi is under investigation for bailing out a construction firm with illegal monies. But he is also known to be the banking connection between the Mafia and the British Hong Kong market, and is the biggest promoter of free enterprise zones in Italy.

Before becoming president of the Banca Nazionale del Lavoro, one of Italy's three powerful national banks, Nesi was the director of the Turin bank, the Istituto San Paolo di Torino, which is also dominated by the Social-

ists. It was to the Istituto San Paolo that Democratic National Committee Chairman Charles Manatt sold the controlling interest in his California bank in mid-1980.

In related developments, on Jan. 29 the Sicilian branch of the Confederation of Italian labor unions, which encompasses both the Communist-linked CGIL and the Catholic-dominated CSIL, presented the Italian government with a two-point program to close the black market. The trade-union leaders stressed in their statement that the proposal had the backing of the national Confederations with headquarters in Rome.

The plan would have the government establish strict controls on flight capital and on Italian capital and firms operating abroad. The unions demanded that the government be able to lift strictures guaranteeing banking secrecy if the authorities suspect the bank, firm or individual of involvement in dirty money operations. The unions requested the government to take responsibility for confiscating capital that police have determined are illegal.

To realize this program, the unions offer full support to the Italian government by a mass mobilization of labor in factories and cities.

The trade-union proposal could be the first step toward realization of Lyndon LaRouche's 1980 "Gaullist Solution for Italy's Monetary Problems," a proposal for a financial reorganization using a "heavy lira" like the "heavy franc" reform launched by French President Charles de Gaulle in 1958. It also pays homage to the courageous fight waged by Palermo Judge Costa, the man who first denounced the Sicilian Mafia's banking operations and demanded an investigation into the Bank of Italy. Two years ago, Judge Costa was murdered in Sicily.

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George Ball and the Dozier kidnapping

by Lyndon H. LaRouche, Jr.

The key, shameful fact about the kidnapping of General James Dozier is that the kidnapping would almost certainly never have occurred but for the continuing policies of the Kissinger, Carter, and Haig State Department in covering-up for the Italian Socialist Party circles proven to be immediately behind the deployment of Red Brigades terrorism in Italy. To this moment, the State Department cover-up continues, despite the massive revelations by the Italian authorities chiefly responsible for the General's rescue.

Lest some readers be still unacquainted with this writer's expertise on the subject of anti-terrorism, we now identify some key highlights of this international news service's support of the anti-terrorist efforts in Italy itself.

The writer's reputation for anti-terrorist expertise began with his issuance of a published memorandum on the lessons of the Red Brigades' kidnapping-murder of Aldo Moro. This memorandum, published May 9, 1978, came to play a significant part in shaping anti-terrorist policies in Italy and other nations, despite the work of such influential liars as Britain's Robert Moss and Clare Sterling. At the suggestion of leading Italian political circles, this writer's associates followed up the writer's memorandum of policy against terrorism by preparing a document later published in Italy as *The Moro Dossier*. Despite heavy-handed interference in defense of terrorist circles by Carter's Ambassador to Rome, Richard Gardner, Italian anti-terrorist authorities and their friends began closing-in upon the Socialist Party and higher circles behind terrorism. Later, as the relevant features of the book *Dope, Inc.*, were incorporated into anti-terrorist investigations, the Palermo-centered connection between the drug-trafficking international Mafia and international terrorism began to be exposed. From 1979 until

the fall of France's President Valéry Giscard d'Estaing, French and other nations' intelligence services provided invaluable cooperation with Italy's anti-terrorist and anti-drug authorities—over continued opposition from the Socialist International and influential elements of the U.S. State Department.

Now, just under four years after the publication of the writer's policy-memorandum on the Moro murder, the facts set forth in *The Moro Dossier* have been fully confirmed by patterns of arrests, convictions, and other official disclosures. Why has the U.S. State Department—and most of the U.S. newsmedia—continued to hide the truth about international terrorism from both the White House and the general public? Why are the lies of Robert Moss and Clare Sterling still treated as “anti-terrorist expertise”?

1969: the strategy of tension

Modern, post-World War II international terrorism began with the Jesuit creation of the Basque ETA during the late 1950s, and the subsequent British intelligence orchestration of a bloody horror show in Northern Ireland. These pilot-projects became what we call “international terrorism” in 1969, simultaneous with the inauguration of a NATO policy called “the strategy of tension.” The creation of the Weathermen in the United States, the Red Brigades in Italy, and the Baader-Meinhof Gang in Germany, as well as a transformation of the Palestinian conflict's methods of operation, are each examples of a coordinated, top-down creation of international terrorism, coincident with the combined actions of British intelligence and Venetian financier interests in bringing a member of the fascist international, Muammar Qaddafi, to power in the de facto Venetian colony known as Libya.

The control-center for international terrorism from 1969 onward has been a complex including Austria, Switzerland, the NATO Veneto district of northern Italy, Sicily, Malta, and Beirut, with important supplementary operations run through British military bases in Cyprus. Not accidentally, Switzerland, Austria, and northern Italian regions involved represent the redoubts for the post-war international fascist movement, with Swiss banking the key pivot for coordination of terrorism, the international Mafia and the international drug traffic's interface with the Mafia and terrorism. Switzerland and the Veneto district of Italy have been the redoubts and safe-house areas from which the principal bodies of international terrorism have been deployed over the entire period since 1969.

The most important official revelations on terrorism to date have been the Italian government's exposure of the Propaganda Due (P-2) Scottish Rite Freemasonic Lodge of Italy as being the center of Italy's dirty money operations internationally, as well as the location of the joint command of the Socialist Party of Italy and Italy's neo-fascist party, the MSI. More recently, Italian government inquiries have proven that the master lodge in Italy, Grand Orient, is the higher-ranking command center for the terrorist and other dirty operations of the P-2. During the same period, it has been documented that the Palermo center of the international Mafia (including the U.S.A. subsidiaries) are an integral part of international terrorism as well as the recent influx of heroin into the United States and France.

Those exposures have been vigorously covered up by the State Department—not accidentally. The Kissinger, Carter, and Buckleyite elements in the State Department are key to this intervention. The influential George Ball was exposed as linked to dirty-money operations of the P-2 crowd. Billy Carter's tracks from Rome through Sicily into Libya expose the interlink among Billygate, Terpil-Wilson, terrorism, the international drug traffic, and also the spoor of Abscam figures Mel Weinberg and Thomas Puccio.

The case of the *Chicago Sun-Times*, including gross corruption of the Illinois State Attorney's office by drug-lobby influences, illustrates the kinds of forces inside the United States who have political motives for covering-up the truth about international terrorism.

Marshall Field III was notorious during the 1930s as a fund-raiser for the Italian fascist dictator Benito Mussolini, with closest links to Venetian financier circles which created and controlled the Mussolini regime. Today, the Field interests (*Chicago Sun-Times*) are allied politically to international terrorism through the *High Times* magazine and Yippies connection. *High Times*, with whom the *Chicago Sun-Times* shares editorial personnel, is linked to Robert Gutwillig of the Times-Mirror Corporation and to the Playboy Foun-

ation's funding of William F. Buckley, Jr.'s drug-lobby organization, NORML. The Yippies are tightly interfaced with leading terrorist groups in the United States today, as well as with organized-crime factions of the Israeli Mossad. (There are important anti-crime factions in the Israeli intelligence as well as allies of Meyer Lansky.) These are elements of the Mossad which Italian authorities have exposed as in collaboration with Libya in coordinating international terrorism, including certain Syria-based factions of the Palestinians operating under Mossad direction today.

Otherwise, the dirty elements of the Socialist International, including the Socialist Party faction of Bettino Craxi in Italy, are key controlling elements of international terrorism, as well as coordinators of left-wing insurgency, in cooperation with Jesuit Liberation Theology circles, in Central America. So, the Italian authorities moving in upon terrorism with aid of some sections of the U.S. Executive Branch find themselves hampered by State Department aid to P-2-linked Bettino Craxi and by U.S. intervention on behalf of the Sicilian Mafia.

Meanwhile, the Socialist International's plan to Hooverize the Reagan administration with aid of Walter Sheridan's crew, and to unleash civil disturbances under depression conditions, proceeds. This plan to oust President Reagan, plainly outlined at a December 1980 Socialist International/German Marshall Fund conference in Washington, D.C., is being buttressed by massive build-up of a European-style terrorist capability inside the United States. It is expected that terrorism will erupt massively as early as the next six months.

So, in the wake of the rescue of General Dozier, there is now an orchestrated campaign attempting to attribute the rescue of the General solely to the "lucky" discovery of isolated informants, to suppress the massive crushing of the Mafia and P-2-linked apparatus which enabled Italy's anti-terrorist forces to close in upon the terrorist redoubts.

Why terrorism?

Post-1968 international terrorism is a replay of the same policy launched around Giuseppe Mazzini's "Young Europe" radicals of the 19th century. From the 1870s through the beginning of World War I, anarchist-assassination offshoots of Mazzini's Propaganda Uno (P-1) Freemasonic lodge conducted waves of political assassinations much like the international-terrorist assassinations of the past decade. It was the same forces which created the Mafia during the 19th century. Then, as more recently, Switzerland, and Swiss banking interests, were the principal safe-houses for international terrorism.

The mother of international terrorism, then as now, was and is a cabal of international rentier-financier

interest centered historically in the oligarchical insurance firms and private oligarchical family funds of the Venice-Trieste-Padua region. These oligarchists, who brought Mussolini to power, are the same forces behind the Club of Rome, the World Wildlife Fund, and the command of the OECD adjunct of NATO.

The policy of that rentier-financier oligarchy, then as now, has been the destruction of the institutions of the modern sovereign nation-state, in favor of the creation of a zero-technological-growth sort of Malthusian world-federalist order, just as the OECD and the OECD's Club of Rome offshoots openly advocate. Since the beginning of the present century, these forces, the immediate backers of the archetypical fascist Friedrich Nietzsche, have associated their anti-technology utopian schemes with the proposal to supersede the age of Pisces (Christ) with the Age of Aquarius (Lucifer-Apollo). For them, as for their ideologue Nietzsche, the creation of chaos in the tradition of the cult of Dionysus is a medium of policy. The deployment of bands of killer-zombies as instruments of terror is an essential instrument of policy of those who seek to demolish the institutions of the technologically progressive modern sovereign republic, to make way for a "feudalist" sort of Malthusian utopia globally.

Once we have traced control of international terrorism into the leadership of Italy's Freemasonic lodges, as Italian authorities have done successfully so far, we discover that the terrorist-controlling leaders of these lodges are interlinked inseparably from the top level of Venetian and Swiss banking and insurance firms, including the powerful RAS insurance complex. These are the same financier interests immediately behind the Club of Rome. These are the interests which Italian authorities have recently proven to have been complicit in deploying the assassin Agca in the attempt to assassinate the Pope.

The issue

Unless the United States and other nations have the courage to crush the oligarchical financier forces behind international terrorism and Malthusianism, the onset of the present Volcker world depression has created a combination of internal social and strategic problems for leading nations of the West out of which no survival of civilization as we have known it is probable. The question is whether we have the moral fitness to survive. Unless we clean the Trilateral gang out of the Executive Branch and free the major parties from control of Trilateral types, and unless we crush the Malthusian efforts of the Club of Rome and its allies, this civilization will not long survive. Unless we approach international terrorism as an evil deployed by Venice-centered Malthusian "futurists," our failure to do so defines us as having lost the moral fitness to survive.

Documentation

'Now the time for justice has come'

The May 23, 1978 issue of EIR carried a three-page statement by Lyndon H. LaRouche, Jr. titled "The Time For Justice Has Come," excerpted from a longer brief on the method required for combating terrorism. Authorities in Italy are now, in large part, moving on the very leads LaRouche emphasized in 1978. Selections from that statement follow.

The tortured captivity and death of [former Prime Minister Aldo] Moro must be transformed into a sacrifice that gives Signor Moro's having lived and suffered greater meaning for society than had his life continued without this trauma. . . . Although key elements of European intelligence and security services largely agree with my own published analysis of terrorism, at least in respect to the facts about the terrorists and their creators, no government, including the government of Italy, has yet adopted that policy or given its intelligence and security forces the directive and mandate for the correspondingly appropriate antiterrorist measures.

The root of this problem is not the governments' reluctance to deal with the terrorists themselves. Governments are not to be blamed casually for this reluctance. Behind terrorism stands the British monarchy, U.S.A. forces associated with both Henry Kissinger and Senator Edward Kennedy, influential circles in Switzerland, and, of course, the government of Israel. In addition to state forces behind the terrorists, there are powerful financial forces, such as those City of London networks associated with Cuccia of Mediobanca in Italy and the oligarchist Agnelli family. To attack the financier forces behind terrorism is to engage in an open confrontation with financial forces which threaten to bring down national credit and national economies. This is aggravated by British secret-intelligence networks within each principal

European parliamentary party. . . .

As long as intelligence and security agencies are limited by instructions and mandate to methods which presume that terrorists are "an independent, indigenous force," the security actions are the labor of Sisyphus: terrorist forces will increase more rapidly than death and capture depletes their forces. What intelligence and security forces are permitted to do—chiefly chasing the lowest rank terrorist expendables from one safe-house and safe-conduit to another—is at best a massive exertion which does not scratch the essential problem.

Only on condition that governments direct and mandate their security forces to deal with the problem of Phrygian Dionysian murder cults, an instrument of a supranational oligarchical faction centered in the British monarchy, can the problem be controlled.

Once the problem is properly defined in that way, the investigation lends itself to computer-assisted supervision. Start, for example, with *British anti-terrorist forces*, including emphatically Special Air Services: this and Lord Wingate's networks in Israel put one on the main lines for tracing networks of professional training of terrorists. The highly trained terrorists are trained in techniques developed by SAS and other antiterrorist professionals, and trained in significant part by professional antiterrorist instructors from SAS and similar institutions. Start, for example, with Henry A. Kissinger, the Harvard University Mazzini Society, coordinated by the same British Special Intelligence Services operative, William Yandell Elliott, who guided Kissinger in SIS training and service. This procedure produces a network grid of utmost relevance for Italy.

In Italy, trace out the interface among the fascist MSI, Israeli intelligence, Agnelli-linked elements of the "Black Nobility," the British "White Resistance" network, and the Action Party-Justice and Liberty network. The interfacing and overlaps of these, including Cuccia's Mediobanca-Lazard elements, identify the hard-core of the privileged terrorist infrastructure in Italy.

Within the Socialist International trace out first those networks of personalities which fall into the 1930s and war-time networks of the Amsterdam and London "Socialist-anarchosindicalist internationals" overlapping the Independent Labour Party in Britain between the wars. Grid these elements of the Socialist International with their networks in communist organizations—notably typified by the connection among Israeli intelligence, Bettino Craxi, Spain's Santiago Carrillo, and Amendola and Napolitano of the Italian Communist Party (PCI). This aids in locating the interfaces involving Feltrinelli into Hamburg, the PCI, the Italian Socialist Party (PSI), the black nobility circuits through which the Red Brigades were developed under the patronage of Alberoni.

Interface this with the international networks of the Kennedy family's creation, the Institute for Policy Stud-

ies (IPS). This includes the British-Dutch-IPS center for international terrorism spanning from the London Institute for Race Relations to the Transnational Institute.

Interface these with the members and spin-off organizations of the London Institute for the Study of Conflict, the Royal Institute of International Affairs, the International Institute for Strategic Studies, Tavistock Institute, and the all-important Bertrand Russell networks.

Add the U.S.-Berlin Aspen Institute and the World Watch Institute. Add the Club of Rome. Add Oxford University's Balliol College, the London School of Economics, and intelligence-linked other sections of Oxford, Cambridge and Sussex universities.

Add, now, the factional divisions within Freemasonry. Grid Rothschild, Lazard, Oppenheimer, Barings, Schroeder, Hambros, Lloyds, and other British and Anglo-German banking networks.

Add British Sunni and Shi'ite networks in the Islamic sector, using such figures as Witteveen as useful points of reference. Include Sicco Mansholt as an important element, as well as Denis Healey, Roy Jenkins, Winston Churchill III, Robert Moss, Christopher Mayhew, Robert Swann, and so forth as key British SIS executives. Recognize that both the World Federalists and Amnesty International are British intelligence organization-covers, and grid them and their influential members and cells as key elements of the tracing. Trace out the element of British MI-5 in Interpol, and British networks within NATO.

This is by no means complete, but it is an adequate basic beginning.

Having prescribed the approach for building a computer data-base, we are now prepared and obliged to prescribe the crucial point of methodology which study of these networks requires. Apart from the fact that the appearance of an individual name in the network does signify a channel of influence, the point is not to round up each and every individual whose name appears. The issue of method is important from what is otherwise less important or downright misleading.

For first approximation, count the number of lines of intersection impinging upon each organization and individual. Those of prominence because of the great number of intersections now have heavier lines drawn from them to each of their associations. Now, study the whole a second time, weighting the evaluation from combined factions of heavy ordinary lines converging upon any point. This determines double-heavy lines.

That done, now reexamine the whole array *not in terms of individuals, but of patterns*. This gives a good first approximation of the main patterns defining networks and principal nodes. . . .

If you will not take this advice from me alone, there are those within the Church who also understand this method. . . .

Secret meeting plans chaos in Mexico

by Dennis Small, Latin America Editor

A semi-secret gathering of some of Europe's leading oligarchic strategists and prominent Mexican businessmen in late January plotted to launch economic warfare against lame-duck Mexican President José López Portillo, and his policies of rapid industrial growth. The \$2,000-per-head "Atalaya '82" conference, held in the city of Guadalajara Jan. 14-17, also resolved to shatter any political obstacles to this onslaught inside Mexico—in particular the large and powerful ruling Institutional Revolutionary Party (PRI) party.

The declaration of war was issued the second day of the conference by its chief organizer, Agustín Legorreta, the head of Mexico's largest private bank, Banamex. He told a stunned press conference that he no longer supported President López Portillo's economic strategy,

arguing that it produced inflation which had to be fought at all costs—even that of provoking a sharp recession. Inflation, Legorreta threatened, "is a cancer which will sooner or later have fatal consequences."

Political observers in Mexico are comparing the Atalaya meeting to a similar conspiratorial gathering of the same elements in 1976, at the Mexican resort of Chipinque. As a result of the Chipinque planning session, a group of Mexican businessmen led an economic insurrection against the government of Luis Echeverría, then in his last year in office. Investments dried up; \$4 billion in capital was withdrawn from the country, forcing a major devaluation of the peso; and rumors were set in motion throughout frightened middle-class layers of possible assassinations and coups d'état.

Participants in the Atalaya meeting

The following individuals were among the leading plotters present at the Atalaya '82 meeting:

- **Prince Nikolaus Lobkowicz:** A scion of the Czechoslovakian nobility who completed a term as president of the University of Munich Dec. 31. Lobkowicz is on intimate terms with the paladin of Bavarian neo-Nazism, Franz-Josef Strauss; with former NSC director Zbigniew Brzezinski; and with the most unreconstructed ideologue of Nazism still alive in Germany today, Armin Mohler—formerly of the SS, today the head of the "respectable" Siemens Foundation. Lobkowicz, who taught at Notre Dame University in the United States from 1960 to 1967, lectured his Mexican hosts on "The Importance of the Cultural and Historical Experience of Europe."

- **Gustav Thibon:** From the University of Avignon in France, Thibon is part of the Catholic schismatic network led by the reactionary Archbishop Lefebvre. Thibon is also renowned as a specialist on the thought of the fascist philosopher, Nietzsche.

- **Agustín Legorreta:** As head of the drug-linked

Banamex, Legorreta has close relations to the notorious Schlumberger family, which sponsored the Permindex assassination bureau responsible for the murder of President John F. Kennedy and for the more than 30 hit attempts against French President Charles de Gaulle. Remy Schlumberger is today on the board of directors of Banamex; and Legorreta himself is a member of the Islet Foundation, a known Schlumberger front.

- **Bruno Pagliai:** Pagliai shares the directorship of the Tamsa steel company with Gaetano Zocchi, a former director of Permindex. Pagliai is on intimate terms with the noble Savoy family of Italy, and works closely with the drug-running network centered around former Mexican President Miguel Alemán.

- **Juan Sánchez Navarro:** From one of Mexico's oldest oligarchic families, Sánchez Navarro is also one of the few Mexican members of the secretive Mont Pelerin society, which supports the anti-growth "free market" economic policies of Milton Friedman.

- **Emilio Azcárraga Tamayo:** Head of the Mont Pelerin Society-linked Mexican think tank, CEESP, Azcárraga is a key promoter of Milton Friedman's anti-industrial policies. Azcárraga is the principal shareholder of Televisa, Mexico's largest television chain which has been strongly advocating the drastic reduction of the Mexican population. He is also part of the inner circle of former President Miguel Alemán.

Echeverría publicly denounced the Chipinque conspirators—who met in the black of night disguised with hoods—as “fascists.”

The same pattern of induced conflict between the Mexican government and private sector has re-emerged. Top private bankers returning from the Atalaya meeting expressed a “lack of confidence” in the Mexican peso, and called on businessmen to put all their liquid assets into dollars—a hair’s breadth from transferring them out of the country altogether.

The *Washington Post* then contributed to the environment, reporting that over \$4 billion had already fled Mexico in the last half of 1981—with worse developments planned for 1982. And a Mexican business leader interviewed by *EIR* reported bluntly that his federation believed that a frontal assault on the government and its economic policy was needed—and that he expected a sizeable devaluation of the peso in 1982 and a drop of GNP growth rates from 8 to 4 percent.

The Rockefellers’ Council of the Americas held a quiet seminar in Washington, D.C. on Jan. 21 to get out this scare story to American corporate executives. And the Wharton School think tank deployed its Mexico expert, Abel Beltrán del Río, to Monterrey, Mexico to prophesy gloom to a business seminar there.

The irony of this coordinated attack is that the Mexican economy is—in its fundamentals—perhaps the *strongest* economy of any today in the underdeveloped sector. It has had real GNP growth rates of 8 percent for each of the last four years, higher than any other in the Third World; it has invested its oil revenues judiciously in capital formation and purchase of advanced technology; and it has created nearly 1 million new productive jobs per year over the recent period.

These were exactly the arguments adduced by Mexican President José López Portillo to counter the Atalaya conspirators. On Jan. 21 he spoke before a group of Mexican industrialists, and appealed to them to consolidate an alliance for economic growth between the public and private sectors. “There are economic pressures against Mexico,” he told the businessmen, “and we have to defend ourselves because we can in no way stop growing.”

These economic pressures are all converging around the July 1982 presidential elections, which is when the Atalaya conspirators hope to achieve real political instability inside Mexico, possibly by forcing a sizeable devaluation of the peso. “Hurricane winds” have been seeded across the country, recently reported a widely read column in the Mexico City press; the reference was to the moves to shatter the ruling PRI party being carried out by the left and right opposition parties, and by complicit elements within the PRI itself.

If the Atalaya conspirators get their way, it will be a “hot summer” indeed in Mexico this year.

BACKGROUND

The roots of the Atalaya conspiracy

by Hector Apolar

The origins of the Atalaya meetings go back to the 1960s when Banamex’s head, Agustín Legorreta Chauvet held extensive discussions with Herman Kahn’s Hudson Institute in the United States. Out of that collaboration came Legorreta’s idea that Mexican businessmen have been made to understand that the era of “business is just business” is over. Kahn advised Legorreta to establish a kind of “round table” to address the issue. After consulting with the heads of the most powerful economic groups in Mexico, Legorreta went forward with his idea.

In 1974, Banamex organized an international meeting on “Perspectives of Humanity,” whose stated purpose was to publicize the anti-growth theories of the Club of Rome. The main speakers were: Herman Kahn; Antonio Carillo Flores, former Mexican Foreign and Finance Minister and head of the United Nations-initiated Population Council; Victor L. Urquidi, the only Mexican member of the Club of Rome and head of the liberal think tank, Colegio de México; international Jesuit monetarist Robert Triffin; Raul Prebisch; Walter Rostow; and Jorge Castañeda, Mexico’s current Foreign Minister. The conclusion of the meeting was rather crude: Mexico has to stop its population growth.

In 1979, after a period of reorganization, Legorreta institutionalized his idea in the form of a series of meetings called Atalaya. A committee of the 20 top businessmen of the country was established, and in 1979 they organized an “International Food Conference.”

The main speakers in 1979 were: Julián Rodríguez Adame, former Agriculture Minister of Mexico and International Secretary for Agrarian Development of the Rockefeller Foundation; Mahabub ul Haq, the Pakistani World Bank and Cambridge University “radical”; Manuel J. Clouthier of Mexico’s Businessmen Coordinating Council and others. The conclusion of this meeting was that Mexico lacked the capacity to feed its population.

In 1980, the Atalaya meeting focused on the “Future of Capitalism,” and in 1981 discussion was centered around the need for Friedmanite solutions to Mexico’s various economic problems.

A renewed assault against the peso

by Timothy Rush

The *Wall Street Journal* doesn't hold back when it goes peso-bashing. Last summer it did more than any other newspaper to spark a wave of flight capital and a run on the peso with an early-July article proclaiming a big peso devaluation virtually assured. As its principal sources, *EIR* revealed at the time, it cited Chicago speculators who stood to make a bundle if such a devaluation occurred at that time.

For its Jan. 28, 1982 re-run of the same operation, the *Journal* deemed it expedient to cite domestic Mexican sources, though from the most wild-eyed, Mont Pelerin wing of Mexican monetarism, to attempt to build the same psychological stampede.

"Mexican officials say the peso will slide 15 percent to 18 percent against other currencies this year. A lot of other people think different," pronounced the *Journal*. Buried at the end of the article, after a series of calls for either a 30-percent slide or a slide combined with a large one-bound devaluation, was a review of the reasons why in fact a sharp devaluation would not help the economy, but harm it.

A frank statement of intent concluded the article: "Just as a devaluation followed the election of President José López Portillo in 1976, so it may happen after this July's election, people say. And even if there isn't any truth to such talk, its psychological effect may force the government's hand soon after the July election."

This is precisely the timetable mapped out in the closed-door sessions of the Atalaya meeting in Guadalajara on Jan. 14-17, and the estimate slipped to selected U.S. corporate officials with investments in Mexico at the private meeting of the Rockefellers' Council of the Americas in Washington, D.C. on Jan. 20.

Last July, López Portillo faced down the speculators and capital-flight specialists with a pair of back-to-back press conferences which branded the international press campaign at the time "information terrorism," and those Mexicans who took currency out of the country, traitors to the nation and its posterity. At that time the peso stood at 25 to the dollar, after having begun a slide from 22 to the dollar eight months before. Today the peso is



The slack in oil prices is one pretext for devaluation pressure.

nearing 28 to the dollar.

This time the conspirators against the peso are counting on the high international interest rates and weakening oil prices since last summer to push the operation through to conclusion. Though López Portillo has repeatedly stated that he's willing to permit some peso decline, he's drawn the line on a big, one-shot drop. The reasons: it would drive into bankruptcy many private-sector companies highly leveraged on dollar debt; bring demands for a compensatory, large-scale wage increase at home; and through higher costs for wages, imports, and debt repayment, unleash a new burst of inflation.

Flight capital

The *Washington Post* puts 1981 flight capital loss at \$4 billion, or equal to the worst of the 1976 flight-capital operations. Most of this reportedly went into Texas and California real estate. The *Wall Street Journal* says \$6 billion. Raul Tamayo, president of the Guadalajara-based Actibanco, put it at \$9 billion in a Feb. 1 interview. The actual figure is likely to be at the lower end of this spectrum, though on the increase. The higher estimates are viewed by experts as exaggerated for psychological warfare reasons.

But in some ways more serious is the step-up in "dollarization," whereby increasing portions of domestic banking operations are conducted in dollars even when the transaction takes place wholly within Mexico. This undermines one of the elements of Mexican sovereignty in economic matters: control of its own credit and currency.

Emerging from the Atalaya meeting on Jan. 18, banker Rolando Vega of the Confia Bank called upon all Mexican private companies with dollar debts abroad—the large majority of big firms—to keep their company accounts "as liquid as possible"—in dollars.

There are insistent reports that forces in the Banco de México are complicit with this arrangement. The Banco de México bears something of the same relationship to Mexico's elected government as the Federal Reserve to the United States: it is a bastion of monetarism which has consistently defended a high interest-rate regime and downplayed the problems of "dollarization."

A January study by the Banpaís bank noted approvingly that the Banco de México "gains liquidity for itself" by keeping higher reserve requirements for dollars than for pesos. There are preliminary indications that some government credit entities themselves are beginning to lend to the private sector and other government entities in dollars. Banpaís brazenly stated on Jan. 28 that because of the flight of capital, "the only thing saving investment is high interest rates." These encourage "those who still have confidence in Mexico," declared these paragons of nationalist sentiment.

PROFILE

Who's who in the political reform

by Timothy Rush

The following three parties, all of whose activities have been given unusually prominent press treatment under the provisions of Mexico's new political reform laws, are in the forefront of the current manipulations to tear down the PRI and make Mexico ungovernable.

The PAN

"If the people get tired of injustices and arbitrariness, and choose violence as their only way out of their problems, we have no right to oppose it or to permit others to oppose it. I personally am a pacifist, but if there is no other route than armed struggle, we cannot stop that."

This is José Angel Conchello speaking, leading ideologue of the "rightist" National Action Party (PAN), on tour in late January with 1982 PAN presidential candidate Pablo Emilio Madero at his side.

The PAN party is campaigning in the current elections with the same "progressive fascist" profile that it boasted of at its founding in 1939. The party became as the Mexican branch of the Falangist International then being established through parties of similar names in most major capitals of the continent. The same Conchello who egged on the crowds in Yucatán to violence, in 1976 declared himself an open advocate of the policies of Hitler's Finance Minister, Hjalmar Schacht.

The PAN's particular function today is to whip up middle-class discontent with the government and unleash "pots-and-pans"-style protest reminiscent of the street marches by Chilean "housewives" prior to the installation of Pinochet in Chile in 1973. This is the character of the PAN's protests in the northern state of Coahuila after recent municipal elections. After losing the elections, the PAN called for boycotting auto license-plate renewals—hardly a measure within reach of the state's workers and peasants—as the start of a series of actions they hope would lead to a full-fledged civic strike.

In Mexico City, the PAN is distributing leaflets

door-to-door declaring that 1982 is the year of “bankruptcy and salvation.”

The Mexican Unified Socialist Party (PSUM) is the the strange offspring of negotiations between the Mexican Communist Party and five smaller left sectlets during the summer of 1981. The already-registered PCM changed its name to incorporate the new elements, and nominated its Secretary-General, Arnaldo Martínez Verdugo, as its presidential candidate.

Ironically, having little worker base, the PSUM is appealing to the same middle class layers as the PAN, as well as church, military, and university circles—and on a similar program. The basic planks are curtailing the exploitation of oil, “redistributing” what wealth is left, and building up Indian and peasant communities as separatist entities free of central government control.

The PSUM also shares the PAN’s equanimity when it comes to violence: its allied COCEI group in the Tehuantepec Isthmus town of Juchitán stormed its way to local power last year on the basis of threats and thuggery. Some high-level “godfathers” seem to be watching over the experiment. The house newspaper of the City of London bankers, the *Financial Times*, chose to highlight the Juchitán situation in a late January feature,—with a very convenient inset map of the new “land-bridge” rail link across the isthmus which the COCEI has threatened to sabotage.

The PSD

The Social Democrat Party serves as the higher-level interface for the other wrecking operations against the PRI. Coming originally from Monterrey right-wing Christian Democrat circles linked to the PAN, it made the short trip to a Jesuit-style “left” profile in the early 1970s. One of its current leaders is Arturo Martínez Nateras, until recently a central committee member of the PCM. In the 1976 presidential elections the PSD, under its previous name of Acción Comunitaria, was in charge of PCM propaganda, using a front called the Mexican Public Opinion Institute (IMOP).

A party without any discernable base, the grouping nevertheless got its registration from the Federal Election Commission last June—on the insistence of Carlos Hank González, according to reliable sources. Its current role as circus ringmaster of the many-sided assault on the PRI took on a new, grotesque form in a list of 13 “prospective candidates” for the PSD presidential nomination, released Jan. 25 by party leader Luis Sánchez Aguilar. Hardly a single name of this motley group came from within the party itself. At the top the list: terrorist-linked “labor leader” Ortega Arenas; former PRI head García Paniagua, being primed to head up a possible split operation against the PRI; Moreno Sánchez, a political crony of Hank González; and the PSUM’s candidate, Martínez Verdugo.

POLITICS

A strategy for wrecking the PRI

by Timothy Rush

“Iran had one of the most modern armies and only two million people in Teheran. Nevertheless, the masses overthrew the monarchy. Just think about Mexico. Here we have a small army of 80,000 while Mexico City has 12 million people. Just imagine what could happen.”

This is how Juan Ortega Arenas described to a reporter in late January what his “independent” union movement is designed to accomplish.

Who is Ortega Arenas? Already being described as the “Lech Walesa” of Mexico by eager scribblers in the Jesuit-controlled left press of Mexico City, he is a man of terrorist pedigree. After graduating from a series of Jesuit schools, according to a Sonora newspaper account, he worked directly with Herman von Bertrand, S. J., the creator of Mexico’s most dangerous terrorist band of the early 1970s, the 23rd of September League. Today he combines a close relationship with Israeli intelligence agents in Mexico, with editorial work for the semi-clandestine magazine, *Otro Por Qué* which traces directly into the Red Brigades network of Italy.

Through thuggery and intimidation, Ortega Arenas gradually worked his way into control of several industrial and professional unions, which he split away from the hegemonic government-allied Mexican Workers Confederation (CTM). The most important among these are several large auto unions, the airport workers, and most recently, a section of the Mexico City bus drivers.

He demonstrated his hold on this latter group Jan. 27 with a several-hours’ shutdown of Mexico City’s principal bus route, the “100 Line”.

This wildcat strike was a challenge to the CTM, which controls the rest of the bus drivers. With speculation rampant over what will happen when age forces the retirement of octogenarian labor leader Fidel Velázquez, a variety of anti-government forces inside and outside Mexico are looking to Ortega Arenas as a battering ram who can break the power of the CTM. Their thinking is that if the CTM splinters, the ruling Institutional Revo-

lutionary Party (PRI) will lose its strongest constituent force, and collapse. It could then be challenged for political hegemony by an amalgam of disenchanted middle class forces. Anti-PRI propagandists like the *New York Times'* Alan Riding have profiled this layer repeatedly over recent weeks, explaining hopefully that "with the emergence of a new middle class . . . the political balance could change" in Mexico.

Alamazán, Henríquez, Madrazo

The PRI is seen—and targeted—by the theoreticians of the Council on Foreign Relations and similar elite planning institutions, who deploy the likes of Riding, as the institutional pillar maintaining stability and growth in the Mexican System.

Despite deep policy differences between its several factions, it has tended to be a vehicle for successful mobilization of the Mexican masses behind nationalist, pro-development policies.

Vivid in the minds of the Rockefeller and Buckley interests to this day is President Lázaro Cárdenas' nationalization of Mexican oil in 1938, effected through the grass-roots organization of the PRI predecessor party of the time. Operating on a six-year cycle of presidential terms, no one president allowed to return to the top office, the PRI and its predecessor formations have maintained a tight hold on all of the top elected and appointed officials since the late 1920s.

Three major efforts to split the party have occurred since the period of Cárdenas. In 1940, Juan Andrew Almazán ran an independent candidacy against official nominee Manuel Avila Camacho. In 1952 it was Gen. Miguel Henríquez Guzmán against Adolf Ruiz Cortines. And in the late 1960s, PRI President Carlos Madrazo was grooming his own independent political machine when he died in a light plane crash.

All three previous split attempts have been reviewed in the major Mexico City press in recent weeks, as recognition spreads that this year's "smash the PRI" maneuverings are cut in the same mold.

The man directly or indirectly behind virtually every threat to the PRI is Carlos Hank González, the powerful mayor of Mexico City. The principal heir of the faction of former President Miguel Alemán among politicians active within the PRI at this moment, Hank is widely known as Mexico's would-be Mussolini.

Hank was pinpointed in the Mexican press as the behind-the-scenes backer of Ortega Arenas' wildcat work stoppages on Mexican bus lines the last week of January. Since last September, when Carlos Hank put the municipal bus lines under his personal control, and since December, when he suddenly re-drew every bus line in the city, the transport network has been in almost daily chaos. This has been the fertile field for Hank's under-the-table deals with Ortega.

At the same time, Hank has made Mexico City almost off-limits to the campaign of PRI presidential candidate Miguel de la Madrid. De la Madrid is finding his Mexico City crowds shrunk to almost nothing on Hank's orders—while Hank himself turns out the multitudes for his own big affairs, such as the opening of the newest branch of the Mexico City subway in early January.

Hank himself is constitutionally prevented from gaining the presidency, however, since his father is not Mexican. The chief candidate to formally head up a split in the PRI is Javier García Paniagua. García Paniagua enjoyed a meteoric career in the past five years, reaching a succession of top posts: Agrarian Reform Minister, President of the PRI, and Labor Minister. But when he failed to get the top prize last fall—the presidential nomination that went to De la Madrid—he turned against the party hierarchy and left the government.

García Paniagua has close ties to sections of Mexico's security police and army, in part the "family inheritance" of his father, a leading general of the 1950s and 1960s who supported the Henríquez Guzmán split attempt of 1952, and in part the result of his own position as head of security matters for the Interior Ministry in the early years of the López Portillo administration. Although he himself has made no firm declarations of his intentions, he recently spoke up from his home base of Jalisco to say that he had "always been a politician" and was not about to quit now.

Political reform

The scope for the PRI-wreckers is amplified in this year's early July elections by the provisions of Mexico's 1978 Political Reform law, which legalized a plethora of small political parties and guaranteed them extensive access to press and radio as well as seats in the lower chamber of the Congress. The brain-child of then-Interior Minister Jesús Reyes Heróles, the reform has been sold to PRI party regulars as an innocent way to let dissident forces let off steam. In fact its provisions build in a drift toward a "pluralist" and ultimately parliamentary system, in which the PRI would collapse to be just one of many squabbling parties amidst the wreckage of the Mexican System as it is known today.

The Alemán-Hank crowd is now attempting to push the political reform process ahead another notch in this direction. Mario Moya Palencia, Alemán's unsuccessful candidate for the presidency in 1976 against López Portillo, publicly called in late January for the opposition parties to be brought into the upper chamber of Congress, the Senate. Moya was echoing an earlier proposal of the communist candidate of the PSUM coalition party, Arnaldo Martínez Verdugo.

Dope, Inc. retains its Amazon empire

by Mark Sonnenblick

In an impressive ceremony in Brasilia on Jan. 25, representatives of Daniel K. Ludwig transferred ownership of the vast empire he had built on the shores of the Amazon River to a Brazilian consortium. Brazilian President João Figueiredo celebrated the long-awaited "Brazilianization" of the huge Jari paper pulp project, and stressed that the project would remain in *private* hands, though the state is putting up \$180 million of the \$280 million transfer price.

Brazilian manganese magnate Augusto Antunes, who gained practically total control of the project under the deal worked out with Ludwig, dusted off his best nationalist rhetoric to assure, "Never again will Jari fall into foreign hands." A similar stirring nationalist speech in the 1950s won Antunes the concession for a rich manganese mine not far from Jari. As soon as he had won, he set up a 51-49% joint venture with Bethlehem Steel. Antunes also has long served as front man for Hanna Mining, a variety of Ludwig enterprises, and properties belonging to publicity-shy European family fortunes that Ludwig also represents. Ludwig has life-long associations with criminal circles, including the Bahamas gambling and dirty money interests of Miami mob leader Meyer Lansky (*EIR*, Dec. 22, 1981). Antunes not only supervised channeling illegal offshore funds into the 1964 Brazilian coup conspiracy, but afterwards helped write the laws which opened wide Brazil's doors for Ludwig and his ilk.

Ludwig had set up Jari with little expectation of living to see a profit from it. He wanted the Zürich-based family fortunes he represents to have a powerful force in one of the world's great untapped regions which could shape what happens in the whole region. Due to Ludwig's unscientific management, the project has been losing money, and may never break even.

Ludwig sought to pull Jari out of the red with a new round of exemptions from import restrictions and taxes, subsidized credit from government banks, and clear title to additional lands, so that he could sell them. He found,

however, that nationalist elements in the Brazilian government not only refused him further gifts, but even violated his domain by opening up a tax office and by permitting labor unionists to organize.

Ludwig sought to force the nationalists' hand with a bitter October 1980 letter to Brazil's chief strategist, General Golbery do Couto e Silva. Ludwig threatened to "paralyze or sell to third parties," should the government not yield to his demands. Golbery did not yield.

Ludwig followed through on his threat with a systematic stripping of the project's assets. All that remained was the paper pulp mill and the cutting—though not replanting—of trees to feed it. He fired 3,300 of the 7,300 direct employees.

Nationalist currents sought a "Jaribrás" in which the state would take over Jari management as well as its debts and projected further losses. Antunes, however, was granted majority control of the Jari board of directors. His role is camouflaged by the token participation of 22 prestigious Brazilian businessmen who were arm-twisted by Planning Minister Antonio Delfim Netto to help make the deal with Ludwig work. This "private sector" cover is required to provide political justification for the public bailout of Jari.

Ludwig knew full well when he threatened to abandon Jari amidst loud screams alleging the Brazilian government to be "predatory toward foreign investors" that his acts would harm Brazilian efforts to obtain foreign financing for the nearby Carajás mineral project. His threats have been echoed by Washington.

Kissinger, Ludwig, and Antunes

The deal with Ludwig coincided with the long-postponed confirmation that President Figueiredo would visit the United States May 12. Figueiredo has been trying since 1980 to arrange the visit in order to ensure U.S. markets and banking channels would remain open for Brazil's economic needs. There have been hints from Washington that Figueiredo would not receive a welcome mat until Ludwig had been satisfied. Soon after Henry Kissinger's Nov. 15-19 trip to Brazil, all government obstacles to Ludwig's efforts to bequeath control of his empire to Antunes disappeared.

In our Dec. 22, 1981 issue, *EIR* was the only publication in or out of Brazil to focus on the Kissinger trip's relation to the dirty D. K. Ludwig and the Amazon. Kissinger met with Antunes at a dinner party at the mansion of Kissinger's prime mover in Brazil, Israel Klabin. Klabin's Rio de Janeiro state bank now is acting as the midwife for the capitalization of the new "Brazilian" Jari consortium.

Dope Inc.'s D. K. Ludwig and Henry Kissinger have succeeded in influencing Brazilian policies toward the Amazon and toward the United States. Is that success part of a more general "deal" concerning Brazil?

Psychological warfare and the 'no-war' talks

by Daniel Sneider, in New Delhi

Amidst much diplomatic fanfare, Pakistani Foreign Minister Agha Shahi and his Indian counterpart Narasimha Rao conducted talks in the Indian capital during the weekend of Jan. 30 centered on a proposed non-aggression or "no-war" pact between the two countries. They agreed in essence to keep talking, with another round scheduled for later this month.

In the midst of the conclusion of a giant arms deal with the United States, including the possible use of Pakistan as a staging base for the U.S. Rapid Deployment Force, the Pakistanis made a nebulous offer last September of a "no-war" pact. The Indians, caught off guard, took some time to respond, pointing out that Pakistan had refused numerous Indian offers of a non-aggression pact over the previous 30 years and questioning the *bona fides* of this sudden change of heart. After the talks, certain things became clear, particularly from the remarks of Agha Shahi at the concluding joint press conference.

First, the Pakistani concept of the pact excludes any common view of the security situation in the region, because, as Shahi admitted, no such agreement can be reached. Further, Shahi stated that the pact will have "no bearing" on the U.S. arms deal or Pakistan's overall security ties with Washington. The Pakistani refusal to link a "common security perception" to the pact reflects India's distaste for the Pakistani move to line up anti-Soviet policy in the United States, in South Asia and in the Persian Gulf. The Indians insist that any pact must contain an assurance that Pakistan will not grant the Pentagon base facilities in any form. The Pakistanis are refusing any such assurances. One view in India circles is that the Pakistanis' desire for the pact is genuine and is backed by the United States, but only for the objective of cooling down the Indian front, so as to have a freer hand to use Pakistan as a base for operations in the Gulf region, including possible operations into Iran.

Second, the Pakistanis insist on separating the talk of a pact from advances on bilateral issues such as trade, economic relations, and travel. The Indians, in contrast, seek to emphasize "confidence-building" bilateral measures which would have a concrete effect and to base such efforts on the 1972 Simla Agreement, which ended the

Indo-Pakistan War of 1971 and included an agreement to settle disputes without the use of force.

Indian Prime Minister Indira Gandhi, intervened twice by means of an interview with a group of Pakistani journalists and a half-hour meeting with Shahi. In the interview, Mrs. Gandhi dramatically offered to sign a "friendship treaty" with Pakistan, an offer which garnered headlines and put the Pakistanis on the spot. During the meeting with Shahi, she proposed the formation of a joint commission like the ones India has established with other countries to pursue an improvement of bilateral relations, a proposal Shahi accepted.

Mrs. Gandhi was sharp and aggressive in her interview. She did not miss the opportunity to point out to a journalist who asked why India, with so much more territory, population, and resources than Pakistan, should fear attack, that these disparities have always existed and nevertheless it is Pakistan which committed "aggression," which "invaded India," and which occupies Indian territory in Kashmir today.

Mrs. Gandhi's role

Mrs. Gandhi also took care to make the point that India is not concerned with Pakistan's military buildup in itself, but sees the danger of war emanating principally from the global "heating up of the Cold War" and the efforts to make South Asia a battleground in that conflict. It is precisely such differences on "perceptions of security" in the region, she made clear, that is at the root of Indo-Pakistan tensions today. Z. A. Suleri, chief editor of the government-controlled *Pakistan Times*, termed the meeting he and his colleagues had with Mrs. Gandhi a "disillusioning experience." Observers of Pakistan say that Suleri represents hard-line circles in the military who are opposed to any sort of concession to India. There are thought to be some differences between these circles and a circle around Zia over how far to play out the diplomacy with India.

The unstated factor in these talks is the status of the Zia regime itself, a dictatorship which cannot claim the support of even a tiny minority of its population. One Indian journalist asked Agha Shahi if he represented the sentiment of his government alone, or also the Pakistani people. Shahi could only reply by citing the support given by the newly formed puppet parliament, the Majlis-e-Shooras, made up of the regime's appointees. In her interview Mrs. Gandhi made the point in her own way by pointedly referring to her talks with "the previous Pakistani leader," a reference to the popularly elected Z. A. Bhutto, hanged by the Zia regime.

I asked one of the Pakistani journalists privately whether he thought the talk of a "no-war" pact was serious. He quickly answered, "No, of course not. Both sides are just marking time. We are just waiting till we get the U.S. arms."

Gerhard Hüscher sings Schubert lieder

by Kathy Burdman

Late last year, Arabesque Recordings, a subsidiary of Caedmon Records, released an historic three-record set of Schubert lieder recordings of Gerhard Hüscher, the father of modern lieder art. The recordings are magnificent, and should go far if widely known to revive the lost art of lieder singing and appreciation in America, an art which the Republic sorely needs revived.

The lied, or classical German song, is one of the forms of great music most accessible to the average citizen, bringing the great poetry of the 18th and 19th century quickly into the heart through the medium of great music. The form was widely used for mass education and the popularization of great ideas by not only Franz Schubert (1797-1828), but also by the giants of music history including Ludwig van Beethoven. The lied was extended to English by Franz Josef Haydn, Mozart's and Beethoven's teacher, who wrote numerous English lieder to attempt to revive the great English poetic culture of Milton.

Gerhard Hüscher was among the first to record the complete Schubert lieder in the 1930s. The Arabesque set contains one of the best full-length recordings available of the song cycles "Die Schöne Müllerin," and "Winterreise," recorded in 1935 and 1933. Many Americans know these recordings from their old 78 RPM productions. Also presented are 16 of Schubert's last songs, including his beloved settings of the poems of Heinrich Heine.

Hüscher had the ability, which is greatly watered-down in today's singers, to sing the actual *words* of the poems set by Schubert so that he communicates real ideas. It was for this sort of singer, with this declamatory, almost spoken power, that the great composers wrote. The aim of Schubert and other lieder composers was to build nation-states by spreading literacy and the elevated, creative spirit of poetical thinking.

Hüscher, still alive at 80 and teaching music in West Germany, clearly grasped this. Compare his didactic

singing, for example, with that of Dietrich Fischer-Dieskau, the current best-selling star of the lieder circuit. Fischer-Dieskau has concentrated all efforts on producing a beautiful sound, not on communicating poetic ideas. His prodigious technical skill is used to give a smooth, watery sound which conveys sweeping *emotion-states* of joy, rage, and sorrow, but not concepts. The words are lost.

Hüscher, by contrast, succeeds in the most difficult task of the lieder art: to present the idea content of poetry, and yet also convey the greater musical ideas which exist on yet a higher level than the literal word-ideas. This is what Beethoven called "absolute music," the power music brings us to "read between the lines" for new ideas.

Hüscher achieves this in the "Die Schöne Müllerin" cycle by imparting the idea of eternity, the eternal life of the soul. Wilhelm Müller's 20-poem cycle follows a young mill apprentice's gay wanderings along a brook, which brings him to work at a new mill, a fantasy love for the beautiful miller's daughter (die schöne Müllerin), rejection, and then suicide in the brook. Those are the words, but Schubert and Hüscher have conveyed the idea that the boy may die, but his soul is still immortal, or that perhaps he has merely killed his adolescent self, and had grown up into a sadder but wiser man.

A glimpse of the whole cycle may be had in the final song, "The Brook's Cradle Song" to the boy. Over its course, and over the cycle as a whole, Hüscher slows gradually. He sets up a geometry of time frames, which slowing, become more stretched in time. The transinvariant between them is the idea of eternity.

Hüscher's emphasis on a word is always *conceptual*. "Gute *ruh* . . . Die *Treu* ist hier" ("good *rest* . . . *truth* is here"), the brook sings to the boy; real truth is in mental peace, neither in manic love nor depressive rejection. "Gute *Nacht*," Hüscher sings the last verse, "Bis *alles* wacht" (good night until Christ shall raise *all* the dead)—(all shall be saved.) "Schlaf *aus* deine *Freude*, schlaf *aus* dein *Leid*!" ("Sleep *out* your joy, sleep *out* your pain") they are ephemeral. "Und der Himmel da *oben*, wie *ist* er so *weit*!" "It is the Heavens above, which are so far," that show us true eternity.

Why has not the public been flooded with these great recordings, which Gerhard Hüscher and his great contemporaries such as Heinrich Schlusnuss made so many of during the 1930s and 1940s? The answer is that the British oligarchy, which owns EMI Ltd. and the Dutch oligarchy, owners of Philips Records, have suppressed the tapes, record industry sources told *EIR* recently. Particularly Schlusnuss, one of the greatest opera and lieder singers ever to sing poetry, has had hundreds of operas and dozen of lieder recordings suppressed. People have tried to get the Schlusnuss tapes out of Philips, and utterly failed," my source stated. "They won't let anyone touch their files."

Mexico's southern refugee problem

The United Nations has won permission to open a refugee office in Mexico. That's no simple matter.

On Feb. 1, a military man, General Graciano Pinzón, was sworn in as Governor of the southern state of Yucatán. Only days before, in the neighboring state of Chiapas, the ruling PRI party had launched Gen. Absalón Castellano, the former director of the Military Academy, as its candidate—and guaranteed winner—of this year's state governor election.

This conspicuous political profile of military men in Mexico's southern states reflects the growing concern with which the country's ruling groups are watching their border with Central America. Beginning last year, thousands of Central American refugees, mostly Guatemalans, started emigrating north, fleeing civil wars, economic blight, and military brutality.

On Jan. 20, Luis Ortiz Monasterio, the new head of the Mexican Commission to Aid Refugees, reported that there are at least 80,000 Central American refugees now in Mexico. A few days later, the Governor of Chiapas, Juan Sabines, confessed his despair over the immigration problem, stating that immigration is now "uncontrollable" in his state, despite the best efforts of the Mexican army to contain it.

The refugees themselves are only part of the problem. Mexico's left has also made it clear that they will make use of this exodus to cause political problems for the Mexican government. They have now been joined by the "One

Worldist" bodies in the United Nations and by British-run "human rights" groups, in calling for a Mexican policy of virtual "open borders"—under which the Mexican government would have no way of discerning who is a legitimate refugee and who is a Guatemalan or Salvadoran guerrilla, and no control over immigration.

These forces have pressured the López Portillo government to allow the U.N. High Commission on Refugees (UNHCR) to bring its agents into Mexico in order to run refugee camps there. Their model is the anti-national operations run by this and other "human rights" commissions in places like Somalia and Southeast Asia. Refugee camps in these regions have been made into hotbeds of antigovernment operations.

Although the López Portillo government has resisted this assault and has repeatedly stated that it will solve the problem without outside meddling, last month the U.N. scored an important victory: it will be allowed to open an office of the UNHCR in Mexico, to deal with the Central American refugee wave. As a source close to these circles told *EIR*, "once the problem is more advanced, the government will have no choice but to ask the U.N. for help."

"The naming of a UNHCR representative . . . indicates that international agreements are opening their way" in Mexico, chimed in an

exuberant Sergio Méndez Arceo, the notorious "Red Bishop" of Cuernavaca and a key terrorist controller. Méndez Arceo is now putting together an organization of priests in the border area to "help" the refugees.

The UNHCR move came at the same time that another U.N. human rights delegation, this one led by the Viscount of Collville, visited Mexico to agitate around the case of "disappeared persons," leftists supposedly kidnapped by Mexican police forces. The British Viscount's visit gave occasion for a campaign in the left press around a report on Mexican "disappeared persons," conveniently published at the same time by the London-based group, Amnesty International. The report compares the Mexican government with the fascist regimes of Chile and Argentina.

Mexican authorities are not unaware of the trap being set for them by the refugee problem. In statements to the leftist daily *Uno Más Uno* on Jan. 20, Ortiz Monasterio rebuked the UNHCR's push to set up highly unstable refugee camps inside Mexico, stating that his government will not allow the creation of "refugee ghettos." "We don't want to isolate our Central American brothers," Ortiz said, but to intergrate them into Mexican society and the economy as soon as possible. He added that the government is already drawing up concrete economic plans to do this.

Ortiz also knocked the wind out of the leftists' sails in reporting Mexico will *not* perform any massive deportations; rather immigrant cases will be examined one by one. "Migration is a new problem Mexico is just beginning to learn to deal with," Ortiz concluded.

The Israel-Iran military axis

It involves a British scheme for creating a military "Third Force" in the Persian Gulf.

For the first time, officials of the Israeli government have publicly confirmed what *EIR* has been charging for two years: that the regime of Israel's Menachem Begin is arming the Ayatollah Khomeini's Islamic Republic.

The British Broadcasting Corporation "Panorama" program on Feb. 1 documented in detail how Israel supplies arms to Khomeini's Iran. A number of Israeli officials participated in the program, including a reputed high-level official of Israeli intelligence (Mossad), David Kimche. None denied the claims.

The program made the case that Israeli arms shipments to Iran were made in order to strengthen the anti-Khomeini forces within the Iranian military. In fact, the alliance is actually aimed at Saudi Arabia and the Arab gulf states. *EIR* talked with David Kimche's brother, Jon Kimche, editor of the *Afro-Arab Report*, in London just after the Panorama broadcast. Kimche volunteered that the Iran-Israel axis was the most important factor in the Mideast today. He further made it clear that the Mossad's widespread penetration of both Iran and U.S. policy-making was more important in bringing Khomeini to power than Islamic fundamentalist ideology. "There has been a lot of exaggeration over the Iranian Islamic fundamentalists and the way they seized power. It was only an accident that they succeeded, and

that was only because the Americans pulled out on Iran," Kimche said, adding, "at the right time" the Iranian military will probably oust Khomeini once Iraq were defeated by Iran in their 16-month-old war.

On Jan. 31 Patrick Seale wrote in the London *Observer* that the Israeli-Iran alliance is now well known, and its purpose is to "demoralize Iraq and other Arabs." Seale reports that since Iran escalated its offensive against Iraq in November, Israel has commenced provocative overflights of Iraqi territory and is violating both Jordanian and Saudi airspace in the process, creating an "Arab nightmare of being caught between an increasingly confident Iran and Begin."

A well-informed U.S. military strategist told *EIR* that Israel has been arming the Iranians "consistently" since the outbreak of the war in order to "wear down the government of Iraqi President Saddam Hussein and eventually topple him." Last week Khomeini vowed that Iran was militarily strong and would not stop fighting until Hussein was ousted.

Not only is Begin militarily backing Iran's war against Iraq, but Iran and Israel are working together to incite the Kurdish rebels in Northern Iraq, adding to the drain on Iraq's military.

But the Israeli-Iran strategy extends beyond ousting the Hussein regime. A Georgetown University professor with close ties to the Arab

left says that Iran intends to capture Iraqi territory at the head of the Persian Gulf in the contested Shatt al-Arab region. In so doing, "Iran will shift the balance of power in the Gulf by asserting itself as the superior military force."

Iran and Israel are, wittingly or otherwise, serving the strategic design of Britain's Foreign Secretary Lord Carrington to forge a military alliance among the six Arab states of the Persian Gulf through the newly established Gulf Cooperation Committee (GCC). According to Carrington's calculations, an Iranian victory over Iraq, including seizure of territory on the "Arab" side of the Persian Gulf, would impel the Arab states into a military alliance and overcome the Saudis' resistance to such an alliance.

Secretary of State Alexander Haig is reportedly working on the same policy track as Carrington and is using his influence to swing the Pakistanis to provide pilots and maintenance for the Gulf states' air force. At the Jan. 27 GCC Defense Ministers' meeting, a resolution was passed to study proposals to build an "indigenous" Rapid Deployment Force for the GCC.

A Gulf RDF is an integral part of Carrington's so-called Third Way doctrine, which aims at undercutting the military and economic power of both the United States and the U.S.S.R. In intelligence circles, it is no secret that London opposed the sale of AWACS radar planes to Saudi Arabia, because it affirmed strong U.S.-Saudi ties. By cashing in on the actions of the Iran-Israel axis, London now hopes to break the Saudis from the United States by forging a Gulf alliance which pledges "neutrality" with respect to the superpowers.

International Intelligence

Next Mexican President vows war on drugs

The presidential candidate of Mexico's ruling PRI party, Miguel de la Madrid, launched scathing attacks on the illegal drug trade in his recent campaign speeches. In Mexico City, De la Madrid stated: "The attack against drug addiction and alcoholism must be led by the government, including the phenomenon of corruption that takes place even within our government. We cannot tolerate accomplices of the drug traffickers. . . . To confront this problem, which affects mainly our youth, will be [a] fundamental program of the moral renovation of Mexican society."

In the town of Badiquahato, a center of illegal poppy production where peasants have been victimized by the drug mafia, De la Madrid said: "Peasants cannot be victims of those who exploit drug addiction and human suffering. They must be given an alternative: productive employment, legitimate work through the agro-industry."

Chinese announce high-level purges

Communist China's Politburo has issued a statement declaring that 82 of the "most senior cadre of the party and the state" would be put on trial for "major crimes of embezzlement, misappropriation of state property on a major scale, outright theft from the treasury, [and] extensive bribery."

The move is seen as an escalation of the purge which "America Card" player Deng Xiaoping has launched against his host of opponents, which ranges from diehard Maoists to army and party leaders who reject Deng's decimation of heavy industry. Chinese sources believe that Deng, using the Discipline and Inspection Committee, intends to purge at least 10 percent of both the party mem-

bership and officialdom. Given the widespread discontent with Deng's austerity economics, including an outbreak of strikes for the first time since 1976, they are doubtful of Deng's ability to control the political firestorm resulting from his attempt to remove his opponents.

Deng seems to have particularly targeted the pro-heavy-industry faction. Many of the accused are charged with having accepted up to tens of thousands of dollars in bribes from foreign companies from whom they had been purchasing industrial machinery. This would have been during the 1976-1978 attempt, later crushed by Deng, to rapidly modernize China through the import of capital goods.

British want another shot at Super-Phenix

With barely concealed disappointment, the Jan. 28 issue of the British intelligence outlet *New Scientist* reports that the terrorist bazooka attack on the Super-Phenix fast breeder in France did not cause any significant damage to the reactor, under construction at Creys-Malville. No delay is expected in the scheduled start of fuel loading next year.

After reviewing existing precautions at the nearly completed plant, as well as a list of possible firing-sites for future attackers, the article goes on to ask: "Despite these apparently detailed precautions, will the Super-Phenix be safe from determined, and well-connected terrorists? The safety margins appear narrow. If, instead of using 1960s weapons, would-be attackers had a modern armour-piercing anti-tank weapon, the damage would be much more severe—and the attackers could guide the missile to the target."

The author then proceeds to specify "one item that could be on a terrorist's shopping list" is the TOW tube-launched missile. "Getting ahold of a TOW or two might not present too much of a chal-

lenge. There are tens of thousands of TOWs stocked around the world. Iran, for example. . . ."

New Scientist, which targets a readership of environmentally oriented "scientists," was also at pains to note that "although the terrorists identified themselves as a "pacifist ecologist" group, "the police felt that the attack was not the work of what are normally known as ecologists."

The magazine gained notoriety last November for identifying *EIR* and its founder Lyndon LaRouche as a major threat to the British intelligence networks in the Mideast that operate through the Muslim Brotherhood organization.

Italian terrorist, Canadian sanctuary

Francesco Piperno, a fugitive from Italian justice now facing extradition in Canada, gave an interview to the Montreal daily *La Presse* Feb. 1 threatening that Italy will face more terror if it continues its present, highly successful crackdown. "As long as the Italian government will fight terrorism by saying it is caused by the CIA, the KGB, the Libyans, or Israel, it will not be able to control this phenomenon. . . . The government is completely cut off from whatever happens in Italy, and when one speaks with the people, one realizes that they know much more about terrorism than does the Interior Minister."

Piperno also contended that the "terrorists are much stronger than one would admit officially." The Italian government is appealing to the Canadian Supreme Court the ruling of a lower court which refused to extradite Piperno on 44 criminal counts, including complicity in the murders of former Prime Minister Aldo Moro's five bodyguards during his kidnapping in 1978.

Piperno, a former physics professor at the University of Calabria, is the protégé of Italian Socialist Party leader and

reputed boss of the 'Ndrangheta, or Calabrian Mafia, Giacomo Mancini. Another Mancini-linked terrorist, Raffaele Reggio, was captured, along with his 40-person heroin ring, the night before the rescue of General Dozier in Italy. Reggio was head of the Italian end of the drug route that runs through Lebanon, Turkey, Greece, Yugoslavia, Trieste, Verona, and into Frankfurt, Germany. Reggio is a member of the 'Ndrangheta and of a left terror organization founded by Giacomo Mancini's son-in-law.

Two of the captured Red Brigaders who were holding Gen. Dozier, Antonio Savasta and Emilia Libera, were named as suspects in the kidnap-murder of Aldo Moro. Savasta had been identified in 1979 as a gun-runner into Lebanon, where illegal drugs are the currency used to pay for arms.

Haig gets funding for El Salvador slaughter

The Haig State Department has convinced the Reagan administration to dispatch a special \$55 million "emergency" military loan to El Salvador. The loan, announced by Assistant Secretary of State for Latin America Thomas Enders in testimony before the Senate Subcommittee on Inter-American Affairs Feb. 1, promises to push the bloody social chaos in that country—and U.S. involvement in it—to new heights.

"The decisive battle for Central America," Enders told the Senators, "is underway in El Salvador." He elaborated a scenario of Cuban and Soviet expansionism to justify the disbursement under a national security label. The loan, which does not need congressional approval, comes from the special Presidential defense fund created last year.

Enders's argument was helped immeasurably by the Jan. 27 guerrilla attack on El Salvador's largest air force base, Ilopango, outside the capital city of San Salvador. Using well-placed explosives, the guerrillas miraculously de-

stroyed 30 to 50 percent of the country's air power in a single blow and escaped without a casualty. The action raises questions about support within the upper ranks of the military for the insurgents.

The raid took place one day before the Reagan administration was scheduled to request continued military aid for the Salvadoran junta from Congress.

Pretenses of seeking a peaceful settlement of the crisis are rapidly fading. The State Department said last week that Washington will continue to supply all aid "as necessary" to the junta—an announcement that can only worsen the violence expected between now and the March 28 elections. U.S. Ambassador Dean Hinton commented that only a "military solution" seems possible.

Picking up on these signals, the U.S. press is playing up the possibility of "another Vietnam." Reporters attending the Jan. 28 State Department press conference compared the Ilopango raid to a Vietcong attack on the Pleiku air force base in Vietnam 17 years ago, which proved to be a turning point for deeper U.S. involvement in Southeast Asia. A Department spokesman rejected the parallel, but reiterated the U.S. would continue to supply aid to El Salvador "as necessary."

Haig, Enders, and Hinton, however, are really not concerned with "Cubans and Russians." The senseless bloodshed in that small country is instead being controlled as an instrument for population reduction—genocide. The Office of Population Affairs at the State Department has already designated the conflict as a "population war."

Already, both "sides" in the war have adopted increasingly brutal policies. Atrocities by the Government continue to be carried out under the military's "scorched-earth" policy of destroying any region where guerrillas are believed to be based.

The guerrillas, for their part, continue to attack economic targets in their efforts to destroy the country. Last week they knocked out another major electrical tower which left a third of the country in darkness again—the sixth major blackout in six months.

Briefly

● **LUIGI SCRICCILO**, director of the international department of Italy's Socialist Party-dominated union federation, the UIL, was arrested Feb. 4 on charges of armed insurrection and membership in the Red Brigades. The largest cache of arms in any Red Brigades roundup was found in his home. The UIL is overseen by Giorgio Benvenuto, best friend of Socialist chief Bettino Craxi. Collaborating from the American side with the UIL is the office of Vittorio Pisano at the Library of Congress, through an individual calling himself Paolo Stoppa.

● **THOMAS MOORER**, the former U.S. Chief of Staff, was introduced by Mafia banker Michele Sindona in 1972 to his military counterpart in Italy, who was controlled by the fascist Propaganda-2 organization, on behalf of organizing a separatist movement in Sicily and a military coup in Italy, according to the daily *Paese Sera*.

● **COLONEL SAAD HADDAD**, whose southern Lebanese militia is overtly backed by Israel, has offered to send troops to aid the Ayatollah Khomeini against Iraq.

● **LE FIGARO**, a leading conservative Paris daily, ran an attack Feb. 4 on President Mitterrand's special adviser headlined "Jacques Attali: Prophet of Euthanasia." The article quotes from Attali's book *The Cannibal Order*, which accuses the medical profession of "totalitarianism," and states "Socialist that I am, I am against the lengthening of life expectancy, because it is a false problem. . . ."

● **LORD CARRINGTON**, the British Foreign Secretary, was rebuffed by Indonesia during his recent tour of Southeast Asia in quest of a Foreign Office role in negotiating the Cambodia issue. And Malaysia, where he arrives Feb. 7, is boycotting British goods and directing its economic ties toward Japan.

Puccio drug links and Weinberg death under investigation

by Mary Jane Freeman

Lyndon H. LaRouche Jr., *EIR* founder and Chairman of the Advisory Committee of the National Democratic Policy Committee, ordered on Feb. 2 that a full-scale investigation be launched into the connections between Abscam prosecutor Thomas Puccio and the Sicilian drug mafia. That investigation by the NDPC Fact-Finding Division is focusing on specific contacts between Puccio and the Palermo-based heroin-running network now under criminal indictment by Italian authorities.

The investigation was ordered by Mr. LaRouche as the result of reports by Italian sources who are in contact with personal Mafioso friends of Billy Carter in Sicily. These sources have reported that in discussions with these Mafia members, they have volunteered that their friends in the United States include not only Billy Carter but Thomas Puccio as well.

Law enforcement sources knowledgeable in the area of organized crime have pointed out that these Sicilian drug networks directly run the Gambino organized-crime interests in the United States. They have further pointed out that these drug-running interests have over the last decade successfully used Kennedy Airport, located in Puccio's federal jurisdiction, as their main port of entry for bringing heroin into the United States.

'Foul play' charged in Marie Weinberg death

LaRouche's order was preceded by surfacing of further evidence of Mafia-style tactics by perpetrators of the Abscam sting operation in the Justice Department. Highly suspicious circumstances surrounding the death last week of Cynthia M. Weinberg, wife of

Abscam conman Melvin Weinberg, led *EIR* and other U.S. news sources to conclude that "foul play"—rather than suicide—was the cause of death. Mrs. Weinberg's divorce attorney, Michael F. Dennis of Long Island, New York, subsequent to the discovery of her body just days after she had appeared on ABC's nationwide program "20/20," charged that she was murdered "by someone with a reason for silencing her."

Marie Weinberg had charged in the "20/20" broadcast that her husband had "committed perjury" in the Abscam trials. In sworn affidavits made shortly before her death, she said Mel had not merely scammed Abscam defendants into believing that they might be able to secure loans for development projects in their districts from the FBI's bogus Abdul Enterprises, but that her husband had personally extorted expensive gifts from the FBI's victims. This fact of misconduct, swore Mrs. Weinberg, was known and covered up by FBI agents presumably in charge of Mel's activity.

Should Mrs. Weinberg's charges be proven true, not only will the credibility of the Justice Department's key witness, con-artist Weinberg, be called into question but so too will the myth of what the Abscam so-called investigation was about. Since September *EIR* has informed its readers of the kind of misconduct now revealed by Mrs. Weinberg. *EIR* has pointed to the outrageous priorities of the Carter Justice Department spending millions of taxpayers' dollars to frame up its political opponents—breaching the separation of powers clause in the Constitution—while it released known terrorists and allowed drug trafficking to flourish.

The Carter holdovers in the Justice Department

today would, indeed, have reason for silencing Mrs. Weinberg to which Attorney Dennis refers. Attorney Dennis's request for the Florida authorities to investigate the likelihood of homicide has begun to be covered in the major press. On Feb. 3 the Los Angeles *Herald Examiner* ran the headline, "Attorney: Abscam Witness's Suicide Note May Be Bogus." The *Herald Examiner* story reports, "'The suicide note mentions Richard Lee Bast,' Michael Dennis said Feb. 3, referring to a private detective whom Mrs. Weinberg had met recently. 'Now, she never knew his middle name. The FBI did, but she never heard it.'"

"The discrepancy," the *Herald Examiner* story continues, "'casts great doubt on the conclusion that Marie Weinberg hung herself,' according to Dennis. . . . The article notes that 'Dennis said the suicide note lists people Mrs. Weinberg had spoken to about her husband in the last few weeks, including two reporters and Bast.'"

This aspect of the so-called suicide note which the news coverage references becomes more intriguing in light of the attempt of Robert Greene—*Newsday* reporter and author of the book *Sting Man*—to give credence to Mel Weinberg's claims that columnist Jack Anderson is "morally responsible for Marie's death." In fact, if one takes into account information reported in the *Philadelphia Inquirer* and elsewhere about Greene's telephone calls with Mrs. Weinberg, one could easily conclude that a note citing pressure from unnamed reporters could refer to the camp around Greene—rather than Jack Anderson.

The *Philadelphia Inquirer*, prior to Mrs. Weinberg's death, noted that after she had sworn out affidavits indicating she had in her possession her husband's 1980 diaries. Bob Greene told her in a phone conversation that the diaries could be "very dangerous and they would kill for that." Greene is in possession of Weinberg's diaries from 1978 and 1979, which he used in writing his laudatory account of Mel's role in Abscam.

Marie Weinberg's charges will have a full hearing before U.S. Federal District Judge William Bryant on Feb. 16. The hearing had been requested by Michael Dennis in a motion to reopen the due process questions in the case of his Abscam clients, Stanley Weisz, in light of the Marie Weinberg revelations. Significantly, when he filed his Jan. 19 motion before Judge Bryant, Dennis had pleaded for expedited action on the motion, due to the death threats Mrs. Weinberg had received from Mel's son from a former marriage just 24 hours after appearing on the "20/20" program. Further, Mrs. Weinberg began her sworn affidavit by stating: "I am married to Melvin Weinberg. I am a resident of the state of Florida and I will disclose my home address to the court *in camera*. The reason for my refusal to place my address in this affidavit is my fear that I shall come to harm if my home address is known."

While the judge did not grant Dennis's motion before Mrs. Weinberg met with her suspicious death, in an unprecedented action Feb. 1, he did deny the government's request for further delays. Bryant has, therefore, put the Justice Department in a position of having to answer the explosive charges.

Documentation

Marie Weinberg on Abscammers' M.O.

Over the course of a three-month period beginning November 1981, Mrs. Marie Weinberg, wife for 19 years of FBI-hired special "sting man" for Abscam, Melvin Weinberg, held lengthy telephone conversations with Indy Badhwar, an investigator for syndicated columnist Jack Anderson. Some of Marie Weinberg's explosive revelations were preserved on tape by Mr. Badhwar, and were introduced on Jan. 20 as transcripts in a due process appeal to the U.S. District Court for the District of Columbia by Stanley Weisz, a target of the first Abscam case involving former Florida Rep. Richard Kelly.

Although with Mrs. Weinberg's sudden and mysterious death, Weinberg's diaries, containing devastating evidence against him and several FBI agents according to her, disappeared from her Florida home, transcripts of her telephone conversations with journalist Badhwar were in themselves sufficient to demonstrate the following:

1. Contrary to Mel Weinberg's testimony on the stand in certain Abscam cases, he had received and kept thousands of dollars worth of "gifts" from Abscam targets who believed he would pass them to the "sheik." She indicated that this included a sum of \$45,000 from Camden Mayor Angelo Errichetti, later convicted in Abscam.

2. Agents John Good and Anthony Amoroso were aware of the "gifts" and other "scams" being conducted by Weinberg throughout the Abscam operations; they covered up the fact—receiving "gifts" from Weinberg—and lied on the stand during Abscam court proceedings to perpetuate the cover-up.

3. Charged with keeping Weinberg under close supervision at all times, agents Good and Amoroso frequently left him alone to visit girl-friends, or used a yacht provided by Weinberg for their illicit rendezvous—with Weinberg gathering evidence of their inappropriate or wrongful conduct to both insulate himself from prosecution or

scrutiny and, in the words of his wife, to be able “to blackmail them for life.”

4. Even during the covert phase of Abscam, before the story was “leaked” officially to the press, Weinberg and his FBI supervisors were in close touch in the *New York Times* through journalist Leslie Maitland.

5. The FBI, Weinberg, and Abscam prosecutor Thomas Puccio withheld evidence and denied the existence of evidence comprised of telephone messages left for Weinberg on his tape-answering machine.

In these telephone conversations and a sworn affidavit, Mrs. Weinberg thus established that the key government witness and agent for Abscam, Mel Weinberg, had repeatedly perjured himself on the stand, that this was known to FBI agents, who perjured themselves in turn.

The Badhwar-Marie Weinberg tapes open with Mrs. Weinberg discussing her discovery that her husband had been practicing bigamy for 14 years with Evelyn Knight, a partner in various of his scam operations. She recounts the efforts of *Newsday* reporter Bob Greene (author of *The Sting Man* book about Weinberg) to procure his diaries, then in Mrs. Weinberg’s possession.

Weinberg funds terrorists

The following is excerpted from The Sting Man, Robert Greene’s biography of Mel Weinberg, the U.S. government’s chief Abscam witness.

Weinberg is sitting in an Italian cave that overlooks the sea. The cave is floored with thick rugs. Weinberg sits at an exquisitely set dining table with Lady Diane and a crippled man with braces on both legs. An impeccably attired waiter, sniffing at Weinberg’s request for pizza, serves entrees of veal scallopini à la Marsala. Farther down in the cave, a pianist plays Italian love songs. The cave belongs to Anthony, the crippled man, whom Weinberg calls Squeaky. He is the son of a wealthy Italian contractor, and is a leading fundraiser for the terrorist Red Brigade. Anthony’s legs were ruined in an accident at a secret Rome bomb factory operated by the Brigade.

Weinberg keeps him supplied, for \$5,000 each, with blank Certificates of Deposit from offshore banks, which Anthony uses to raise much more money for the Brigade. Anthony’s translator is Mario, his omnipresent bodyguard. Weinberg gazes around approvingly, lifts a wine-glass to his hosts, and says: “Hey, Squeaky. Bein’ a commie bombthrower ain’t such a bad line of work!”

She then described an instance of her husband’s perjury:

Marie: I spoke to Bob Greene, and I mentioned just off-hand: I told you one lie, I’m sorry I did—I said I burned the book—but I didn’t . . . I put it in the house . . . somewhere very safe, so I told Bob. I wanted to see what he would say. . . . He said that he had the books to 1978 and to 1979, but he didn’t have 1980. I said I have the 1980 [diary-ed.]. . . . So he said, well, don’t do anything rash, don’t do anything.

Badhwar: Uh, uhm. . . .

Marie: He did commit perjury on the stand.

Badhwar: Where?

Marie: . . . I know of three things and . . . I was there.

Badhwar: What was that? (Marie laughs softly)

Badhwar: Tell me. . . .

Marie: . . . There are three definite things and . . . also something with the south (inaudible) sewer district. Vincent Cuiti . . . that was in the papers. Vince got convicted.

Badhwar: Uh huh.

Marie: Vince was innocent.

Badhwar: Well, are you talking about perjury on the stand in New York, in the present trial, or the older trial?

Marie: I’m talking about the present and the older one.

Badhwar: Yeah?

Marie: With Errichetti . . . and ah, its’s a shame.

Badhwar: Did he commit perjury in the Williams trials, too?

Marie: Ah, that . . . I can’t say because I didn’t know that much about the Williams trial. I know that he talked a lot with Feinberg.

One of the judges trying Abscam cases was George Pratt of Brooklyn—a man who advised the jury to convict Sen. Harrison Williams, among others, on testimony provided by Weinberg. Marie Weinberg described how Mel lied effectively before Pratt and other judges:

Badhwar: You know, when the Justice Department was investigating these leaks, did they come to talk to Mel?

Marie: Oh sure, we had two guys here, two special agents. But Mel was cool as could be. And they were sharp guys, let me tell you; they weren’t fools.

Badhwar: He just said he didn’t know anything? . . .

Marie: Well, . . . he had an answer for everything. Like

in court, they had top attorneys, and those attorneys said that they were gonna kill him, but nobody pushed far enough and they asked him the wrong questions. Because Mel's got a sense of humor. . . . So, he got the crowd with him, and once you do that, well, every one else he makes look like a fool. And the funny thing, every one else is telling the truth. . . .

Badhwar: Yeah, . . . I think he really impressed that judge up in New York, that Pratt character.

Marie: Oh, you know, when the due-process came out? He read it and he brought home a copy of it . . . he wanted me to read it. . . . So, I'm reading through the thing, and I noticed that Pratt was quoting him.

Badhwar: And says that he should get a medal or something. . . .

Marie: And you know, I remember saying to Mel . . . Mel, aren't you the one that said you can't cheat an honest man? I said, Pratt's got that right in here! Mel says, yeah, you'd think he was my father. Pratt thought he was funny, a Johnny Carson. . . . He loved his sense of humor.

Badhwar: Did he know Pratt before?

Marie: No, he never knew Pratt, but evidently Mel was the charmer. . . . He came on like he was doing this for the betterment of society!

Badhwar: Yeah . . . they did a lot of judge-shopping. . . .

Marie: Listen, I've got even better ones for you.

Marie Weinberg was dead by Jan. 28. The "better ones" remain to be discovered.

'Congress could open itself to be purged'

by Andrew Rotstein

Condemning Justice Department Abscam tactics of political targeting and entrapment, former Manhattan Borough President Hulan Jack held a well-attended press conference in Washington Feb. 4 to issue a defense of Sen. Harrison Williams. The event, sponsored by the National Democratic Policy Committee, released statements from a dozen prominent civil-rights figures calling for a complete probe of Abscam itself prior to any Senate action on the expulsion move against Williams.

Jack, a member of the NDPC Advisory Board, was joined by Barbara Simmons, executive director of the

Washington chapter of the National Association for the Advancement of Colored People and a member of the District of Columbia's Democratic Central Committee.

Also present was Dennis Speed of New York, co-chairman of the NDPC's newly formed Fact-Finding Division. Speed announced his group's ongoing investigation of the ties of Abscam "sting man" Melvin Weinberg to the funding of international terrorism and of the ties of Williams' Abscam prosecutor, Thomas Puccio of the Eastern District of New York, to Sicilian attorney Michele Papa of "Billygate" and world heroin trade infamy. The press conference was attended by the Associated Press, United Press International, CBS News, Washington's all-news WTOP radio, and others.

The cumulative effects of revelations of government misconduct and links to the international criminal syndicate, coupled with grass-roots outrage at the affair, threaten to upset the Abscammers' case against Williams. On Feb. 23, the question of the Senate Ethics Committee's recommendation to expel Harrison Williams will be taken up by the full Senate.

A call to delay those proceedings until the Justice Department and FBI are fully probed has already been signed by 250 labor and political officials throughout the nation. The statements released Feb. 4 from black and Hispanic figures, including Detroit Mayor Coleman Young and Cleveland City Council President George Forbes, reflect the knowledge of these leaders of past government persecution of civil-rights leaders like Martin Luther King. A parallel concern emerged the same day on Capitol Hill (see Congressional Closeup).

The statement from Coleman Young emphasized, "In times of great economic crisis, government officials and political leaders must be free to be bold and fight—against significant odds—to achieve progress. If our leaders are subject to harrassment and entrapment . . . then few will retain the courage to lead such political struggles."

A similar press conference in New York the previous week received prominent coverage in the city's minority press, though it was boycotted by other leading media.

Additional statements condemning Abscam were released from Calvin Lockridge, District of Columbia School Board; William Dyson, Chairman, Connecticut Legislative Black Caucus; Jose Torres, President, Puerto Rican Civil Rights Association; Dr. William Banks, Supreme President, International Masons and President, WGPR-TV, Detroit; Robert "Buddy" Battle, Director, Region 1-A, United Auto Workers; Sandra Esparza, National President for Youth, League of United Latin American Citizens; Joe Chaneyfield, Vice President, Service Employees International Union Local 305, Newark, New Jersey; William Goodman, Business Manager, Laborers International Union Local 135, Norristown, Pennsylvania.

Schmidt opponents gear up with terrorism, East-West tension, and economic chaos

by Susan Johnson, Managing Editor

It is unlikely that President Reagan realizes to what extent U.S. foreign policy is being directed toward the overthrow of one individual: an ally who has become a friend of Mr. Reagan, Chancellor Helmut Schmidt of West Germany.

Secretary of State Haig, although some of the Chancellor's enemies accuse him of being "soft" on the question, is using the East-West tensions to undercut Schmidt's government. According to the lead article in the Feb. 2 *Frankfurter Allgemeine Zeitung*, Haig has refused to set a date for continuation of the "START" negotiations (Haig-speak for SALT) and will pursue the Kissinger policy of "linkage" over Poland; differences have also emerged between Washington and Bonn on the next round of the European Conference on Security and Cooperation in Madrid, which the State Department wants to postpone from its Feb. 9 opening date. West German Foreign Minister Hans-Dietrich Genscher has sent a letter to Haig outlining his government's position, which Haig has thus far refused to answer, according to the West German press. This is part of the overall strategy, supplied to Haig by the British Foreign Office, of pressuring Schmidt into adapting to their policies—which sets him up for a split in his Social Democratic Party (SPD)—or, as the statements below indicate, physically eliminating him.

Defense Secretary Weinberger and his deputy Fred Iklé also have an ulterior motive in their effort to force a Polish default: they leaked to the *New York Times* on Feb. 4 that a default would make it possible to disrupt or delay the Soviet-Western European natural gas pipeline project from Siberia, which Schmidt has tenaciously upheld. Sources in Weinberger's circle confirm that the central target of the Secretary's move is not Moscow, but Bonn.

"Schmidt responds to pressure," Midge Decter, spokesman for the Committee for the Free World, told a journalist at the committee's Jan. 22-24 conference in

Washington, which in its official and unofficial moments made the elimination of the Chancellor an urgent theme. "If we build up a lot of pressure, he will respond." These circles are particularly incensed at the recent decision by the SPD's Presidium to preserve the sovereign right to block the deployment of medium-range "Euromissiles" on West German soil in 1983.

Over the past several weeks, Schmidt's domestic political position has strengthened conspicuously. He secured cabinet acceptance at the beginning of this month for his economic program, which specifies a 4 billion DM fund to provide investment bonuses and 6 billion DM for reducing interest rates on credits to industry, an approach the Chancellor insists is superior to job-creation through Keynesian pump-priming.

Schmidt next proceeded to call a parliamentary vote of confidence on Feb. 5, stating that his purpose was to send a signal to both the United States and the Soviet Union that his government is stable, and making it clear he wants to hamstring his various left- and right-wing opponents.

All 269 parliamentary members of the SPD and its coalition partner, the little Free Democratic Party (FDP), voted for Schmidt, cancelling rumors of defections; some think tankers unsympathetic to Schmidt predict that the vote will silence his opponents for months. On the other hand, John Vinocur of the *New York Times*, one of the most vindictive Schmidt-watchers around, commented in a Feb. 6 article from Bonn that while "the vote may serve as a tonic and arguing point for the Chancellor inside West Germany and abroad," "the Chancellor's margin for maneuver appears considerably narrower, without his having eliminated the basic problems" of his left wing, the state elections this year in Hamburg, Hesse, Lower Saxony, and West Germany's economic decline. Vinocur expresses cheerful hope that "the confidence motion can be overtaken by the results of the party congress" in April, when the Euromissile

question and other nuclear defense issues will be debated.

Schmidt astutely pegged the vote of confidence to his economic program, which no other political faction wanted to publicly oppose at a time when the \$800 billion economy is lurching into the danger zone, thanks to the efforts of the U.S. Federal Reserve Board. Heinz-Oskar Vetter, chairman of the national trade-union federation, the DGB, endorsed the economic program the day before the vote, and on Feb. 5, endorsement came from the umbrella industrialists' association, the BDI.

However, as the interviews below attest, Schmidt's enemies in the United States and elsewhere are prepared to resort to the weapon of terrorism used against the German industrial development spokesmen over the past four and a half years. Security for the Chancellor has to be heightened following intelligence reports that he is now the prime target of the Revolutionäre Zellen (Revolutionary Cells) terrorist group in particular. According to the Feb. 3 *Mainzer Allgemeine Zeitung*, in several different West German cities the same slogan has appeared on walls: "Reagan—Schmidt—Duarte: Death to the Pigs." The Revolutionäre Zellen, a sub-unit of the Red Army Fraction, have joined the green-fascist environmentalists in attacks on the Frankfurt international airport expansion, and are working with the Red Brigades in Italy through an operative in Switzerland named Joerg Lang, an associate of the terrorist defense lawyer Klaus Croissant.

'There is going to be a mass upsurge of terrorism'

Below are excerpts from a Feb. 2 interview, provided to EIR, with a senior official of the Washington-based German Marshall Fund, whose members include former U.S. High Commissioner John J. McCloy, investment banker George Ball, and Socialist International Chairman Willy Brandt. This official, an American, has a Fortune 500 background.

Q: Let's talk about the stability of the Schmidt government.

A: I don't think he can last out the year. I think he will get through the [SPD] party congress in April, but he will run into deep trouble in late spring.

Q: If he survives the congress, why should he be in trouble?

A: For a few reasons. The real tests will occur in the state elections — Hesse [in September] and Hamburg [in June] are key, with Lower Saxony less important because no one is expecting the SPD to do well there. If he loses one or both of these, he is finished.

Q: But why should he lose?

A: In normal times, he probably wouldn't. But these are not normal times. There are two problems Schmidt will not be able to shake—the economy, which is hurting bad, and the Green movement. It is the opinion of several people that I know that two things are going to happen in the spring and summer in Germany. There is going to be a mass upsurge of terrorism, Italian-style terrorism. And there are going to be great mass demonstrations by the Greens. The two things will only be partially related, but the effect will be chaos in Germany. The Schmidt government will look horribly compromised. I am told that the next wave of Green demonstrations will not be these simple mass protests. They will target Americans and American business. The Green movement, except for a few rocks here and there, has not disrupted German economic life. Well, what if the Greens targeted Americans and American business, wrecking things, hurting people? And what if there is a spinoff of Italian terrorist activity into Germany? People would worry about doing business there—and that would scare the s--- out of the Germans, and they will blame Schmidt.

Q: But I thought Schmidt was moving against the Greens, especially in his own party.

A: That is not completely true. Let me explain how the SPD works. There are three currents in the SPD left. There is a drug-ecologist current, like the old flower children. They are numerous, but not really all that influential. Then there is the middle of the road, pacifist antiwar crowd. These are religious humanists. I have contact with some of them. They are not bad people—this group has a political voice in the party. Then there is the outer-party left—the anarchists and Marxists. And finally there is everybody else, the middle, that Schmidt represents. Schmidt can move against the extreme left, but they are not in the party. But he can't touch the others. Willy Brandt protects them and as long as he is SPD chairman, they will not be purged. The Green Party is really a composite of all three groups. It is a battering ram against the SPD center and that is its most important political effect.

Q: And Brandt protects the Greens.

A: That's right, he is a pluralist. So you will have some kind of chaos in Germany in the next several months.

The government will not let things get out of control, but Schmidt will be a casualty politically. . . .

There are some very active people giving advice to people in Germany on dumping Schmidt. But they have to be careful not to look like they are interfering in Germany. It is true that Reagan supports none of this. . . .

'It is proper for the U.S. to interfere in Germany'

From a Feb. 4 interview provided to EIR with an international defense expert linked to the "Team B" group of strategic planners in the United States and to the British intelligence faction around Lord Carrington:

Q: . . . What is your conclusion about Chancellor Schmidt?

A: Getting the Schmidt government out is one of the most vital questions for the future of the West. I can tell you the picture is bleak. Schmidt is stable, and the opposition doesn't know what to do, because it can't get straight signals from here. . . . If there is anything that comes out against the Schmidt government, it will have to come from the congressional delegation and maybe Arthur Burns [now U.S. Ambassador to West Germany] on economic matters.

Q: What scares you about Schmidt?

A: I hate him—not personally, he is a very likable fellow. I hate him the way I hated de Gaulle or Giscard. He really means this nonsense about "the Atlantic to the Urals," and I think he wants a collective security arrangement. . . .

Schmidt is a goddamned political genius; he makes the opposition look like fools most of the time. But it is really our fault. . . . We need to get some GOP figures seen in Germany with CDUers [Christian Democrats], that's what I am working on. There are some good people in the CDU—Helmut Kohl, Manfred Woerner—but I don't see a chancellor candidate that works. . . .

The FDP is really key. To knock Schmidt out, you have to get Genscher and the FDP to walk over. That is what I told them, and that is what they have been told by a lot of people. But Genscher is not going to move yet.

Q: This sounds very pessimistic.

A: I can give you two scenarios. The first one I call the overly optimistic scenario, because I don't think that it

will really work. The way it goes, Schmidt gets bit on the left at the SPD congress. At the same time, the Green movement kicks into gear with big demonstrations against the missiles. The economy continues to falter—unemployment is at the highest levels in nearly 30 years. Then we have the state elections in Hesse and Hamburg: Schmidt loses, and he loses control over the Bundesrat [upper house of the legislature, representing state governments]. Then Genscher takes a walk and Schmidt resigns. It is very nice, but I don't buy it, because Schmidt is too smart politically and the FDP and CDU too weak and divided themselves.

Q: So does anything make this work?

A: Well, there is the surprise factor. Several people who know the matter say any terrorist groups are going to start operating again in Germany. Now, Schmidt could be a target for such groups—ironically, for his nominal pro-NATO stance. Schmidt could be removed from office by a terrorist attack. A fortunate development, you know what I mean. Or there could be something else, like a new spy scandal. . . .

Q: But isn't there anyone inside the [U.S.] government working to get Schmidt out?

A: Sure. You want some names? Start at DOD—Weinberger hates Schmidt. Then you have [Fred] Iklé and Dick Perle. Over at State, you have Dick Burt, and at the NSC you have Dick Pipes and Fritz Kraemer, who is doing a great deal quietly. But the problem is, for things to work, we have to convince people in the White House that it is all very proper for the U.S. to interfere in German politics to accomplish policy objectives. . . .

Germany is going to be a real disaster area next year: unemployment may hit 10 percent, and the psychological impact will be unbelievable. Germany will get little or no relief on interest rates, but Schmidt won't be able to scapegoat anybody. I had a long talk with Horst Ehmke, who is no friend of Schmidt and was until recently a raving leftist. Now he is trying to sell himself as a centrist. He is useful. He told me that by late this year, unemployment will drown out the security issues, and get Schmidt. He may be right, if Schmidt lasts that long. . . .

'Let Schmidt have some austerity to help Reagan'

From Feb. 1 remarks off the record by a European "brain-truster" at the U.S. Council of Economic Advisers:

What Schmidt's protests over interest rates mean is that Schmidt is really pulling away from the United States. He's heeding the Russian bear at his door, and he's becoming more independent, even on monetary policy. . . . Mr. Schmidt had better figure out what bloc he's in. He can't have it both ways. We have to keep interest rates high to keep the dollar high. We need a militarily strong country as the basis for any world currency, and Europe won't do it. The only way we can fight the Russian bear is with a military power behind the world currency [i.e., the dollar].

President Reagan never told Schmidt that he wanted interest rates down. This is the era of monetarism, and this government will continue to do what he's doing. . . . If Helmut Schmidt wants to help President Reagan, he should cut the West German budget. Let him have some austerity. Why should he throw the blame on us?

'Everyone in London and Washington wants him out'

An adviser to the Senate Intelligence Committee made the following comments in a Jan. 28 interview provided to EIR:

Q: . . . You are saying that now is the time to move on Schmidt?

A: We have to take Schmidt out, but I'm afraid we will get no official and public help from the administration. Reagan is locked on a policy of saving Schmidt, and he won't listen to reason. The State Department is constrained. . . .

The SPD Presidium vote was the last straw. Schmidt has now basically violated his sacred oath at the 1979 Ottawa NATO meeting. He is saying with this vote that the SPD reserves the right to reject the deployment in 1983, regardless of what is going on with the TNF [theatre nuclear force] talks. . . . The White House will say that Schmidt is just politicking to get by the April SPD Congress, and of course we want Schmidt to survive. Garbage. We can't count on help from the White House or the administration. But there are other ways, private ways. . . .

Q: But isn't Schmidt politically strong right now?

A: Yes, but that is temporary. It can change rather suddenly. Look how quick things turned on Nixon. There are a few factors on our side. You have these two elections in Hesse and Lower Saxony coming up. Schmidt doesn't have to lose them, just do worse than

people expected. The way to do that is to make the SPD look like a McGovernite coalition. The Germans hate the left—so let's tar Schmidt with the left. There is another factor, the Greens. The Greens help us. The CDU knows that. They are helping the Greens in quiet ways in Hesse.

Q: Are people giving the Greens money from here?

A: If people alleged that, it would hurt what we are trying to do. There are all sorts of ways the Greens can get funds. You could figure it out.

Q: Are there other things being done?

A: Sure. I don't think we could pass a full Mansfield Amendment right now [withdrawing U.S. military presence from West Germany], but we will pass something that pulls back some of the troops and some equipment. It will be quite a shock, even if the administration vetoes it, which they may not. Even debating this will help the CDU. . . . There isn't one person in the policy establishment that I talk to who doesn't want Schmidt out. There are other people in London who have reached the same conclusion. We must make Schmidt choose between NATO and the U.S., and the Soviets. If we force that choice, the SPD splits and Schmidt falls. That is what the pressure is about. . . .

'Germany can't afford to be odd man in the West'

From an editorial in the London Economist of Jan. 30, titled "The German Danger," warning that West Germany will become "isolated" over the issue of East bloc sanctions:

. . . The striking thing about the argument of the past few weeks has been the amount of latent anti-Germanism it has revealed. Even in countries, whose governments have been following politics not all that different from Mr. Schmidt's, public opinion has jumped on West Germany as the chief offender. . . .

Modern Germany should be judged in its own right. But it has to bear in mind that 37 years is not a long time in the memory of international policies, especially the memory of such things as happened between 1933 and 1945. The anti-German feelings that have surfaced in the past few weeks are partly the result of those memories. . . . Whatever depths they come from, the lesson for West Germany is clear: it cannot afford to be seen as the West's odd man out. . . .

A new program for defending Volcker

by Graham Lowry, U.S. Editor

With the rise of U.S. interest rates to 16.5 percent to open the month of February, Federal Reserve Chairman Paul Volcker's protection squad in the Democratic Party is gearing up another political hoax billed as "a winning strategy"—to ensure the continued implementation of Volcker's ruinous policy.

The liberal Democrats who protect Volcker are grouped around banker Charles Manatt, the chairman of the Democratic National Committee. Jan. 29-30, this Volcker protection racket team met at the Wye Plantation in Maryland. They adopted a package, which was then unveiled Jan. 31 in a speech in Chicago by the Volckerites' chosen standard-bearer, all-but-declared presidential candidate Walter Mondale.

The same day, two of Volcker's leading moles in the Reagan administration, Treasury Secretary Donald Regan and Budget Director David Stockman, went on national television to endorse the Fed's policy.

The campaign gimmickry put together by Volcker's allies at the Wye Plantation meeting leads off with a proposal to make the 1982 tax cut, scheduled for July 1, effective on March 15 or even retroactive to Jan. 1. For this election year, the Democrats could thus claim to be extending further relief to an economically hard-pressed population, while presenting it as a "stimulus" to recovery. At the same time, as Sen. Alan Cranston's office acknowledged, "we'll let the deficit balloon this year," thereby perpetuating the very condition that Volcker uses to justify setting interest rates even higher.

In 1983 the Democrats will turn around and *eliminate* the tax cut, put through additional budget cuts including major reductions in defense spending, and bring the deficit under control—precisely the measures which Volcker has been demanding.

The full dimensions of this hoax, beyond the obvious aspect that it gives Volcker full license to maintain high interest rates *at least* until 1983, become more apparent through observing the cast of characters responsible for cooking it up. Besides Mondale and Manatt, the Wye Plantation meeting included Felix Rohatyn, the former director of New York City's "Big MAC" super-austerity regime.

Other participants were Charles Schultze of the Brookings Institution, who as Carter's Council of Economic Advisers Chairman helped to design and impose the Volcker policy from the outset; Irving Shapiro, the former head of DuPont and a leading figure on the Business Roundtable, which has endorsed Volcker on the public record; and economists James Tobin and Robert Solow of the National Policy Exchange, a liberal Democratic think tank set up to push austerity enforcement, through an incomes policy and wage-price controls.

The National Policy Exchange, a playground for such Socialist International pets as Walter Mondale, Ted Kennedy, and AFL-CIO President Lane Kirkland, is substantially funded by the Communications Workers of America, whose boss Glen Watts is a member of the genocidal Club of Rome. NPE economist and Nobel Prize winner James Tobin is an extreme advocate of wage-price controls, the elimination of the Davis-Bacon Act's protections for union wage scales, and of scrapping "costly" medical technology.

But voters hate Volcker

While the scheme hatched at the Wye Plantation sustains Manatt's and Mondale's reputations for political fraud, it also reflects an unresolved difficulty confronting Volcker's protectors in the Democratic Party. Neither Volcker's policy nor the related austerity measures backed by the Mondale crew will generate support among voters.

That perception, given added weight by the upcoming congressional elections, was sharpened by readings of constituency sentiment taken during the last recess. Ohio Rep. Ron Mottl, a conservative Democrat, found such intense opposition to Volcker in a poll of his district that he submitted a resolution calling for the Fed Chairman to resign. Sources close to Volcker's leading Democratic opponents in the Senate also reported that they would resume their efforts to put through legislation aimed at forcing a reduction in interest rates.

The Democratic Senators' interest rate task force, set up late last year by Senate Minority Leader Robert Byrd is reportedly about to surface again, most likely with some version of the hoax put together at the Wye Plantation. Senator Byrd, along with task force members Ted Kennedy and Bill Bradley, initially attempted to channel opposition to Volcker's policy into demands for credit controls, with sufficient restrictions on credit to accomplish Volcker's objectives even at lower interest rates. But that game, even though supported by Lane Kirkland's crowd in the AFL-CIO, has also collapsed, and even Senator Bradley's office acknowledges that proposed legislation to institute credit controls "simply won't fly."

Eagleburger: a Harriman mole

by Richard Cohen, Washington Bureau Chief

Alexander Haig and his staff, especially the new Undersecretary of State for Policy, Lawrence Eagleburger, are now drafting a U.S. initiative for the NATO summit in June. Sources say the United States will call for the creation of a supranational body of "wise men" charged with reorganizing NATO "for the 1980s." Eagleburger is an official deserving scrutiny.

When Judge William Clark moved over to the National Security Council from the Deputy Secretary spot at State, he urged the President to support a Haig-authored plan that would for the first time promote a career officer to the number-two position at State that he had just vacated. This radical move boosted former Undersecretary for Political Affairs Walter Stoessel to Deputy Secretary, and of possibly more importance, promoted Assistant Secretary for European Affairs Eagleburger to the position of Undersecretary for Political Affairs. Ironically, according to well-informed sources, it was Eagleburger, not Stoessel, whom Haig had sought during the transition period for the higher position. However, even the whispers of Eagleburger's name appalled the "hardliners" (such as the "Madison Group" of right-wingers and conservative social democratic Senate aides). Haig persisted, and promoted Eagleburger as Assistant Secretary at the crucial European Affairs division. Senate Foreign Relations Committee member Jesse Helms (R-N.C.), speaking for a sizable number of Republicans, went into pitched battle with Haig to try to prevent the appointment. Ultimately, after Eagleburger effectively served several months in his position, Helms yielded and Eagleburger was officially confirmed.

Lawrence Eagleburger is one of the best-trained and trusted field operatives of the Harriman-Kissinger group. After his two initial foreign service years in Honduras (1957-59), he joined the Bureau of Intelligence and Research (INR) at State, during the 1959-62 period which coincided with Helmut Sonnenfeldt's directorship of the unit. Sonnenfeldt and his close associate Kissinger had long since been funneled to the Rockefellers from Fritz Kraemer's post-war German Army Counterintelligence section. In fact, according to sources present at the time, Sonnenfeldt was purloining CIA reports, always

filtered through INR, to Kissinger, then at Harvard. Kissinger was building a name for himself, busily predicting world events on the basis of this information.

While at INR, Eagleburger reportedly came into contact with an "old-boys" CIA-linked network who convinced him to switch his focus to Eastern Europe. From Sonnenfeldt's INR, Eagleburger took the advice to study Serbian and Slavic languages at the Foreign Service Institute (he is of Yugoslav parentage). Eagleburger then went to staff the U.S. embassy in Yugoslavia from 1962-65, under the ambassadorship of Harriman associate and "New Yalta" fanatic George Kennan. From there, Kennan recommended Eagleburger to Averell Harriman, then still at the State Department. Reliable sources say that "Harriman himself really got Eagleburger going." He went directly to McGeorge Bundy's NSC staff, and when Kissinger came in with the next administration, he stayed on. While becoming intimate friends with Haig at Kissinger's NSC, he became Henry's special assistant, whom Kissinger then moved to the State Department. And when Carter won the presidency, Eagleburger was appointed ambassador to Yugoslavia. He is still advised by disarmament specialist (and Carter arms control chief) Paul Warnke.

Stoessel is no less a protégé of the same forces. Educated at the Jesuit-run University of Lausanne in Switzerland, Stoessel's specialty is also Eastern Europe, and more particularly the Soviet Union. He was intimately involved with Harriman in the latter's first significant postwar Soviet deal, the Nuclear Test Ban Treaty. In 1958, Stoessel was involved in the test-ban discussions at Geneva. And in 1963, the year the treaty was completed, Stoessel was deputy chief of the U.S. mission in Moscow. Under Kissinger, Stoessel held the post of U.S. Ambassador to the Soviet Union.



Lawrence Eagleburger

FBI Chase coverup charged in Abscam

The House Judiciary Committee's Subcommittee on Civil and Constitutional Rights, chaired by Rep. Don Edwards (D.-Calif.), heard testimony Feb. 4 from four businessmen whose lives have been destroyed by FBI complicity in a variety of sting operations run by FBI-employed con man Joseph Meltzer, an associate of Abscam conman Melvin Weinberg. The businessmen, Richard Stanczyk, Kai Gulve, J. R. Budevus, and Sam Maturo, also charged that the Chase Manhattan Bank was responsible for consistently verifying the existence of fictitious accounts set up under the Abscam operation and that, as a result, the businessmen have lost millions of dollars and are facing million-dollar lawsuits.

Also implicated in the scam operations are the Bank of Nova Scotia in the Grand Cayman Islands and the National Bank of Westminster.

David Dir, an attorney accompanying the witnesses, charged that the FBI had covered up for Meltzer's "Abdul Enterprises" to keep the ongoing Abscam operation under wraps until February 1980, when a number of Congressmen and Senator Harrison Williams were charged with involvement with Abdul Enterprises.

Each witness gave a detailed account of FBI coverup of Meltzer's background and activities. Witness J. R. Budevus, a real-estate investor ruined when Chase Manhattan bank assured him that an \$850,000 check from Meltzer's "Arab investors" was good and

could be drawn upon, concluded the testimony with an emotional outburst, "This does not represent the spirit of the U.S. government nor the Constitution. This is Big Brother. This is a conspiracy of even greater magnitude than Watergate. I think Marie Weinberg is a victim of this. I think she is a victim of homicide. We have to ensure that the lives lost defending the Constitution have not been in vain. Are we going to let a person like Marie Weinberg die in vain?"

Following the testimony, the subcommittee's ranking Republican, Henry Hyde of Illinois, said, "I think the question here is—and we have heard this formulation before—'what did the FBI know and when did it know it?'" Subcommittee Chairman Edwards announced that the entire matter would be taken to the FBI and other authorities for public response, adding, "We are very disturbed and sorry that this has apparently happened through federal government involvement. . . . We have had serious doubts all along about a federal procedure of using hoodlums to carry out sting operations, and you have raised some very serious questions."

Anti-Japanese 'Reciprocity' Trade-War Bills Introduced

A series of trade-war bills aimed against Japan were rapidly introduced after the February reconvening of Congress. The measures range from domestic-content requirements on automobile imports to legislation that would allow the United States to restrict import of Japanese products, including steel

and computers, should the United States decide Japan does not grant its firms market access in tobacco, banking services, and other items.

None of the bills specifically refer to Japan, but most have been drafted with Japan in mind, congressional aides say. Outside of the domestic-content bill, the legislation has been drafted in line with the Commerce Department's erroneous theory that the major cause of the U.S. \$18 billion trade deficit with Japan this year was Japan's alleged "closed market". On Jan. 28, Japan announced lifting of 67 out of the 98 barriers about which the United States complained. It is unlikely that more than a few billion dollars would be affected by complete opening of the Japanese market.

The bills introduced so far include:

HR.5133, sponsored by Rep. Richard Ottinger (D-N.Y.). In graduated steps from model year 1982 through 1984, the U.S.-produced content of any imported auto would be steadily increased. By 1984 any manufacturer selling more than 100,000 units would be required to have 25 percent American content. The scale increases so that any manufacturer selling more than 500,000 units must have 90 percent domestic content.

HR.5383, sponsored by Rep. Sam Gibbons (D-Fla.) and Chairman of the House International Trade Subcommittee with a companion bill by Sen. William Roth (R-Del.). This bill would add the service and investment sectors (including banking, telecommunications, and accounting) to GATT agreements already covering commodity trade, would add service

and investment sectors to Section 301 of the 1974 Trade Act, the "injury clause." Finally, the bill would establish the reciprocity principle in the services and investment area, i.e. allowing the United States to cut off foreign banks, or computer services, in the United States if it is deemed that other nations do not give the U.S. firms free access in these areas.

D.2071, Sen. John Heinz's (R-Pa.) reciprocity bill, would set up the reciprocity principle in trade, services, and investment. This would embody "cross-sectoral" reciprocity, i.e. if a foreign country is deemed to deny the United States reciprocity in one area, e.g. tobacco or banking, it can be denied access to U.S. markets in another area of equal value and/or importance.

Another bill yet to be introduced is a reciprocity bill sponsored by Sen. John Danforth (R-Mo.) embodying the same cross-sectoral principle but applying only to commodities, not to services and investments. It will likely be introduced in February.

Senators renew attack on Labor Department

The Chairman of the Senate Labor Committee, Orrin Hatch (R-Utah), joined hands with the notorious Senate Permanent Subcommittee on Investigations (PSI) to attack the Department of Labor, in hearings held before the Labor Committee on Feb. 3. Convened to discuss S.1785, the Labor Racketeering Act of 1981. Introduced by PSI members Sam Nunn (D-Ga.) and Warren Rudman (R-

N.H.), the hearing quickly turned to alleged Labor Department unwillingness to prosecute corrupt trade union officials. Lead witness and PSI Vice-Chairman Rudman told the committee, "It distresses me greatly to think that once again we may have a Department of Labor which seeks to avoid the immense responsibility of ensuring the integrity of the benefit plans which protect the working people of the United States."

The main point of contention which developed between Senate advocates of S.1785 and the Reagan administration witness revolved around Section 14 of the bill, which would greatly increase Labor Department responsibility in the area of criminal (rather than civil) prosecutions for labor-management and pension fund corruption. The administration wants to keep primary responsibility for such criminal prosecution in the Justice Department, while Nunn, Rudman, Hatch, and their allies want Labor to become a major enforcement agency against organized labor. In the hearing, Nunn declared that his real concern is getting all labor prosecution power consolidated in one agency so that information developed in civil investigations would be fed into criminal prosecutions. Nunn warned, "If the Justice and Labor Departments are serious about opposing Section 14, then I would suggest transferring areas of pension enforcement into the Justice Department and putting Justice once and for all in charge. That takes a lot of jurisdiction away from DOL, and if that means abolishing Labor, so be it."

Labor Secretary Donovan was

represented by his Solicitor General Tim Ryan. The absence of Donovan, currently under investigation by a special prosecutor for labor-management deals with allegedly organized-crime-linked labor union officials during his prior career with a construction company, left the impression intended: that the Reagan administration is involved with organized-crime-linked elements in the labor movement.

Orchestrating this attack on the administration and the Labor Department are Senate staff members Walter Sheridan, Frank Silbey, and Marty Steinberg, and Solicitor Ryan. Sheridan, linked to Meyer Lansky-contaminated sections of the Justice Department, works for Ted Kennedy on the Labor Committee. Sheridan, along with Silbey, a Hatch staff investigator, have led the witchhunt against Donovan, in collaboration with Abscam prosecutor Thomas Puccio. Marty Steinberg, Nunn's counsel on PSI, recently distinguished himself by writing a PSI staff report arguing that the Dope, Inc. colony of Hong Kong should be a model for Southeast Asia in narcotics enforcement. Ryan, who used to be a member of Carter Attorney General Benjamin Civiletti's law firm, has increasingly opened up the Labor Department to the Labor Committee investigators while Donovan has been immobilized by the investigation. During the hearing, Ryan boasted of conducting information to Steinberg about the Labor Department.

Mark-up of S.1785 begins on Feb. 5. There is not yet a House version of the legislation.

National News

Michigan court: nuclear a national question

The Michigan Supreme Court, which two months ago lifted the stay environmentalist Michigan Attorney General Kelley had placed on the nuclear construction bonds of Detroit Edison and Consumer Power plants, has issued its formal decision in the matter: state agencies have no right to interfere with the construction of nuclear plants.

The Supreme Court in its late-January decision went beyond the position of the utilities that the Michigan Public Service Commission was the only agency that had discretion in the area of energy facilities, and modeled its decision following the argument outlined in the *amicus curiae* brief submitted by Fusion Energy Foundation Attorney Max Dean—that energy development is a national question.

The court ruled that Michigan Public Service Commission had no discretion in the area of whether energy facilities are needed, or what type of power facilities should be built, and that no other state agency had such discretion either.

Behind the Greenpeace nuclear plant attack

The international ecology group Greenpeace ran a mock attack on the Zion nuclear power plant of Commonwealth Edison north of Chicago Jan. 27, setting off flares and launching a small rocket into the plant grounds. The Vancouver, Canada- and British-based Greenpeace operation, known for staging confrontations in the name of protecting wildlife, sent taped threats to media in the Chicago area after the incident, threatening to “attack for real next time.”

The most elite and intelligence-connected of the U.S. anti-nuclear organizations, the Union of Concerned Scientists (spawned by MIT and Rand Cor-

poration), organized “peace demonstrations” on several American campuses in September. UCS was attempting to feed the European “pacifist direct action” model, a thin cover for terrorist attacks and mob violence, into U.S. campuses and revive the moribund environmentalist movement here. The tiny but very well-funded Greenpeace group is closely deployed by the World Wildlife Fund.

Nuclear industry makes credit proposal

Representatives of the nation’s nuclear industry met in Washington Feb. 3 with Vice-President Bush, Energy Secretary Edwards, and Commerce Secretary Baldrige. Led by TVA Chairman Charles H. Dean, Jr., the eight utility representatives and three nuclear-construction firms proposed a \$50 billion pool of low-interest loans for nuclear construction, to be raised by a National Nuclear Energy Pool, backed by a Federal Nuclear Financing Bank.

The proposal envisions “assuring the supply of capital needed to complete plants now started and past some specified stage of construction,” totaling 20 gigawatts, or in other words, *less than a third* of the capacity currently planned or under construction. This 20 gigawatts under National Nuclear Energy Pool control would “form a reliable source of power . . . and be available in a national emergency.”

Contrary to the impression given by the Washington press, industry sources told *EIR* that the meeting was one of several on nuclear policy arranged by the Reagan administration through Science Adviser George Keyworth, rather than an industry “visit” to the administration. Other companies represented included Duke Power, North Carolina Power and Light, Commonwealth Edison (Chicago), Edison Electric Institute, GE, Westinghouse, Combustion Engineering, and “two Wall Street investment firms.”

A spokesman for the Fusion Energy Foundation commented: “The difference

between 150 gigawatts of new nuclear capacity, and 20 gigawatts, between now and 1990, is the difference between economic recovery, and economic collapse. The principle of low-interest productive credit for nuclear construction, now recognized by the industry, must *not* be selective—it should be applied to productive industry and agriculture across the board.”

NDPC Fact-Finders press for Berkeley probe

National Democratic Policy Committee Fact-Finding Division spokesmen Khushro Gandhi and Brian Lantz presented an NDPC call for re-opening the mid-1970s probe into the University of California at Berkeley Criminology Department to 10 media at two press conferences in Oakland and Sacramento on Feb. 1, and subsequently met with an Assistant District Attorney for Alameda County.

The assistant to Attorney General Deukmejian and reporters in attendance were also presented with a 50-page dossier documenting evidence of the connections of the university’s Criminology Department to international terrorism, drug, and gun-running. The *Oakland Tribune* and the Oakland CBS-TV affiliate covered the story on Feb. 2.

Most notably, Giovanni Senzani, Italian “criminologist” and terrorist collaborator whose recent arrest by Italian authorities helped lead to NATO General James Dozier’s rescue, is a product of the Berkeley program, the NDPC documents. Probes by federal and state agencies in the 1970s led to the formal dismantling of the Criminology Department, but for all intents and purposes, it was merely merged with the university’s Sociology Department.

The Oakland assistant DA asked the NDPC spokesmen for information on Berkeley faculty member Tony Platt, discussed in the NDPC dossier. Sacramento press representatives anxiously queried if either the U.S. or Italian governments or

intelligence agencies had requested the NDPC to press for this investigation.

\$3 billion in water projects de-authorized

Ten Army Corps of Engineers water projects worth \$3 billion were summarily de-authorized by Congress in the closing days of the last session. The de-authorization bill, signed by President Reagan on Dec. 29, was pushed through the House by Rep. Floyd Fithian (D-Ind.) and through the Senate by cosponsors Daniel Moynihan (D-N.Y.) and James Abnor (R-S.D.). Environmentalist and water-resource-development opponent Brent Blackwelder of the Environmental Policy Center in Washington was instrumental in drafting the legislation.

The largest of the killed projects is a dam higher than Egypt's Aswan which was to have been built on the St. John River in northern Maine. Illinois will lose two reservoirs and a duplicate lock on the Illinois River Waterway, a waterway critical for Midwestern industry and agriculture. The Illinois projects were authorized in 1962.

Water conferences slated for eight cities

The National Democratic Policy Committee will hold eight regional conferences on bringing water from Alaska in the Southwest United States, culminating in a national conference to be held in Houston, Texas Feb. 27, where NDPC Advisory Committee Chairman Lyndon LaRouche will give the keynote. The NDPC's calling for combining this project with the crash production of a nuclear power plant grid as the most efficient form of energy.

LaRouche said, "Every dollar so wisely spent will increase the production of wealth in our Western states many times over in the coming decades. Similar

flows of credit to high technology investments in agriculture and goods-producing industry can easily generate 5 to 8 million goods-producing work places, while expanding the nation's tax revenue base sufficiently to bring the federal expenditures back into balance with revenues."

The conferences will be held in Dallas, Texas Feb. 8; in Phoenix, Arizona Feb. 9; Albuquerque, New Mexico, Feb. 11; San Antonio, Texas, Feb. 16; Austin, Texas Feb. 17; Oklahoma City Feb. 18; Amarillo, Texas, Feb. 22; Lubbock, Texas Feb. 23; and Houston Feb. 27.

Congressmen balk on defense increases

The prospect of a \$100 billion-plus budget deficit has produced a charge against the defense budget on Capitol Hill, especially among Republican incumbents in the House. David Stockman and White House Chief of Staff James Baker III are encouraging the groundswell; the two have reportedly assured Senate Budget Committee Chairman Peter Domenici, who supports a cut in the fiscal 1983 defense budget, that the President will go along with it. Mr. Reagan, however, has made no such promise.

On Feb. 4, Defense Secretary Weinberger appeared before the Senate Armed Services Committee to declare that "large budget deficits should not derail rearmament." At the hearings Weinberger asked for \$255 billion in defense spending for fiscal '83, a sum which alarmed the committee members. In addition, Republicans in the linchpin House Defense appropriations Committee unanimously spurned Weinberger's request, urging that defense outlays be cut by at least 10 percent.

This congressional uproar has led to a containment campaign headed by Reagan intimate Sen. Paul Laxalt of Nevada and Sen. Barry Goldwater of Arizona to reorient congressional attention toward DOD cost overruns and irresponsible defense contractors.

Briefly

● **HERNAN PADILLA**, Mayor of San Juan, Puerto Rico, has severely criticized U.S. Secretary of Transportation Drew Lewis for failing to restore budget cuts and reinstate Coast Guard protection for the island. Padilla warned that his administration lacks the financial resources to provide the cut Coast Guard protection which is being eliminated, and that Puerto Rico could become a bastion for drug-running and a launching pad for terrorist operations against the United States.

● **TWO LAROCHE** Democrats have recently announced their candidacies. Mel Klenetsky is challenging Sen. Pat Moynihan for the New York Democratic senatorial nomination. Sheila Jones is running against liberal Sidney Yates in the 9th Congressional District of Chicago on the Anti-Drug Party ticket. Jones stated that she is forced to run as an independent because the Chicago Democratic machine under Jane Byrne has been corrupted by drug interests.

● **TEAMSTERS** in upstate New York have launched a statewide boycott of the Rite-Aid drugstore chain owned by GOP gubernatorial candidate Lewis Lehrman, chief spokesman on gold for anti-labor Heritage Foundation circles, following a six-month lockout against the IBT in Rome, New York and other towns. The NLRB has issued three unfair practice complaints against Lehrman's company.

● **WALTER ORR ROBERTS**, trustee of the Aspen Institute and head of the National Atmospheric Research center, told *EIR* Feb. 5 that in 50 years the Great Plains will be a dustbowl, if present trends continue. He recommends an immediate "adaptive strategy" of planting prairie grass and trees, where sheep and goats will be raised instead of wheat.

Editorial

The power of method

The rescue of General James Dozier from a Red Brigades hideout in Italy was recognized internationally as a victory against terrorism. But the nature of that victory, the real story behind the Dozier rescue, has yet to be fully understood. After suffering dozens of assaults against political figures, law-enforcement officials, and judges—operations which have threatened the existence of the Italian state repeatedly over the years—the Italian government, with the collaboration of the Vatican, has moved against the “citizens above suspicion,” and exposed the international intelligence networks that run terrorism around the globe.

We have documented the findings of the Italian investigations, linking terrorism to the international drug trade and the banks that thrive on laundering the dirty money from these activities. What is new in the Italian government’s success began with the indictments against the Propaganda-2 Freemasonic lodge. It is the culmination of the use of a new investigative method, and a daring determination to move against the financier forces and the international oligarchy behind terrorism, forces which have continuously threatened to bring down national credit and national economies.

For years *EIR* and our counterintelligence newsletter, *Investigative Leads*, have identified the real controllers of terrorism and laid out the method by which we cracked this “mystery.”

On May 9, 1978, days after former Italian Prime Minister Aldo Moro’s death at the hands of the Red Brigades, *EIR* founder Lyndon H. LaRouche, Jr. wrote a statement appealing to Italian officials “that justice shall be done to the murdered Aldo Moro and the living of Europe.” We excerpt from it on page 35. LaRouche named the British monarchy, Kissinger-connected circles, Swiss banking networks, and the Israeli Mossad as targets for investigation, and proposed a computer technique for tracing terrorist networks through the tens of organizations spawned by the black oligarchy.

Most of the leads put forward at that time were followed by the Italian magistrates with important results. But above all, the method LaRouche put

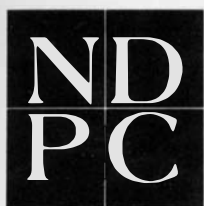
forward in that memorandum is being understood and used by key counterterror investigators throughout the world. LaRouche at that time urged security officers to study the writings of Edgar Allan Poe, particularly his detective stories, as “the most useful primers for teaching this method available in any language.”

“Poe distinguishes three levels of method, each corresponding to the appropriate one of the three levels in Plato. The lowest is Baconian inductive method. Poe in one location makes a pun on Bacon and hog, terming Baconian inductive method hoggishness. He describes this hoggish method as one of crawling, sniffing, and collecting objects on the surface of the earth, one’s snout so close to the object that the reality of the object is not seen. The next highest level, the deductive method, Poe terms “creeping.” Then there is the highest level, reason in the sense of Plato’s Socratic reason. . . .”

Because the controllers of international terrorism have a commitment to the oligarchical cause, they are obliged, as a kind of species nature, not to employ any higher order of method than the deductive method, stated LaRouche. Only the use of the powers of reason saved General Dozier from Aldo Moro’s fate.

Now that the Italian government has had the courage to throw out crawling, hoggish methods of investigation for a method that works, it is our turn in the United States to employ the investigative method of Poe’s C. Auguste Dupin against the same international criminal network now out to destroy the U.S. Senate with an eye to toppling another American President.

If we use the method of Socratic reason, it is not hard to discover the evidence to connect key operatives in the Abscam entrapment ploy with the drug-running, dirty-money mafias under investigation in Italy. In fact this issue of *EIR* details just such connections. But it will take similar courage, and dedication to mastering the superior method of reason, to clean up the networks of “citizens above suspicion” who are determined to destroy the United States.



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Democratic
Policy
Committee **presents**

A National Conference on Water From Alaska

Saturday, February 27, 1982
Houston Marriott Hotel - Greenspoint
255 East North Belt Drive, Houston, Texas
at Intercontinental Airport
\$50 registration: includes luncheon
For more information, call Nicholas Benton (713) 266-5445

For the first time since the mid-1960s, a serious revival of interest in tapping the enormous water and hydroelectric potential of Alaska and Canada is occurring. The dramatic threat of shortages facing major agricultural and growth areas of the nation are well known. Overcoming the fiscal and ideological constraints that have doomed regional water development plans in recent years will be the subject of this conference. It will demonstrate both the economic necessity and engineering feasibility of water from Alaska, which would cost less to the national economy than the effects of scarcity and shortages will.

- 9:00-10:00 a.m. Welcome and opening statements**
- 10:00-12:00 noon Panel: "The Engineering Feasibility of Delivering Water From Alaska."** Experts on plans developed in the 1960s and before, including the Ralph M. Parsons Company's "North American Water and Power Alliance," will detail the feasibility and enormous water and hydroelectric yield potential of water from Alaska to Canada, Mexico and the United States.
- 12:00-2:30 p.m. Luncheon and address: "The Moral and Economic Necessity of Developing Population Growth Potential"** by *EIR* founder Lyndon H. LaRouche Jr.
- 2:30-4:30 p.m. Panel: "The Economic Feasibility of Water From Alaska."** Proofs will be presented that the nation will spend more in increased costs due to scarcity if it doesn't transfer water from Alaska than if it does. Panelists: *EIR* Economics Editor David Goldman; California Democrat Will Wertz, challenging Jerry Brown for the U.S. Senate; and Kansas State Rep. Keith Farrar (R-Hugoton), a member of the High Plains Study Council.
- 4:30-6:00 p.m. Closing remarks and reception.**

Mail to P.O. Box 740191, Houston, Texas 77274
A National Conference on Water From Alaska

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