

The moles in the U.S. defense apparatus

by Kathy Burdman

Why is the secretary of defense rendering the United States defenseless? According to interviews obtained by *EIR* at the end of August from the International Monetary Fund, Mr. Weinberger received his appointment with the blessing of certain supranational institutions because whenever necessary he will subordinate the defense of the United States to the demands the Bank for International Settlements made in its June 1981 annual report for a fresh set of major U.S. budget cuts, including cuts in defense spending.

While Weinberger may try to save some defense dollars by demanding huge slashes in social programs, the IMF said, overall he is totally committed to the austerity policies of Federal Reserve Chairman Paul Volcker—which are guaranteed to wreck the civilian industrial base.

Who, exactly, controls the DOD? The BIS, and the Swiss and Italian banking elite which runs it, seems to have an inordinate amount of direct influence.

Sources personally close to Deputy Secretary Frank Carlucci report, for example, that Carlucci privately insists that “our first national priority is to balance the budget, and a strong defense comes after that,” sources say.

While he thinks more should be spent on defense, Carlucci also believes that if the budget deficit “gets out of control, it will have to be paid for by cuts,” the source said. “It’s going to be a miserable situation,” he stated, “In which we will certainly need \$35 to \$40 billion more in budget cuts during 1982 alone. We will try to cut social spending first, but if it means we must make defense cuts to balance the budget, so be it.”

What has the military establishment become?

Also adhering to the BIS fiscal doctrine is DOD’s number-three man, Undersecretary for Policy Fred C. Iklé, who is not only Swiss-born but also personally close to top BIS and Swiss banking officials. Iklé’s first cousin Max Iklé was president of the Swiss National Bank in the 1970s, in which capacity he was a director of the BIS. Max Iklé, who is still a consultant to the

BIS, lives in Zürich, and is in touch with Undersecretary Iklé and his wife Doris, who has been deployed by Max Iklé to do econometric studies for the Swiss central bank.

Fred Iklé is no mere beneficiary of nepotism, but personal friend of some of Switzerland’s loftiest banking families. He sits on the board of the Zürich-American Insurance Co., the U.S. subsidiary of Zürich Insurance, one of the largest insurance companies in Europe. Iklé was personally picked for the post by Zürich chairman Fritz Gerber of the baby-food conglomerate family, and Zürich vice-chairman Eric von Schulthess, whose family controls the giant Crédit Suisse bank.

Iklé believes that “it is not possible to have as large a deficit as the Reagan White House now projects and keep inflation down,” sources close to him say. “We will have to have more cuts.”

Then there is the case of David Blond, the chief economist in the Program Analysis and Evaluations section of the Office of the Secretary of Defense. Blond recently fed DOD data to the New York Federal Reserve as evidence for the latter’s study arguing the unfeasibility of an in-depth defense buildup. Blond told *EIR* that if it were necessary to slash defense outlays in order to balance the budget, he was ready to do it.

Blond was trained by the people who run the BIS, at the elite Geneva Institute for International Studies. The institute was founded by the Mont Pelerin Society, including Fabian Friedrich von Hayek, to indoctrinate the staff of the League of Nations, BIS, and other institutions clustered in Geneva, including the United Nations bureaucracy there.

During the 1974-78 period, Blond moved over to the U.N. Conference on Trade and Development (UNCTAD), where he helped write the econometric model for the 1975 Common Fund plan initiated by Secretary of State Henry Kissinger. The plan called for Third World debt to be financed by commodity consumers, by way of raw-materials price cartels drawing extra liquidity out of the United States and Europe. Blond told *EIR* that he thought the West should spend less on industrial investment, and redistribute the money. In other words, he was the architect of a scheme to loot the U.S. and Europe through higher raw materials prices, in order to repay the debts owed by the Third World to the private Swiss, Italian, British, and New York banks who run the BIS.

Blond was brought into the DOD by friends of former Defense Secretary Robert N. McNamara, who was also engaged in trying to redistribute wealth from the West to the banks by way of the LDCs, and sought to have his thinking represented at DOD. “I went to the DOD because I wanted power,” Blond told *EIR* “There were no economists there, and I figured I could take over the thinking.”