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Executive Intelligence Review

April 27, 1982

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EIR

From the Managing Editor

The question of Great Britain's international interventions has gained new prominence because of the Malvinas Islands conflict. Our coverage of the Middle East this week shows that the question is no less salient there.

Many Israelis, as well as Arabs, bitterly remember being treated like *Untermenschen* during Britain's manipulations of Palestine more than three decades ago, which exemplified the methods by which the Crown sought to ensure that no regional configuration emerged willing and able to modernize the Middle Eastern region. Now, using its proxies within Israel, and its more and less witting assets among Arab radicals, Britain looks forward to eliminating Iraq as a spokesman for nuclear-energy-based industrial development, and expanding the sway of the atavars in Iran. All potential American influence on behalf of collaboration among sovereign states for modernization and growth is to be ended too. The way would be clear for a new oil-price shock and a new depth of economic warfare against the energy supplies and export markets of Western Europe and Japan.

That is the translation of the shameless demands by Britain and its agents in Washington that the United States officially support the present Teheran regime.

Our Special Report documents the consequences of an already full-blown case of the United States adopting British policies: the past decades' failure to maintain the industrial base, which is undercutting the nation's fundamental reproductive ability at this point. The "British System" of economics defines a human being as a consumer of scarce resources. The "American System," in the Judeo-Christian tradition, defines a human being as a producer of new wealth, and a creator of new resources, mastering the universe through more perfect understanding of natural law. The two are irreconcilable. The latter must be restored.

Susan Johnson

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Correction: In our April 20 article titled "The Malmö Network of Right-Wing Fascists," the name of Bruno Breguet's terrorist accomplice was misspelled on page 34. The correct spelling is Magdalena Kaupp.

Note: Pictured on page 56 is the *N. S. Savannah*, the first and only American nuclear-powered merchant ship. Photograph courtesy of Frank J. Fahey, Bloomington (Delaware) *Morning News*.

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Stuart Lewis/NSIPS

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Leading LDC borrowers now face credit squeeze

by Kathy Burdman

As the financial world focused on the possibility of default by Argentina on its \$34 billion foreign debt, something more sweeping may have been afoot. A close look not only at Argentina's recent financial history, but also at the total lending to all of Asia, Africa, and Latin America, reveals that a credit squeeze is under way against the entire underdeveloped sector, of a magnitude that will destroy their economies if it continues.

A study by the *EIR* economics staff shows that between 1980 and the first three months of 1982, overall bank lending to the developing sector has been reduced to zero growth, and is projected to actually decline in 1982 for the first time in decades. Total bank loans, including short-term credits and IMF loans, to the LDCs rose from 1980 to 1981 (see table below), but most of the rise was in the first half of the year, according to economists at Morgan Guaranty and the IMF, and the increase is not adjusted for inflation. The pace of lending dropped in the fourth quarter of 1981, they said, and could actually fall by as much as \$9 billion in 1982, to the \$60 billion range.

Coordinated cuts

The Swiss-based Bank for International Settlements (BIS) is the author of this policy, an economist at Chemical Bank revealed to a reporter April 9. Begin-

ning in 1980, he said, the U.S. Federal Reserve, the Bank of England, the Swiss National Bank, and the other central bankers who make up the BIS, began to use their monthly Basel meetings to "establish categories" for each of their private banks' lending to major borrowers, such as Brazil, Mexico, and other countries including Argentina. Led by the Federal Reserve, the central banks then forced their commercial banks to "cut the growth" in lending.

"The key target was to reduce the net external borrowing requirement," the Chemical banker stated. Brazil, for example, was told that "unless they slowed down their borrowing, they would get no money at all," at some point, he stated.

The fall in lending to the LDCs is even more dramatic measured against the overall rise in world credit (see table) since 1980. Lending was brisk in 1981 particularly because of \$42 billion in loans made to the United States for takeovers of corporations, a completely speculative activity.

Furthering this quiet LDC credit strangle may in fact be one of the major aims of the BIS and its deputies at the Bank of England in their present attempts to freeze all credit to Argentina (see article page 40). The Bank of England, which froze all loans to Argentina April 13 and is causing panicky non-British banks to

pull back, hopes to "starve Argentina of loans but not seek to bankrupt it," the London *Sunday Times* revealed April 11.

In progress

The current credit squeeze against Argentina is an escalation of something in progress for at least a year. During 1981, Argentina's rate of world borrowing was cut to zero growth, and Argentina slashed its imports from \$10.5 billion in 1980 to \$9.2 billion in 1981. Consumer durables were made prohibitively expensive at home through soaring interest rates, which reduced imports of inputs, helping bring the trade deficit to a negligible \$20 million, a \$2.5 billion cut between 1980 and 1981 in foreign borrowing needs.

Under this austerity program, Argentina's domestic economy collapsed, with manufacturing production falling by 16 percent, subsuming a 29.3 percent collapse in auto output and a 21.4 percent collapse in textile output. Now Argentina is threatened not with zero borrowing growth, but with foreign credit cuts. "When they are forced to really cut into imports, the Argentine economy can only get worse from here on," one banker noted.

The entire underdeveloped sector, however, especially the big borrowers, is now being put through this

treatment, the IMF's chief Brazilian economist, Anna-Marie Jul, stressed in an interview April 9. "Brazil is the model country," she said. "Of all potential borrowers, Brazil is more optimal to lend to than most," she noted, adding countries should "move in this direction."

Brazil had run up the world's largest foreign debt (now close to \$70 billion) largely to finance its state-promoted industrialization program. In late 1980 when Brazil announced it wanted over \$14 billion in 1981 to keep growing, the BIS central banks got together and laid down the law.

"Based on country risk analysis, and discussions we had with the Federal Reserve system," U.S. bankers began to turn the Brazilians down, the Chemical Bank economist explained. "They [the Fed] came around, and said, 'You should establish different categories, and no one country should represent more than a certain percentage of your capital base.' It very quickly became a big problem with Brazil. In fact, I used to tell people we should cut Brazil in half, so the percentage of the loans of each half would be less," the banker quipped.

"The Fed set up prudential rules . . . as to our exposure in each particular country, and put a limit" on it, he said. Following this, Brazilian Finance Minister Delfim Netto got the same reception in London, Frankfurt, and Tokyo.

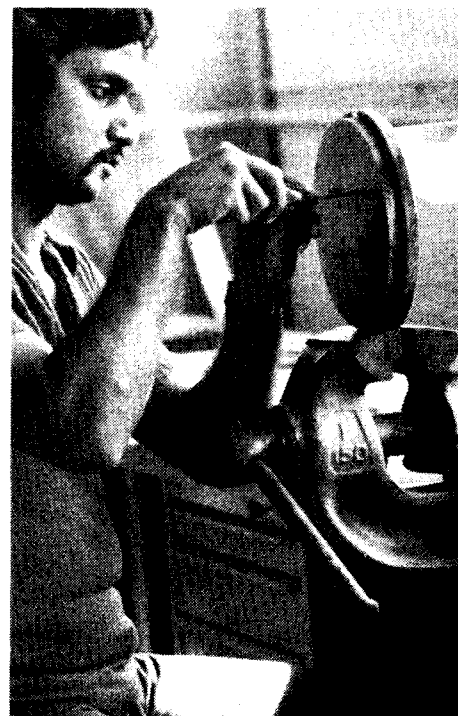
International lending, 1980-82

	1980	1981	1982 est*
To: U.S. only			
Bank loans & bonds (1 yr or more)	\$ 11.1	\$ 61.6**	\$ 25.0
To: Europe, Japan, Canada			
Bank loans & bonds (1 yr or more)	70.0	77.4	88.8
To: underdeveloped sector			
Bank loans & bonds (1 yr or more)	24.0	33.4	30.0
IMF loans	6.4	6.2	5.5
Total	30.4	39.6	35.5
To: underdeveloped sector			
Short-term credits (New, less than 1 yr)	20.0	30.0	25.0
Total underdeveloped private sector	\$ 50.4	\$ 69.6	\$ 60.5
TOTAL PRIVATE WORLD LENDING	\$131.5	\$208.6	\$174.3
Underdeveloped sector as percent of world lending	38%	33.4%	34.0%

*Estimated based on figures for Jan-March, 1982

**Of which, \$42 bn alone for corporate takeovers in the U.S.

SOURCE: Morgan Guaranty Bank, Chemical Bank, U.S. Treasury



The threat was so great that Brazil was forced to administratively slash imports, from \$23 billion in 1980 to almost \$22 billion in 1981. Meanwhile, the government raised real interest rates to the 40-50 percent level—150 percent compared to 100 percent inflation—to crush domestic demand for goods. Exports, heavily subsidized, jumped from \$20.1 billion in 1980 to \$23.5 billion in 1981. Brazil's trade swung from a \$3 billion deficit in 1980, to a \$1 billion surplus in 1981—a \$4 billion reduction in Brazil's foreign borrowing requirements.

Import-cut pressure intensifies

This year, Brazil is being asked to repeat this contraction, in order to reach a net reduction in its 1982 borrowing requirement. Brazil has been asked to get its bank borrowing down from \$15 billion in 1981, back to the \$12 billion level of 1980. All the while, Brazil is paying out \$17 billion per year in debt principal and interest to the banks.

"Brazil still has problems with its debt servicing," Jul said, "and they must manage a trade surplus of \$3 billion." The IMF economist stressed that if Brazilian exports do not rise this year, as is highly unlikely given the current collapse of world trade, Brazil will simply have to cut its imports more.

The result has already been a drop in Brazil's manufacturing production by 10.2 percent in 1981, a drop which will continue this year if imports are cut. The capital-goods industry announced in mid-April that machinery production declined by 17.7 percent during 1981 because of lack of credit for new investments. In January 1982, truck production fell 71.2 percent, tractor production 61.5 percent, and crude steel 17.8 percent, compared to January 1981.

Brazil's industrialization will be crippled by the import cuts. "Projects will not be able to import any new machinery," Jul stated. "And there will be no new projects begun." Eleven major hydroelectric dam projects and 6 out of 8 nuclear power plants on order have been postponed.

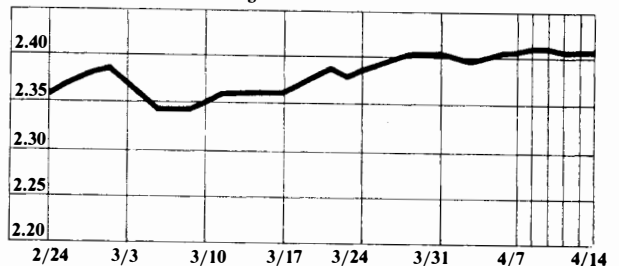
A parallel situation is occurring in Mexico after the recent devaluation, IMF officials told reporters recently. As *EIR* has reported; the Federal Reserve has told the banks to "put some pressure on Mexico to reduce their borrowing needs," as Fed officials put it, and bankers say although Mexico needs at least \$20 billion this year to get by, it will be lucky to get \$14-\$15 billion, meaning zero growth in external financing from 1981.

To cut borrowing, the IMF and international bankers are advising Mexico to cut its imports by as much as \$8 billion this year, that is, by almost 25 percent from 1981. Mexican imports for January and February were in fact down by 20 percent compared to 1981.

Currency Rates

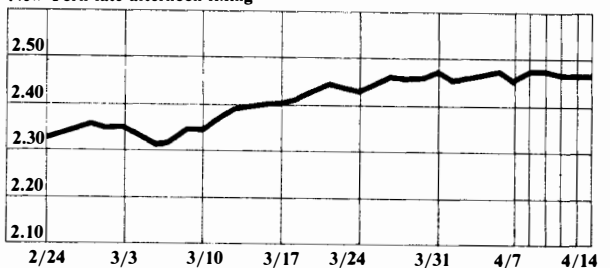
The dollar in deutschemarks

New York late afternoon fixing



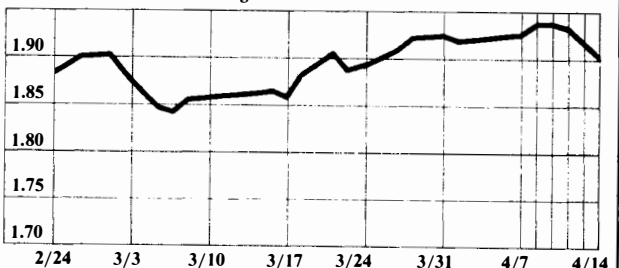
The dollar in yen

New York late afternoon fixing



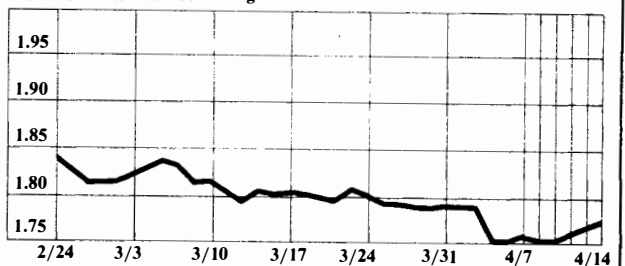
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Hoesch: 'Japan is our growth model'

by Hartmut Cramer from Dortmund

The world economic crisis has hit the Ruhr steel city of Dortmund hard. The European Community's Davignon plan, named for EC Steel Commissioner Count Etienne Davignon, has imposed a shutdown of "excess" production capacity and exports throughout Europe. The Plan separated specialty steel production from that of carbon-steel, and cut carbon-steel production 18 percent in 1980 and an additional 25 percent in 1981. In Dortmund, crude steel production fell from 10 million tons in 1979 to 4 million tons in 1981.

The industrial collapse of Dortmund began in 1978 when almost 40,000 workers were laid off after steel plant and coal mine closings. Subsequently, Socialist International leader Willy Brandt commissioned several studies that called for replacing Dortmund's heavy industry and creating "more manageable" handicraft industries for the "overly skilled workforce." A May 1980 report by the German Marshall Fund suggested that Dortmund become a model of "planned economic transition." The German-Dutch firm Estel-Hoesch, formed in a 1972 merger, lacking the specialty steel capacity that has sustained other German steelmakers, was particularly vulnerable to the planned collapse. 23,000 workers are employed by the firm, and every third job in the area is directly or indirectly dependent on the steel industry.

In November 1980, the firm announced that it could no longer carry out its 1979 agreement with the trade unions to build a new oxygen-process mill to compensate for the layoffs of 4,200 workers due to the closing of obsolete facilities. On Nov. 29, 70,000 workers, their families, and local businessmen staged a mass demonstration to demand the building of the plant. The Mayor of Dortmund at the time compared the mobilization of the city to what occurred in post-World War II Germany, when entire families lay down on their machines to prevent the British occupying forces from dismantling the steel industry.

A unique collaboration among the unions, management representatives, political parties, and the city council gave rise to a series of "Hoesch conferences" during 1981, aimed at ensuring the construction of the new steel capacity. The state administration in Düsseldorf and the

national government in Bonn committed themselves to supplying half of the necessary DM 550 million credit for the new plant. And a policy for infrastructure development was put together at the same time. Dortmund is not located on the Rhine, and its only means of industrial transportation is the 19th-century Dortmund-Ems canal. The entire lock and sluice system of the canal will have to be modernized for the transportation needs of the 1990s.

On Dec. 14, 1980, the Dortmund city council passed a resolution calling not only for the new steel plant and canal, but also for building a nuclear power plant to support economic development of the area.

It is no secret that Chancellor Helmut Schmidt, whose strongest political base is in the industrial Ruhr, intervened personally to effect a constructive solution for the Dortmund situation. The local politicians of Schmidt's SPD were engaged in intensive behind-the-scenes discussions on the necessity of introducing a gold-based economic system, and industrial development of the Third World, as the only means of ultimately stabilizing the economic situation for the export-dependent Rhur.

On March 21, *EIR* correspondent Hartmut Cramer interviewed the technical director of the Estel metallurgical plant in Dortmund, Dr. Consemüller. His report follows.

Hoesch management is sensible enough to identify the current world economic situation as responsible for the problems in the steel industry. In 1974, the absolute boom year for the steel sector, extremely optimistic forecasts were made for the future, which went out the window a year later because of the economic "disaster." For seven years, the Hoesch firm has suffered losses from its steel operations because of the depressed international economy and the resulting anti-competitive subsidies and dumping practices of various nationalized steel producers. For seven years, these losses had to be covered by profits in the "healthy" divisions of the company, the milled steel products, which made modernization and new investment impossible. At the same time, the firm was confronted with the fact that England, France, and Belgium were keeping their steel plants, which are obsolete compared with Germany's, above water by means of increased subsidies, to make them "competitive," at least as far as prices were concerned. In this situation, when expansion was out of the question, the company's management had to choose between concentrating on steel production in Dortmund and modernizing it, or pulling out altogether.

"We have decided to maintain and modernize the steel industry in Dortmund," said Dr. Consemüller, explaining with the help of a map the scope of the problem and the solutions found. Hoesch was formed in the 1960s from three steel companies scattered throughout Dortmund; then the decision was made to

build one modern continuous casting plant and one equally modern oxygen steel plant. "By concentrating the entire production in this one location, we can achieve an optimal result with relatively less effort."

A second advantage the company saw was the quality and expertise of the workforce—a way of thinking typical of this region. "We have here a labor force that is highly qualified and knows how to work. Steel production is no easy job and therefore you need people you can rely on. The quality of the labor force and the know-how available here were decisive reasons for sticking with the Dortmund steel location."

Substantial progress toward the agreed-upon concept was made through the "Hoesch conferences" and numerous discussions involving all concerned parties. On March 14 it became known that, following discussions with Chancellor Schmidt, financial subsidies for construction of the continuous casting plant by Hoesch would immediately be available. As the Chancellor stressed, "A clear investment signal was given to the German steel industry."

Division of labor with Krupp

Not only Hoesch had suffered from the worldwide steel crisis. Similar deliberations on reorganization and modernization were underway for other steel firms, like Krupp in neighboring Bochum. The idea arose of coordinating the investments of the two companies and introducing a division of labor that would do away with the weaknesses of each and create a big, competitive steel company, provisionally called "Ruhrstahl." One steel company would exist in Dortmund and Bochum, shared 50-50 by Krupp GmbH and Hoesch AG; it would be the second largest in Germany with annual production of about 11 million tons.

In steel production Hoesch will concentrate on alloys and surface-treated sheet metals, since it is considered the world's best in this area, while Krupp will cover high-grade steel, in which it is particularly well qualified. "We have to each concentrate in those areas where we are absolute pros," explained Dr. Consemüller. They anticipate therefore that this cooperation and later fusion merger will also mean profitable orders for large construction projects.

The Japan model

When the subject of Japan came up, Dr. Consemüller revealed that the modern continuous casting plant which, for about the same costs, works much more efficiently than conventional methods, comes from Japan, and is built in Germany with Japanese licenses. Dr. Consemüller views the Japanese steel industry as a model. "The Japanese modernized and automated early on, and that is why they are now so good and cost-effective."

Dr. Consemüller does not give any credence to the argument that Japanese industry is so competitive because wages are low. "It is Japanese 'cooperation' which is so attractive. There is no antagonism between capital and labor there. Before a final decision is made in an important area, there are plenty of discussions from top to bottom and bottom to top throughout the enterprise, and every idea and suggestion has been scrutinized for its quality and viability. That is why Japanese industry is so competitively strong."

Dortmund, like Japan, has no intention of treating its steel industry like a "sunset industry." "We will not chop off the limb we are sitting on. Without a competitive steel industry, the whole milled steel products division is not viable," he says.

Perspectives for the future

Although confident about the possibilities for reorganization of the company and securing steel production along the lines already discussed, Hoesch remains cautious on the question of the potential of the world economy and the possibility of financing the clearly recognized worldwide demand for the goods produced here. Referring to the steel quotas imposed from Brussels, Hoesch people stress again and again that production should be modernized, but nonetheless contracted, and that the company has no influence on the restoration of world economic and financial stability.

Hoesch perceives clearly that a great chance for the future lies in exports and in the industrialization of the developing sector. They are delighted to be participating in the construction of a steel works in Nigeria and the training of the specialists and technicians who will operate the facility. They see no danger that the developing sector will become a rival in the production of carbon steel, since they know that their own technological lead in specialty steel and certain kinds of carbon steel, and particularly in plant construction, is big enough to allow them to march at the fore and draw the others behind. Cooperation with Krupp promises additional advantages in plant construction and exports, in which Krupp has a leading position internationally.

One gets the impression that the managers here are waiting for an opportunity, that they have equipped their enterprise with the latest facilities and thrown the switch to the future, in order to be out in front when the decisive moment comes.

Asked whether it is unique, in the midst of the current steel crisis, to be discussing in a rational and future-oriented way the reorganization of the steel industry, the saving of jobs, and to be introducing practical measures to implement these goals, the response is: "Whether what we are doing here in Dortmund now is unique or not, I don't know. But it is the only solution, that is for certain."

Belgian bankers and EC chiefs expect privatization of world lending flows

by Laurent Mura-wiec, European Economics Editor

Contrary to claims of geography and history books, neither is Brussels the capital of a country, nor is Belgium anything resembling what the citizen of a European or American republic would call a nation. Not only does the place provide headquarters for a whole string of supranational organizations—such as NATO and the European Community (EC)—a series of talks with financiers and ruling noblemen in Brussels has convinced me that they look upon Belgium as one of the above-ground, operative centers for a continued Holy Roman Empire.

The Belgian economy itself is presently collapsing to levels close to those of Thatcherized Britain. Cities and the southern steel, coal, and textile industries of Wallonia face ruin, the state is in virtual bankruptcy, and the country is unable to generate anything but chronic political instability. The royal family, and, more important, the leading oligarchical families that control this unfortunate piece of real estate—the Merodes, the Lignes, the Craons—have no attachment nor loyalty to the plantation of Belgium or its inhabitants. As one of Belgium's most respected elder statesmen, Count Boel, told me in an interview, their policy is to revert to "the free game of nature. . . . Let us restore the law of the jungle."

Privatizing the international monetary system

A principal center (along with Austria) of continental European black oligarchical power, Brussels and its banks also house those supranational institutions that have made the fight against nation-states their principal objective: the EC bureaucracy and NATO. The interview granted me by EC Vice-President Viscount Davignon, himself a Belgian, will appear in *EIR*. I wish to report immediately on a long discussion with a very senior policy-maker of the EC Commission, an Italian nobleman, who requested to remain off the record. His considerations on the international monetary system express precisely these oligarchs' views of monetary and global economic policy.

"At stake is the survival of the free-trading system; for how long can we live with a system coupling free trade with no form of monetary organization? The Bretton Woods System is neither possible nor appropriate today. A viable form of monetary organization, a

new one, must be defined, or there will be a breakdown on the trade side. . . .

"Gold? No possibility of returning to the pre-1971 situation. Gold will not disappear, of course. It will play a greater role than in the recent past, the more we are convinced of the instability of the system, of the lack of proper management. The drive out of gold was conceived as moving away from a system managed by blind natural forces. . . . If expectations are now disappointed, then return to gold will be all the stronger. But you must distinguish two different things when you talk of the role of gold in international monetary affairs: there is the extent of this role, its importance, on the one hand, and on the other hand, how official this role is.

"In the last decade, there has been an increasing trend toward a privatization of the international monetary system. This increased privatization represents a turning point. In the early 1970s, official authorities proved unable to manage their own system. As a result, the main functions of the international monetary system have gradually passed into the hands of private agents. International liquidity is created by the banking system, exchange rates by the markets, interests rates by a combination. . . . Fifteen years of disorder could produce a swing in the other direction—but the new official system would have a much different shape.

"To a certain extent, the role of the nation-state is on the wane, it fades away. There are areas of activity, markets, that are much larger than the boundaries of the nation-state, and therefore take over its functions. The nation-state fades away, and the vacuum is not being filled. Perhaps it will be filled—in 50 years. . . .

"The problem in our time is that there is an excess of government at the level of the nation-state, and a lack of government at the supranational level."

Law of the jungle

That is the long-term perspective for the monetary reorganization of the world, by those people who contemplate the advent of a depression with equanimity. They have planned for it for two decades. This is what was explained in terms more concrete than those used by the Italian nobleman cited above by Count Boel, a

veteran in European policy-making, an honorary chairman of the Paris-based Atlantic Institute (NATO's official think tank), a member of the Trilateral Commission, a frequent host to the notorious Bilderberg Group's closed sessions, an important industrialist in his own right, and retired chairman of the union of industrialists of the European Community.

"The free game of nature . . . go to Africa, to the big reserves. There is a ratio of land and antelopes: it is the big law of nature. When there is a drought, there is less grass, then less food for the antelopes, and therefore fewer births of antelopes. Then the lions too starve and die, there are fewer lions. This is the cycle of nature—the same goes for mankind and for industry. Let the cycle of life work! Let them go bankrupt! In industry, the way it works is this: the machinery of the bankrupt companies is sold off cheap, and others buy it for half the price. Of course, a lot of people go unemployed . . . I sympathize with them, but there is no other solution. It works, since costs are reduced! Reduce the costs! It is as valid for political life as it is for animal life, when governments are faced by realities! That's how we'll meet the Russian challenge, by perfecting our own tools, cutting the costs, cutting the budgets, standardizing NATO. . . .

"I am for zero growth, no growth for now. We must first lick our wounds, face the problems. Peccei [Aurelio Peccei, who leads the Malthusian Club of Rome] is right. Let's have the law of the jungle in business, instead of pouring money to people, which feeds high hopes of a better life! Everybody now hopes they can live better. I'm sorry, there is no way that can happen now. It's not possible anymore. I'm for the old, old, orthodox principles: for new equilibriums. . . . The danger for us does not come from the ecologists and the pacifists—that is only an infant disease—these kids have an ideal. The real danger is with the costs."

A flexible monetary policy

This being the underlying world-outlook of the oligarchs that use the territory known as Belgium as their base for international operations, it is of some interest that doubts have begun to set in amongst some Belgians concerning the wisdom of some of their key policies.

The chairman of one of Belgium's "Big Three" commercial banks started a conversation by boldly stating, "Even if it means two to three years of recession in world trade, if inflation is going to be contained and rolled back, I am willing to pay the cost." A few minutes later he confessed that "We are wondering whether in fact this high-interest-rate policy is not going to detonate the whole system into one big explosion," and complained that the Belgian oligarchs' plantation, Africa, was being destroyed—"It's imbecilic to try to

decouple it from the world economy, it's wrong!"

Similarly, a former finance minister and bank chairman, and a man not devoid of stated sympathies for the Club of Rome, said, "Quite a few of them were generous men, at the beginning!" He stressed that "Volcker's policies have accentuated the tendencies for a depression. And there is no solution, for Europe or the United States or the world, unless the Federal Reserve is compelled to change course, and Volcker forced to resign. We must have a broad and flexible monetary policy. As my friend Robert Triffin [the economist who has sponsored demotion of the dollar in favor of an Anglo-Belgian-dominated "unified Europe" for 40 years—ed.] says, if we must choose between unemployment and inflation, let us choose inflation. The contrary policy has been implemented, and this has been the error of the central banks. As a result, corporations are dying. Restrictive monetary policies are killing the economies. We're having simultaneous recession, perhaps depression, throughout the OECD countries. We need cheap credit, even if it may rekindle inflation somewhat. Otherwise, deflation will wreck NATO. You must not discourage too much the broad masses of society."

This is one current of opinion. Another was expressed by a self-styled "admirer of Margaret Thatcher," a board member of a large bank, who proudly presented the situation in Belgium as a harbinger of things to come elsewhere: "We are finally dismantling our health and social security system, and cutting wages; workers, for the first time in decades are taking large cuts in nominal wages—at Sabena [the national airline], they just took a 15 percent cut, at this bank a 5 percent cut! We have gone far too far in the 'securitization' of the individual in Europe, too much education paid by the state, too much public works, too much health expenditures—the pendulum is swinging to the other direction now." The final, sad comments of this gentleman expressed the nagging doubt at the incompetent policy: "The problem is that Mrs. Thatcher is so hard to sell, and Reagan's policy may well run into a total catastrophe!" The only thing that brought a smile back to his face was the thought that, perhaps, West Germany's Chancellor Schmidt could be "running out of steam," and could be replaced by the Club of Rome's own candidate for chancellor, Ernst Albrecht.

The little brother of the would-be emperor of central Europe, Otto von Hapsburg, the Archduke Karl, who works at the Société Générale de Belgique (the owners of a good chunk of Africa), and calls himself "Charles de Bar," did not want to receive the envoy of *EIR*. Belgium became the desolate place it is especially after his ancestor, Emperor Charles V, sent the Duke of Alba to massacre hundreds of thousands of people there as an early manifestation of today's Malthusian doctrine.

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Japan cuts foreign investment

Japan is trying to protect the yen—but only changing the world trend to speculative investment can reverse the crisis.

In an attempt to defend the yen, whose value has dropped almost 10 percent since mid-February, the Japanese government has instructed Japanese banks and corporations to cut back on their overseas investments, according to Bank of Japan (BOJ) officials. So far, Tokyo has ordered at least a 30 percent cut in long-term, yen-denominated capital placements—that is, bank loans, and direct investments—and, according to the April 6 *Nihon Keizai Shimbun*, is considering even more drastic cuts.

Since the restrictions do not yet affect dollar-denominated loans and investments which make up the overwhelming majority of capital outflow, the cutback should amount to no more than a few billion dollars over the next six months. If a deepening yen crisis forces application of such restrictions to dollar-denominated investments as well, then Japan's program of development loans to such key countries as Mexico, Brazil, and Indonesia, as well as direct investment in the advanced sector, could grind to a halt. So far, according to Jiji press, the authorities are content with limiting dollar-denominated loans to a 10 percent growth rate, compared to a doubling during 1981.

From a level of approximately 230 yen per dollar during most of January and February, the yen has suddenly fallen to a 248 to 250 per dollar level. This 20-point fall in six

weeks is equal to the entire fall over the past several months.

A Bank of Japan official insisted to *EIR*, "The reason for the fall in the yen is the high American interest rates. Up until recently," he explained, "the yen had fallen only slowly because people believed that the effect of the interest rate differential would be overcome by the fundamental strength of the Japanese economy and its strong trade surplus. But now, people believe American rates will stay high and they are no longer betting on economic fundamentals."

Bank of Japan authorities reportedly believe trying to stem the fall through intervention in the face of Volcker's interest rates, would be like King Canute trying to hold back the sea. Fearing the yen could be pushed to 260 per dollar, the authorities will try to hold it at 250 per dollar via the restriction on capital outflow and surgical, sporadic currency interventions. Reportedly, the British and Swiss trusts managing Arab funds are telling their clients that they are better off earning 16 or 17 percent in the United States than 7-8 percent in Japan. The long-term capital inflow, which was regularly reaching \$2-\$2.5 billion per month in 1981, is now about \$600 million per month.

This is compounded by the sharp drop in Japan's trade earnings due to Western recession and protectionism.

During the first months of 1982,

Japan's exports have been falling in dollar terms while rising in real volume terms. (Both February and March dollar export totals were less than during the same month of 1981.) Whereas Japan earned a \$20 billion trade surplus in 1981, it could begin showing a trade deficit in dollar terms within a few months.

Meanwhile, an important change has meanwhile occurred in the character of Japan's own long-term investment overseas, say Japanese officials. Last spring, after monetary officials lifted the clamp-down imposed on yen and dollar overseas investment due to the Khomeini-caused plunge of the yen, the volume of Japan's investments overseas (including bank loans) doubled from only \$10.8 billion in 1980 to the record high of \$22.7 billion in 1981. This outflow was divided between investments in setting up manufacturing and commercial subsidiaries in the West, or other advanced country investments, and development packages for the industrializing Third World.

By the end of the year, and during early 1982, according to Japanese officials, more and more of the average \$2 billion monthly overseas investment was switched to simply seeking high-interest paper investments in the West.

Of the three sources of the fall of the yen—slowing of exports, slowing of investment into Japan, and rise of investment outside of Japan—the only one the Japanese authorities can control is the latter.

The current package of restrictions is designed to attempt cut back on the capital outflow simply seeking higher interest rates without crippling either Third World loans or productive investment in the advanced sector.

Rites of passage for S&Ls

The FSLIC is almost bankrupt. So are many more thrifts. So are the remedies being proposed in Washington.

The Federal Savings & Loan Insurance Corporation has spent so much money bailing out thrift institutions that it is nearly out of cash, New York commercial bankers say. "The FSLIC is bankrupt," one source stated succinctly. And at the same time, roughly 1,000 of the nation's 4,700 savings and loan institutions are inches from bankruptcy, as a result of the Federal Reserve's high interest rates.

In 1981, 17 out of every 20 S&Ls lost money. And, according to the S&L specialist at the Brookings Institution, Andrew Carron, FSLIC figures show that, whereas in 1975-76 the share of thrifts' lending to the housing sector was 60 percent, by the fourth quarter of 1981, it was minus 9 percent!

This problem could have been solved at any time during the past two and a half years, by ousting Volcker and his policies and providing preferential, cheap credit to the productive sectors of the economy, including home-building. That would have quickly reversed the situation in which thrifts carry old mortgages at 5-7 percent, while paying out an average 11½ percent on savers' deposits, and effective demand for housing is pulverized.

Does Volcker now agree to alter his policy? Not at all. He wants to stampede Congress into bailing out the S&Ls with some \$10 to \$20 billion in taxpayers' money. The "leak" in mid-April that the FSLIC is close to empty should provoke

such congressional response, my usual Treasury source told me, laughing.

Volcker's only problem now is that Congress is balking at a bailout, he said. "Freddie," meaning Representative St. Germain, Chairman of the House Banking Committee, "has backed off. He's counted his votes and for now believes he can't get a bailout through. He can't move the Democrats on it this year, in an election year, without political damage to them. The Republicans have already warned they will cry 'foul' and accuse the Dems of budget-busting if they vote up money for the S&Ls before it is absolutely necessary. So the House Banking Committee won't do it until it is absolutely necessary—and then they will wait until the crisis is upon us, and force the Republicans to do it themselves. The Republicans are not ready to do so yet. Treasury is telling them not to."

My source predicted that the crisis would hit in the fall. Meanwhile, the Fed will paper over the situation. "The major problem is that for now, Congress won't give the S&Ls anything else, so the Fed will have to increase use of the discount window. This will grow gradually, and by the fall, there will be substantial use of the discount window and a substantial amount of discount loans outstanding to S&Ls. But it will take more than the current situation to convince Con-

gress that more is necessary."

Such Fed money-printing could cause a panic, of course. Then Congress would be forced to step in. "If and when people do get upset about the S&Ls, or about Fed lending to S&Ls, then Congress will move," concluded my source.

The Reagan administration's own interim solution has been to hand out cash to relatively healthy S&Ls to enable them to take over failing S&Ls, a ploy that has now reportedly consumed most of its \$7.5 billion in insurance funds. As this failed to cover the gap, the FSLIC resorted to two other operations, or, properly speaking, scams.

First, it helped provide huge tax breaks to solvent S&Ls who agree to assume the losses of failing ones. This averted the need for FSLIC outlays in most of the 324 mergers that occurred in 1981. Secondly, the FSLIC gave faltering S&Ls paper credits to boost their net worth, and bolster their books. Those bogus assets will disappear with the first wave of S&L bankruptcies.

Moreover, all the merger policy has done is to make those S&Ls with some income-earning ability spread that income over a greater mass of bad debt. The income-earning ability of the thrifts as a whole is not increased, and won't be until the Volcker question is dealt with. Note that the Hyde Park Savings and Loan of Chicago, which took over two failing S&Ls in 1981, had to be taken over itself this January to keep it above water. And the 20th largest S&L in the country, the Fidelity Financial Corporation, a S&L holding company based in California with \$3 billion in assets, was shut down by federal authorities April 13; a new owner is being sought.

Building India's dairy industry

The National Dairy Development Board's "Operation Flood" will raise per capita milk production 40 percent by 1986.

Foodgrain production in India is expected to reach 134 million tons this year, a new record, and the most prominent indicator of India's progress in agricultural development. Less well known but as impressive is the country's progress in developing a modern dairy industry—a task accomplished through the kind of program of producer-organization and parity pricing that has made the U.S. dairy industry the most efficient in the world.

What is involved is a 30-year organizing process to educate and organize individual dairy farmers into cooperative production and marketing associations, break up the combined milk-dealing and money-lending operations run by urban contractors, and establish processing and distribution facilities in the major market centers, as well as build up the range of veterinary, improved feed, and related essential services.

The effort is synonymous with AMUL, Anand Milk Union Limited, and with AMUL's general manager since 1949, Dr. Verghese Kurien, also first chairman of the National Dairy Development Board set up in 1965.

The tough and knowledgeable Dr. Kurien and his colleagues built up AMUL in the western part of India near Bombay as a model of what was possible throughout the country. The AMUL union is made up of 890 village societies.

Milk is collected twice a day, its value determined on the basis of fat

content, and taken to the district dairy owned by the societies comprising the union. At the district dairy the milk is pasteurized and then sent to the government-owned city dairy. Excess milk is siphoned off and converted into milk products.

AMUL provides its members with mixed cattle feed daily. The service not only enhances productivity but is essential for the many small producers who do not own sufficient land to maintain cows or buffaloes. But before producers could take advantage of this they had to be convinced that the hard, dry, machine-made pebbles were really adequate substitute for green fodder!

AMUL also has 76 veterinarians in five centers throughout the district who visit each village once a week providing services to members and nonmembers alike.

The village societies use the annual surplus they earn to invest in the construction of schools, roads, wells, and dispensaries in their villages, in addition to distributing a bonus to members.

In 1970 the NDDDB drafted and won ministerial approval for a program called "Operation Flood." The overall objective: to build an efficient dairy industry capable of meeting India's needs. The core strategy was to gain a dominant share of the milk markets in the country's four largest cities—Bombay, New Delhi, Calcutta and Madras—by means of establishing

cooperatives on the AMUL model in 17 milkshed districts of ten states around these centers.

Only by securing these markets could a steady demand for the output of the rural dairies be guaranteed, in turn guaranteeing farmers a fair return. The second stage of "Operation Flood" will extend the industry co-ops to 27 milksheds, supplying milk to all towns with a population over 100,000.

Operation Flood was ingeniously financed by the reconstitution and sale of butter oil and dried skim milk donated by the U.N. World Food Program.

The results of Operation Flood are lawful. The country's milk-processing capacity has increased sixfold since the project began, and the capacity of the four major-city dairies alone nearly tripled. Rural milk procurement through the co-ops increase more than sixfold. The annual growth rate of milk production, which was 1.6 percent in the fifties, and .5 percent in the sixties, was 4.5 percent throughout the seventies. Production in 1980 was 30.2 million tons.

Milk prices have risen, but, just as in the United States, the price increases have actually lagged behind rises in the Indians' consumer price index. And Dr. Kurien is not inclined to be defensive about the industry in the face of the same consumerist campaign U.S. dairymen faced this year.

"The pivotal point of my program is the pricing of agricultural inputs and outputs," he stated. "India is a rural country. Our urban citizens must accept that food prices, cotton prices, and other farm goods' prices keep pace with the prices of goods and services produced in urban areas."

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$201 mn.	Taiwan from U.S.A./U.K.	The Republic of China is working out details with Combustion Engineering for Taiwan's twin 950-MW nuclear plants. Combustion Engineering beat back a strong effort by France's Framatome to break into an excellent nuclear market which has been a U.S. monopoly by presenting an offer judged technically superior to the slightly cheaper French deal. C-E is selling the fuel core, reactors, and steam supply system, while England's Parsons won the turbine contract.	
\$588 mn.	Nigeria from Brazil	Paranapanema of São Paulo, Brazil, has signed contract to rebuild 145 km. of rail line from Port Harcourt to the Niger River for Nigerian Railroad Corp. A \$210 mn. low-interest loan from Brazil's CACEX export agency helped win the deal.	Brazil already has signed several billions in construction contracts with Nigeria.
\$480 mn.	Argentina from Switzerland	Farm cooperatives from Sante Fe Province are building a fertilizer plant based on Argentina's abundant natural gas. Geneva subsidiary of Italian state Snamprogetti is providing engineering, technology, and construction supervision and will receive 20% ownership share in INPARGO consortium. Plant will provide 495,000 tpy urea, 100,000 tpy ammonium nitrate; 17,000 tpy ammonia for Argentine farming, which has one of the modern world's lowest fertilizer-usage rates.	Italian and Swiss interests have very strong influence in Argentine financial affairs and construction industry.
\$70 mn.	Guatemala from Switzerland/Italy/Austria	Guatemala has awarded \$46 mn. civil construction contract for Santa Maria II dam to Codelfa of Milan and Pavicon of Guatemala. They will expand existing dam, build regulating reservoir, tunnels, and powerhouse. Swiss and Austrian firms are supplying powerhouse equipment for the 68-MW capacity increase.	Guatemala is contracting despite political uncertainties and troubles with international bankers.
\$200 mn.	Ecuador from Spain	Agroman of Spain will build 500-MW earthfill hydroelectric dam on Guayas River.	Project includes 247,000 acres farm irrigation.
\$125 mn.	Ecuador from Sweden/Norway	Agoyan dam and 150-MW power plant will be constructed by Sweden's ABV and Norway's Hoyer Ellefsen.	On Amazon tributary, Evayas River.
\$56 mn.	Indonesia from Japan	Indonesia has approved joint venture of Komatsu and United Tractor to assemble 1,000 steamshovels and bulldozers per year in Indonesia.	
\$32 mn.	Uruguay from Italy	Italtel subsidiary of Italian state IRI will design and direct installation of rural telephone system in Uruguay.	System includes satellite ground station.
UPDATE			
\$45 mn.	Egypt from U.S.A.	General Motors may soon agree to install a plant near Cairo to assemble light and medium trucks from components manufactured elsewhere.	
\$151 mn.	KwaZulu from U.S.A./South Africa	A subsidiary of General Electric's Utah International is considering digging an anthracite mine in the KwaZulu tribal homeland area of South Africa. Gencor of South Africa would be half-owner of the 1.5 mn. tpy mine.	

Congress debates wrong issue

A new bill to allow U.S. electrical utilities to diversify avoids the prime problem of the nation's energy needs.

The backbone of the industrial economy of the United States, the publicly owned electric utilities, are indisputably in the most severe financial crisis since the Great Depression of the 1930s. Congress plans to hold hearings on legislation recently introduced to address this crisis. The House bill of Republican Tom Corcoran of Illinois, H.R.5220, the Utility Financial Reform Act of 1982, seeks to amend the Public Utility Holding company Act of 1935.

Hearings on the bill, supported by parallel Senate legislation introduced by New York Sen. Al D'Amato, will begin on April 27. The intent of the Corcoran bill, according to Reid & Priest, the law firm representing a group of 35 electric utilities working with the Illinois Republican for passage of the change, would allow utilities to diversify out of the business of providing electric power for running the nation's industry, farms, and homes. This could permit them to become pure speculative holding companies which, in theory, would be able to buy anything from real estate and Atlantic City casinos to oil wells or coal mines.

The argument from the industry, headed by Duke Power Company, is that the severe drop in book value of utility stocks, lowered bond ratings, and resultant higher interest rates, have jeopardized major portions of the industry. This is certainly true. The problem is the

proposed cure.

The move began about a year ago, when the so-called Duke Group, which also includes some of the most important U.S. utilities, LILCO in New York, Pacific Light and PG&E in California among them, began fishing for some avenue of relief from the collapsing economy. In October, the Duke Group had Representative Corcoran behind the proposal to amend the 1935 legislation. I explained the implications with several Wall Street investment houses which deal with utilities as well as the utility industry.

At this point, the Edison Electric Institute, the official lobbying group of private utilities, is fully behind the Corcoran bill, according to Douglas Bauer, a top official of their finance group. Bauer told me that the concerns about buying casinos and the like were "excessive." As early as last October, Bauer told a meeting in New York co-sponsored by EEI that even if the economic health of electric utilities improved, diversification would "remain an important strategic alternative."

It seems that John Shad, head of the Securities Exchange Commission, agrees. Or so he said in a December letter to New York Senator D'Amato urging repeal of the 1935 act as no longer being necessary. Shad, who came from the Anglo-American Wall Street firm E. F. Hutton, evidently leans to the

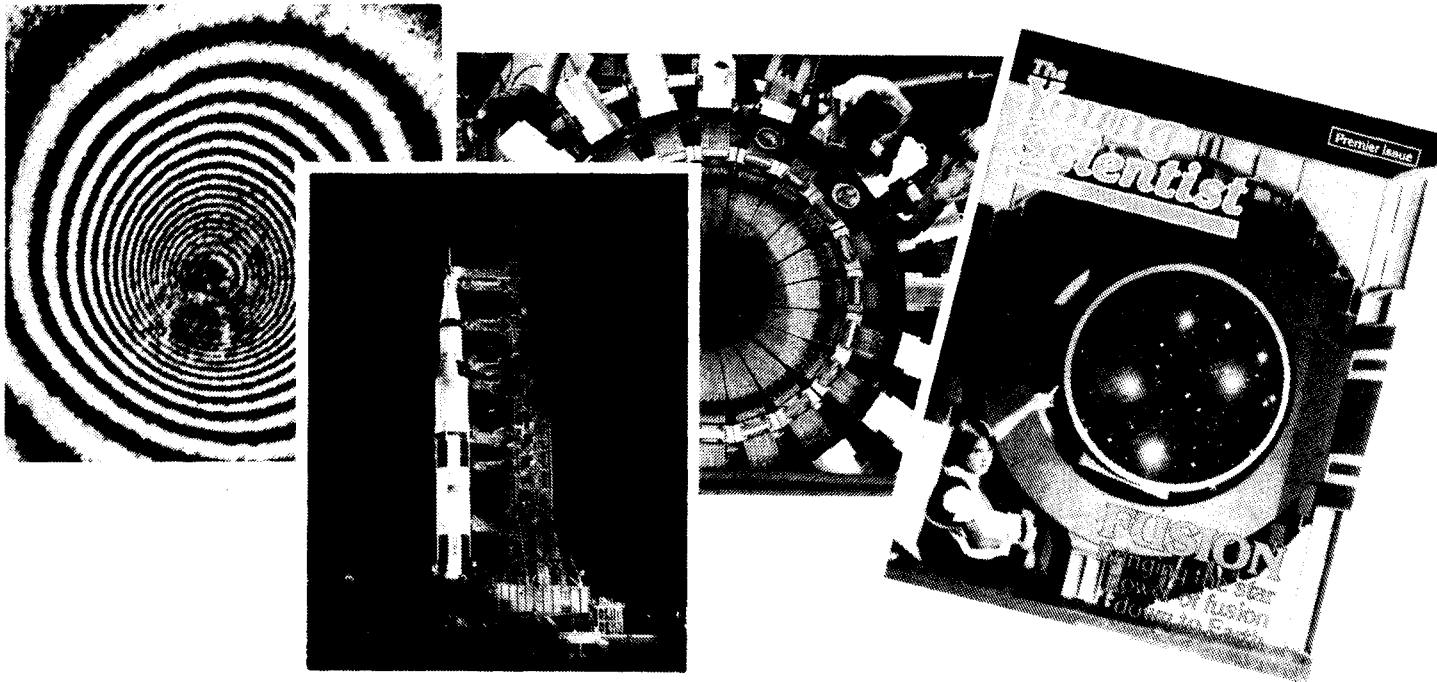
so-called free-enterprise approach.

The whole enterprise is contemptible. At the time when Duke and the other members of Edison Electric Institute are cancelling nuclear projects under construction, destroying the future basis of the economy to sustain real economic growth, they are running behind a move to transform one of the few remaining industrial self-interest groups—kept so by regulation—into the mainstream of what is called monetarism. This is one reason we have not yet had a full-blown political movement in this country, led from the board rooms of the Fortune 500 corporations, to hang Paul Volcker. Now clever whiz-kids like Shad, Bauer, Duke Power, and others are rushing to follow U.S. Steel, Du Pont, Pan Am, International Harvester, and Chrysler over the monetarist cliff. Paper profits are of little value to an economy when its electric power infrastructure collapses.

Ironically, for a change, Wall Street analysts had a keener sense of reality in this issue than many of the utilities. The Eaton Vance Tax-Managed Trust in Boston noted the fact that this is "the worst time to do this . . . this is a hotly debated issue." Merrill Lynch noted that the move is "not a fundamental solution to anything."

And this gets to the heart of the matter. If those utilities would spend their dollars fighting for every nuclear plant, and for the political back-up from Congress and the Reagan administration, instead of hiring firms like Reid & Priest to pass legislation allowing them to phase out of electric power supply to the nation, we would have political muscle against the wrecking operations of Paul Adolph Volcker.

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Affiliations are listed for identification purposes only.

Business Briefs

Foreign Exchange

East bloc banks shut out of currency markets

A number of leading U.S. banks have put a halt to foreign-exchange dealings with banks representing the U.S.S.R. and its allies. The London *Financial Times* reported April 14 that growing East bloc financial difficulties, as well as the worsening international strategic climate, are the cause.

Until recently, banks such as the Moscow-based Soviet Foreign Trade Bank and Poland's Bank Handlowy were active foreign-exchange traders, known for their efforts to make high profits on short-term currency deals.

At the end of 1981, the *Financial Times* claims, the Romanian Foreign Trade Bank failed to settle a foreign exchange transaction on schedule, raising doubts among Western bankers as to whether growing East bloc financial problems were starting to dip into foreign exchange set aside for currency deals.

The *Financial Times* notes further that "in the event of a major confrontation with the U.S.," East bloc banks fear, U.S. authorities might freeze their dollar assets. As a result, more business is now pouring into Switzerland, which is considered a safe haven from East-West confrontation.

U.S. Industry

Harvester stock analyst says: 'gone by fall'

A noted stock analyst who watches International Harvester claimed April 12 that the company "will be gone by fall," because its sales have plummeted and its debt-to-working-capital ratio has risen dramatically.

The analyst foresees three possible futures for the company: 1) a takeover by Caterpillar Corporation which will strip Harvester down to a much smaller com-

pany and freeze many loan repayments; 2) a buy-out by someone "with a fat wallet"; and 3) division of the company into parts for sell-off to other companies.

Based on sales, which were 32 percent lower in January 1982 than a year earlier, the company's ratio of assets to short-term liabilities has fallen from \$.26/\$1.00 to \$.16/\$1.00 over the same year. The company's operating capital is now only 12 percent of sales, unusually low for a manufacturing company, and according to the analyst, many of the 330 small banks who have lent Harvester nearly \$4 billion have lent more than their legal 15 percent of equity; so they now face being wiped out.

Transportation

IC Industries cuts rail grain freight rates in half

IC Industries, the Morgan-controlled holding company that owns the Illinois Gulf Central railroad, announced April 14 that it had cut in half its rates for hauling grain from Chicago to New Orleans.

The old rates of \$19.66 per ton of grain were cut to \$10 a ton with no tonnage minimum. The railroad, which reported a surplus of 700 grain cars, now says it will be 300-400 cars short, when the rates go into effect.

According to IC Industries, the purpose of the move was increased rail competition with barge haulage on the Mississippi River. Barges currently charge \$9.50 a ton for grain traffic to New Orleans, the world's largest grain port.

According to Edward S. Reed, the executive director of the Port of New Orleans, there is now legislation pending in Congress to triple taxes on diesel oil used on river barges, impose segment tolls on all waterways, impose maintenance charges for all ports, and strip tax-exempt status of industrial revenue bonds which are used to improve ports.

Besides the multi-level attacks on waterway traffic by railroads and Congress, it is also believed that the Cargill

Grain Company of Minneapolis, Minnesota, possibly in conjunction with other grain companies, is seeking to corner the world grain markets in the event of a British blockade of Argentina.

Trade War

European Community: 'Let them eat cake'

Of Argentina's 430,000 tons of beef and veal exports last year, half went to the European Community (EC). The EC nations have embargoed all imports from Argentina as of April 17. The embargo, the first ever imposed by the EC, came in response to Argentina's repossession of the Malvinas Islands from the British.

Of the 189,999 tons of beef Argentina exported to the EC last year, nearly half of that, or 72,000 tons, went to the United Kingdom.

U.S. Department of Agriculture officials do not expect the United States to receive significantly increased orders for beef to replace the Argentine meat. Europeans, whose average diet rarely includes good beef, are expected to have their consumption reduced for the duration of the embargo against Argentina.

Beef prices in the United States remain depressed, with live cattle selling in Chicago for \$67.15 a hundredweight and choice carcasses selling for \$107 a hundredweight.

Monetary Policy

EMS treads water in face of crisis

As increasing instability threatens to tear apart the three-year old European Monetary System (EMS), the nations of Europe seem unable to carry out the proposed changes and extensions in the system, largely in the direction of setting up the European Monetary Fund, which might alleviate the crisis. Since April of last year, the volume of central-bank

ECUs has declined from a high of 50 billion to about 38 billion, leading the European Commission to take steps to stabilize the level at 40 billion, but so far this step has not been agreed to.

Other ideas on the table include settlements between EC central banks to be wholly in ECUs, rather than 50 percent, as at present, and introducing a market rate of interest on ECUs, rather than the low rate now prevailing. But aspects of these proposals are not acceptable to Germany and the Netherlands until ECUs become more nearly a true currency, so expectations are that no major changes will be adopted at the next meeting of EC finance ministers in mid-May.

The ECU was set up as a unit of account when the EMS was initiated three years ago, and was seen as a step toward closer financial and monetary integration of Europe, and as a tool to help stabilize European currencies.

International Credit

Third World losers as 'political risk' fears grow

In the course of a single year—one filled with crises in various parts of the world—the volume of Federally-guaranteed insurance for “political risk” for companies investing in Third World countries is up 500 percent in the six months ending March 31, for a year earlier, to over \$1.7 billion. The insuring agency, the Overseas Private Investment Corporation (OPIC), received more applications for insurance in the last quarter of 1981 than in the full year of 1979.

The concern is not prompted by any increase in the number of claims in the recent period—the \$25.5 million paid out in 1981 is about average for OPIC—but by fears for the future. The 15 claims in 1981 were confined to four countries, Iran, Zaire, Nicaragua and Ghana.

According to OPIC head Craig A. Nolan, the fall off in company interest coincides with increased desire of Third World countries to bring in investment. Nolan also said, however, that he is ac-

tively seeking to privatize his operations by having private insurance companies play a more active role, though the response has been minimal so far.

International Investment

Administration repeats demand that Japan sell out

Commerce Department Undersecretary Lionel Olmer and Assistant Trade Representative Harvey Bale are insisting that the Japanese government aid multinational buyups of Japanese corporations as a prerequisite for “opening Japanese markets.”

Olmer and Bale spoke April 12 and 13, respectively, to 250 attendees of the U.S.-Japan Conference in New York sponsored by American businessmen, the Japan Hour Association, and the Japan External Trade Organization (JETRO). The purpose of the conference was to encourage Japanese businesses to set up manufacturing and distribution facilities in the customs-free “foreign trade zones” that have sprung up throughout the United States in the last two years. Conference attendees said that Japanese businessmen took in the information available but did not appear particularly eager for this type of investment.

Bale declared, “increasing Japanese investment in the U.S. foreign-trade zones, while positively expanding production and employment in the zone, will not tend to improve the U.S.-Japan trade imbalance. Indeed, in the short run, it may worsen it.” He argued that increased exports follow increased foreign investment.

Joining a demand previously enunciated by the Commerce Department, Bale endorsed a recent *Wall Street Journal* headline, “Japanese Aversion to Selling Companies May Be the Ultimate Barrier to U.S. Trade.” He said the Japanese government should help U.S. companies purchase Japanese companies. Unlike in the United States where mergers and takeovers are common, they are rare even among Japanese companies.

Briefly

● **MARINE MIDLAND** Bank, the U.S. subsidiary of Britain's Hongkong & Shanghai Bank, is one of the few U.S. banks turning a profit this year, despite Fed Chairman Volcker's high interest rates. Marine reported first-quarter 1982 earnings up 5.4 percent, to \$21.6 million, and net interest income up 14 percent to \$144.4 million. Net income would have been even higher except for non-banking expenses related to Marine's major expansion programs and investments in new products and services. *EIR* has long contended that the Hong Kong banking parent purchased Marine for use in its laundering of international narcotics revenues. Could this be part of the earnings surge?

● **THE U.S. TREASURY** is disturbed that Congress has not yet renewed its authority to issue long-term bonds, which ran out in January. The Treasury desperately needs to issue more 30-year debt, and 30-year paper is now trading at a premium due to a shortage on the market, Wall Street traders said in mid-April. “We are seeking congressional action to increase our bond-issuing authority,” a Treasury spokesman told reporters.

● **THE STATE** Legislature of Massachusetts is deliberating the first comprehensive bill for total deregulation of all banking, including allowing savings & loans all the activities of commercial banks.

● **WORLD WILDLIFE** Fund President Russell E. Train was in Brazil in mid-April, ostensibly to attend major environmentalist meetings on the preservation of rare species in the Brazilian jungles, aides said. Train, a leading member of the Committee for the Year 2000, the private-sector support group for the *Global 2000 Report*, was probably looking into measures to begin reducing Brazil's growing population.

Volcker's demographics: why America is dying

by Richard Freeman

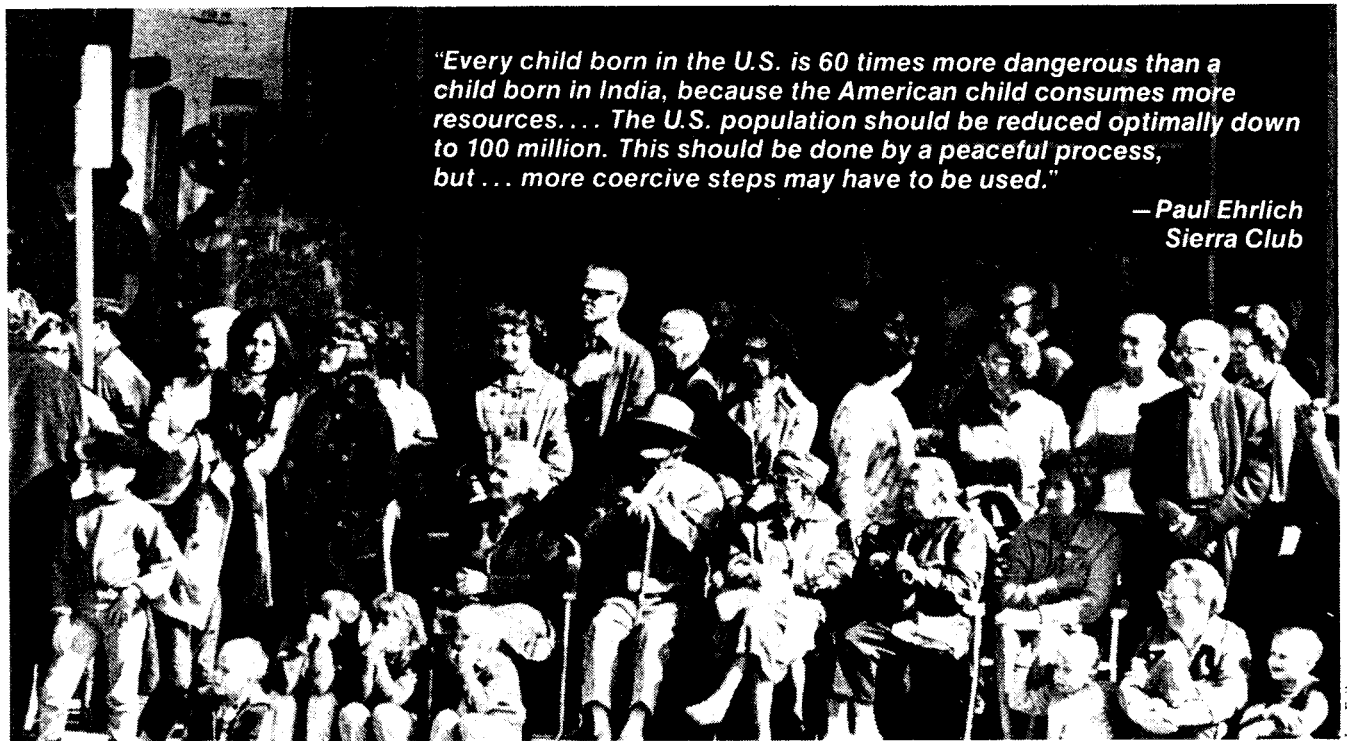
The U.S. population is currently 225 million people, and only mass killings—not birth control, not even abortions—could reduce it to less than half its current size. The author of this genocidal proposal is environmentalist Paul Ehrlich, who teaches biology at Stanford University. Ehrlich is a leader of the zero-growth Sierra Club and his wife Ann is a member of the U.S. Association for the Club of Rome, the supranational organization that endorses global depopulation through genocide. Ehrlich wrote the 1969 book *The Population Bomb*, in which he predicted that the United States would become overpopulated to “standing-room-only” proportions unless demographers were given dictatorial powers to decide which families would be allowed to have children and which would not.

Ehrlich's call cannot be dismissed as a blueprint for the future. His population-reduction policy is being carried out in the United States today with as much ruthless efficiency as the Nazi campaign against “useless eaters” that found its horrifying logic fulfilled in the concentration camps. The chief executioner of this policy is Paul A. Volcker, the U.S. Federal Reserve chairman and, before he took over the Fed in 1979, a paid employee for 15 years of David Rockefeller, the founder of the Trilateral Commission.

Since 1979, when Paul Volcker vowed that he would lower American living standards by keeping interest rates at double-digit levels, living standards have in fact fallen in the United States by 18 percent. The U.S. fertility rate has dropped, in that same period, below the 2.1 births-per-child-bearing lifetime needed to physically *replace* the population.

As this report will show, post-war anti-industrial credit policies have:

- forced more than three out of five American women of child-bearing age into jobs outside the home;
- devastated the U.S. housing industry, making the raising of a family more and more difficult for ordinary Americans to contemplate;
- raised unemployment to 22.4 percent as the rate of industrial bankruptcy has doubled between the first quarter of 1981 and the first quarter of 1982;
- hit with particular force the minority populations with the effect of



"Every child born in the U.S. is 60 times more dangerous than a child born in India, because the American child consumes more resources.... The U.S. population should be reduced optimally down to 100 million. This should be done by a peaceful process, but... more coercive steps may have to be used."

—Paul Ehrlich
Sierra Club

Jon Ernkson

income collapse, unemployment and family disruption.

How is the policy of fewer people being sold to America, a nation that has prospered as it has grown for over 200 years? Americans are being told two sets of lies. The first lie is that they consume too much: too much water, too much food, too much energy—and that this consumption is depleting the earth's limited resources and bringing the whole species close to doom. The second lie is that Americans have started to believe the first lie, and are voluntarily purchasing smaller and fewer houses, smaller and fewer cars, less meat, and less energy.

The overconsumption hoax

In fact, Americans consume too little. Unless U.S. consumption rises—particularly the consumption of materials and training that upgrade the education, skill levels, and general intelligence of the population, America will not have the skilled workforce and scientific cadres capable of producing in a 21st-century economy, and it will collapse into permanent decay. If it appears that the United States consumes "too much" in comparison with, say, El Salvador, Zaire, or India, that is because in many developing countries a sizable proportion of the population consumes just enough to maintain mere biological existence. The vast majority of the human race does not yet have the opportunity to perform creative and necessary work, that is, to live a truly human existence.

If, because of conditions in the developing sector, Americans were to voluntarily reduce their consumption, the United States would not only be committing

national suicide. It would also be condemning the Third World to death, because the output of capital goods by the advanced industrial sector is vital to their development. Kill the capacity of the United States to produce high-technology goods—as Paul Volcker is now doing—and billions in the developing sector will be doomed.

Nor is this grim outcome unforeseen by the gentlemen of the Federal Reserve. Behind Volcker are the supranational institutions to which he owes his primary loyalties—the World Bank, the International Monetary Fund, the United Nations, and the NATO-founded Club of Rome institutions committed to reduce world population by a projected 2 billion before the year 2000—as elaborated in the *Global 2000 Report* released in 1980 by Jimmy Carter's State Department.

The roots of Volcker's economic destruction

The Volcker policy of outright sabotage of the U.S. economy through high interest rates is the culmination of the British control over U.S. financial markets and economic policy that has prevailed since the Federal Reserve was established in 1913 as an extra-constitutional "fourth branch of government."

This became apparent especially in the post-World War II period as increasingly speculative markets centered in commodity and currency trading, real estate, and reinsurance speculation, and similar activities, became the controlling features of the U.S. economy.

Along with this went the growth of nonproductive service-sector "post-industrial sectors." U.S. industrial

and agricultural output was looted to cover the overhead of the speculative markets. The British used this process—fueled by the offshore Eurodollar markets—to shift the United States from a basically productive to an increasingly nonproductive economy.

In 1967, when President Lyndon B. Johnson put an end to the rapid development of the NASA space program, and the spinoff of its technological achievements in space research on the production process, the United States was blocked from any further high rates of growth.

The Johnson administration's Great Society and the predecessor Kennedy administration helped accelerate the shift toward a post-industrial U.S. economy. This policy was deliberately intended to kill the United States demographically: leading members of those administrations, are now on the board of the Draper Fund/Population Crisis Committee, one of the leading bodies for population-reduction planning, including William McChesney Martin, Chairman of the Federal Reserve, 1951-70; C. Douglas Dillon, Treasury Secretary, 1960-65; Walter W. Heller, Chairman, Council of Economic Advisers, 1961-64; and Henry Fowler, Treasury Secretary, 1965-68.

Summarizing the view of the Kennedy-Johnson administrations' economic and social policies, Margaret Mead, who served on the first Presidential Commission on the Year 2000 established by Lyndon Johnson, made the following proposal.

The Anglophile anthropologist declared that the United States and its policymakers ought to reconsider "the present family style of living, creating a new style with an emphasis on very small families and a high toleration of childless marriage or a style in which parenthood would be limited to a smaller number of families whose principal function would be childrearing." The rest of the population would be "free" to have no children at all.

In 1973-75, the first oil shock was administered by the British-run Seven Sisters multinationals to the world economy, following the rigged October 1973 Arab-Israeli war. In 1978-79, the Seven Sisters and the Aspen Institute administered a second oil shock.

The world economy as a whole, and the U.S. economy itself, were severely weakened. At the same time, the New York-based Council on Foreign Relations (CFR) started in 1973 working on its *Project 1980s* program.

The high point of the program, which has been published in 26 volumes thus far, is the idea the CFR terms "controlled disintegration." According to this theory, the world is put through oil, credit, and other types of "shocks" and is forced onto a path of zero and eventually negative growth.

The economy disintegrates, but the authors of the

program hope, in a "controlled" fashion. One of the directors of the CFR project was current Federal Reserve Chairman Paul Volcker.

When Paul Volcker assumed that position in August 1979, he applied his monetarist policy.

The assault on the family

For the past 25 years, an operation to destroy the American family unit through organized mass movements of degeneracy and depravity has been run by the London-based Tavistock Institute, the premiere psychological warfare brainwashing unit of British intelligence, which *is controlled by the same financial institutions that dictate Paul Volcker's economy-wrecking policies for the United States*. This special report documents its frightening success.

First to be attacked was the American sense of identity embedded in the belief in progress and individual accomplishment. Using its control over television, the film industry, and printed media, Tavistock perpetrated the notion that to "discover the real me" a person had to become "liberated" and "do what his inner feelings dictate." Gone is the obligation to make something of oneself. Tavistock encouraged each person to let his infantile impulses govern his behavior.

To shape and shift this change in identity, Tavistock engineered and steered "social movements." There was the "beatnik" phase, the hipster phase, the flower children of the late 1960s, the "turn on and drop out" drug phase. They were meshed with the Tavistock-led environmentalist and women's movements. And in the background, there is the continual pitch that there are too few resources, and those who are "really in touch" with themselves and with nature will not have children and instead adopt "alternative lifestyles."

With the massive aid of drugs, alcohol, and rock music, this was made to seem attractive to the young, the majority of whom either embraced the ideology or became very tolerant of it. The flower children of the 1960s are now the parents or potential parents of the 1980s, but the traditional emphasis on having children who grow up to "make something of themselves" has become viewed as outdated and reactionary. With the rise of the self-centered "me generation" has come an increase in mental instability, violence, and such hideous social movements as the Hare Krishnas and the die-with-dignity cult. Today the nation's youth are undergoing a mental and physical holocaust unparalleled in American history. Together with the high youth unemployment rate, this ensures that the next generation that should carry on the nation's work is largely unable and unfit to do so.

The entirety of this Special Report was researched and written by EIR's Richard Freeman.

Paul Volcker's war against American family formation

The existence of stable family units is a prerequisite for having children and educating those children into citizens and adults. The family is the unit that nurtures and feeds the child, provides him with toys and other objects of the world to explore, provides the child with adequate room and discipline to study and play, gives the child an allowance to enjoy entertainment or culture, pays for the child's expenses through the child's school days, which in an advanced economy, where functional literacy is defined by the ability to become a skilled craftsman, engineer or physicist, may mean paying bills for the first 18 to 25 years of a child's life.

But the family does more: it teaches the child, increases the child's concentration span and broadens his horizons, loves the child, and thereby imparts to him the capability to judge what is right and what is wrong—a sense of morality.

Because of the family's irreplaceable functions, the health of a nation's families can be considered the barometer of that nation's current and future well-being. In the case of the United States, all the leading statistical indicators of the future of the family—rates of family formation, divorce, illegitimate births, fertility rates, and youth unemployment and crime—are heading in the wrong direction.



The destruction of family formation

In 1960, 74.1 percent of all households—defined as one or more people living in a single dwelling—were headed by married couples. In 1970, 70.6 percent of all households were headed by married couples, a decline of 3.5 percentage points. But in 1980, only 60.9 percent of all households were headed by couples, a decline of nearly 10 percentage points during the 1970s and three times the rate of decline in the preceding decade.

What took the place of the family?

From 1970 to 1980 the percentage of households that were headed by non-married individuals living either singly or together as “live-in lovers,” in communes, homosexual “marriages,” and so forth, rose from 29.5 percent to 39.1 percent of all households.

It is clear that if this trend continues at the rates exhibited during the decade of the 1970s, then by the year 2000, 42.5 percent of all households will be headed by married couples and 57.5 percent will be headed by non-married couples. By this point the notion of the family will long since have been obliterated. The United States will have been subjugated to a combination of hedonism, poverty, and ignorance in which only an elite retains the option of the freedom to have children and raise them adequately.



Fertility

The U.S. fertility rate has been below the level necessary to replace existing population—a rate of 2.1 live births per woman during her child-bearing years—for nearly a decade since 1972. Currently the total fertility rate is 1.8 to 1.9 live births per woman.

This is the lowest fertility rate in the 200-year existence of the United States as a nation. It is only one-half the rate that prevailed as late as 1957, and well below the rate at which the nation can replace its current population. U.S. population growth is not negative only because of the approximately 1 million immigrants who enter the country legally and illegally each year.

At the height of the so-called baby boom in 1957, the fertility rate was 3.767. In fact, the baby boom is a demographic hoax. Even during the depths of the 1930s depression, the fertility rate never fell below the replacement level of 2.1 live births per woman. Prior to the depression, the U.S. fertility rate was always higher than 3.0 and at least at 1950s “baby-boom” levels throughout the 19th century.

Other measures of fertility make the same point. In 1957, 122.9 children were born per 1,000 women of child-bearing age (the general as opposed to the total fertility rate). In 1980 only 68.5 children were born per every 1,000 women of child-bearing age.

Why the decline in fertility rates?

The comparison in outlook between the baby-boom years of the 1950s and today is striking. Then soldiers newly home from a victorious war and entering an

American economy that was still relatively vibrant, felt more confident about the future, and began either marrying for the first time and building a family or enlarging an existing family. Even as late as 1962, when the fertility rate was 3.423, this mood tended to prevail.

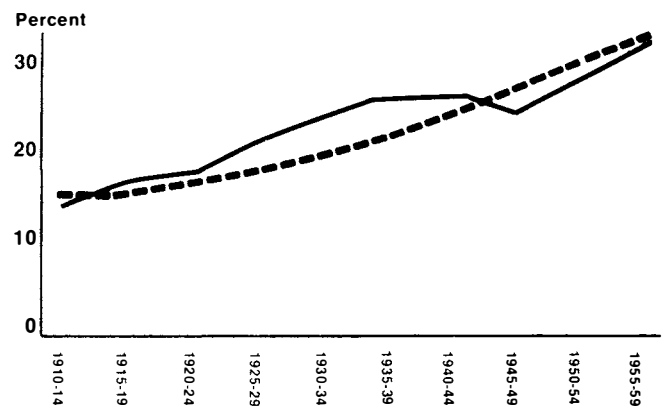
The decline in fertility is also matched by the later age at which people are getting married. In the 1950s, about three-fourths of all women between the ages of 20 and 24 were married; currently only one-half of all women in that group have married. Other factors include the huge influx of women into the labor force, the increased use of contraceptives, and most important, the inability to afford children.

But there has also been a “value shift” among Americans, confirms Thomas Smith, a senior study director for the National Opinion Research Center.

“People just are not putting the value on children they used to,” says Smith. “Today, many people may not prefer to make expenditures on children. Children aren’t seen as valuable as a Ferrari sports car or getting a \$100 ticket to see the Broadway show *Nicholas Nickleby*.”

The fertility rate need not stay this low. There are now more women of child-bearing age than at any time in the last 40 years; the damage of the recent years can be reversed.

Figure 1
The trend in divorce



The solid line shows the percentage of marriage ending in divorce for couples first married in the period shown at the bottom of the chart. The broken line shows the average trend in divorce rate during the period. Preston and McDonald, “The Incidence of Divorce within cohorts of American Marriages Contracted since the Civil War,” *Demography*, February 1979.

Divorce

Figure 1 shows how many first marriages formed in specific years will end in divorce. Of first marriages occurring in 1910-14, it is estimated about 15 percent

will eventually end in divorce. But for first marriages occurring at the end of the period covered by the chart, 1955-59, it is estimated that one-third will eventually end in divorce.

Other estimates of all first marriages occurring in 1980 predict that from 35 to 45 percent will eventually end in divorce.

In 1920 there were 7.45 marriages for each divorce. But in 1980 there were only 1.41 marriages for each divorce.

The tendency of divorcees to remarry does not reverse the trend of growing divorce. According to Census Bureau data, of those who remarry after divorce, 50 percent wind up in divorce court for a second time.

Illegitimate births

In 1979, an estimated 597,800 babies were born throughout the United States to unwed mothers, accounting for about 1 out of every 6 children born. The total in 1970 was only 399,000 babies, or 10 percent of all births.

A more shocking set of figures shows the destruction of the family in the inner cities. In the year 1979, in Seattle, 18.8 percent of all children were born out of wedlock; in Denver 25.7 percent; in Los Angeles 25.8 percent; in Boston 36.6 percent; in New York, 36.7 percent; in Chicago 44.4 percent; and in Washington, D.C. 55.6 percent, or more than one out of every two babies, were born out of wedlock.

Children with fewer than two parents

In 1979, one-parent families constituted 20 percent of all families with children present, compared with only 11.4 percent in 1970. In 1960, 23 percent of all black children were in one-parent families; in 1979, 45 percent of all black children were in one-parent families, and another 11 percent of all black children were living with neither parent. The majority of black children do not grow up with both parents in the home.

Women in the labor force

Volcker's collapse of the U.S. economy is making itself felt on the stability of even two-parent traditional families, as more and more American women are forced into the job market as wage-earners to make ends meet. In 1944, of the 18.45 million women in the workforce, 6.23 million, or 34 percent, were married women whose husbands were present in the home. By 1980, of the 44.46 million women in the workforce, this figure had risen to 24.44 million, or 55 percent.

The quadrupling of the number of married women in the workforce, accounting for more than one out of every two working women, points to the most important

fact about women at work: most of the married women who work do so because the income of one person is no longer enough to support a family.

The notion that women are primarily working to be "upwardly mobile" or "liberated" is a myth. Women are largely working at the same jobs they held 25 years ago: teacher, nurse, secretary, social worker, practical nurse, typist, bookkeeper, and so forth.

As for wages, in 1977 women earned on the average only 58.5 percent as much as men—slightly below the long-term trend.

The impact on child-bearing of the working woman trying to make ends meet is pronounced. Whereas in 1960 two out of five women in the prime child-bearing years (20 to 34) were in the labor market, by 1976 that proportion had grown to three in five.

If women had stable, long-term employment this would pose no great threat to normal child-bearing. But according to a November 1975 article in the U.S. Department of Labor's *Monthly Labor Review*, "Women, especially married women, move in and out of the labor force more frequently than men . . . have considerably fewer years of continuous service with the same employer."



Linda Ray/NSIPs

Incidence of homosexuality

According to the Hite Report, a 1976 survey of the sexual preferences and behavior of 3,000 women ages 14 to 78, 144 women in a sample of 1800—8 percent—said they "preferred sex with women." Another 73 women—4 percent—identified themselves as bisexual; and another 85 women—5 percent—said they had had sexual experiences with both men and women.

Drug and alcohol abuse

Youth are becoming "recreational users" of drugs and alcohol in greater numbers than ever before, and are becoming more addicted than ever before.

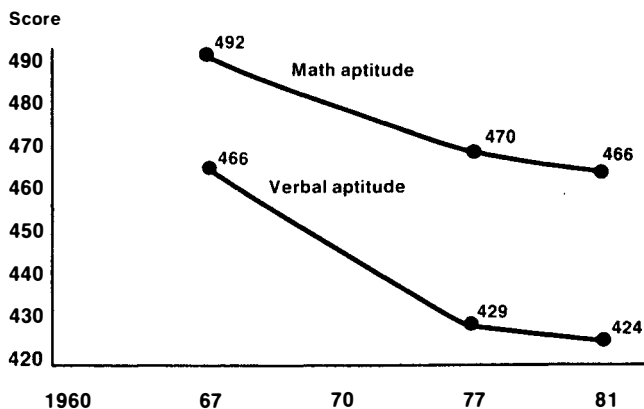
According to figures supplied by the U.S. National Institute of Drug Abuse, in 1976, 53 percent of all young adults ages 18 to 25 had used marijuana; by 1979 that figure was up to 68 percent. In 1971, 14 percent of all youth ages 12 to 17 had used marijuana; by 1979 that figure was 31 percent. In 1976 25 percent of all 18- to 25-year-olds were active current users of marijuana; that figure rose to 35 percent by 1979. Among those 12 to 17 years old, in 1971, 6 percent were active current users; this rose to 17 percent by 1979.

Marijuana has indisputably led to increased usage of other drugs. Among youth 18 to 25 years old, 16.5 percent had used inhalants; 25.1 percent had used hallucinogens; 27.5 percent had used cocaine; 18.2 had used stimulants; 15.8 percent had used tranquilizers. Among youth 12 to 17, 9.8 percent had used inhalants, 7.1 percent had used hallucinogens, and 5.4 percent had used cocaine. According to the National Institute of Drug Abuse, in 1979, 9.3 percent of all young adults 18 to 25 years old were active "current users" of cocaine.

As for alcohol, in 1974 according to the National Institute of Alcohol Abuse and Alcoholism, 40 percent of male and 21 percent of female high school seniors had problems involving drinking, as compared to 5 percent or fewer in 1960.

Figure 2

National average of scores on Scholastic Aptitude Test (SAT), U.S. high school students



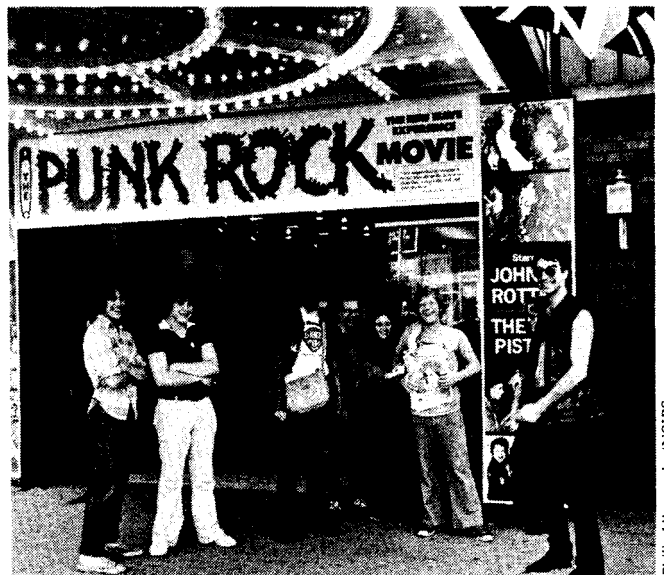
Source: College Entrance Examination Board, New York, New York

Education

The illiterate youth, barely able to form a complete English sentence ("Yo, how much be dis apple?") is

only sketchily captured in statistics produced by the U.S. Department of Education, which claim that 99 percent of all Americans were literate in 1980. Yet between 1975 and 1979, the nationwide drop-out rate for high school students increased by nearly 10 percent. The New York State Department of Education reported that in 1979, 50 percent of all entrants into high school did not graduate. In 1975, only 53 percent of our 17-year-olds knew that each state had two U.S. Senators and that the President did not appoint the Congress.

Test scores on the Scholastic Aptitude Test (SAT) for college-bound senior high school students have been falling. In 1967, the average scores were 466 on the verbal test component and 492 on the mathematics components. By 1977, the average verbal score had fallen to 429 and the math score had dropped to 466. At top-ranking American universities, from 25 to 50 percent of entering college students are given remedial English classes.



Philip Ulanovsky/NSIPS

The rock-counterculture

Today's children and adolescents are largely addicted to the mind-destroying "alternative lifestyles" of the so-called counterculture, conducted through rock and roll and television. According to a recent survey, by the time a child reaches the age of 20, he has watched the equivalent of 14 straight months of television—6 percent of his entire life has been spent in front of the TV set. Since the 1950s, television watching has markedly increased among both children and adults; today, the average daily dose of television for all individuals is between three and six hours. A child on that schedule will spend between 20 and 40 percent of his waking life watching TV.

Rock music is an almost equally omnipresent fact of life for youth, who spend between one and five hours per day listening to rock on the radio, phonograph records, or tapes, sometimes even in the classroom. A couple of hours devoted to the "top 40 hits" and three more spent in front of the TV set constitute by no means an unusual "entertainment day" for the American adolescent.

Youth unemployment

The unemployment rate for the young is leaping skyward as a result of the collapse of job opportunities. In 1955, the official unemployment rate published by the Bureau of Labor Statistics for all those 16 to 19 years old was 11.0 percent; in 1970, it had risen to 15.2 percent; and as of September 1981, it is 19.3 percent and rising. The 16-to-19-year-old unemployment rate is nearly double what it was 25 years ago.

The official unemployment rate for the 20-to-24-year-old age group is also at post World War II record rates. In late 1981, it had risen to nearly 12 percent.

Black youth have been written out of the labor force. Official unemployment for 16-to-19-year-old black males is 36.3 percent, and for 20-to-24-year-old black males, it is 24.6 percent.

Figure 3

Death rate per 1,000 due to homicide and suicide Males aged 15 to 24

Year	Homicide	Suicide
1955	8.5	6.3
1965	10.7	9.4
1975	21.2	18.9
1976	19.1	18.5
1977	19.4	21.8

Source: National Center for Health Statistics, U.S. Dept. of Health and Human Resources; Richard Eusterlin, "Birth & Fortune"

Youth crime and suicide

The American homicide rate is higher than that of any other industrialized nation—10 times higher than that of Japan and West Germany!—and the number of young people that have become victims of homicide or taken their own lives has increased dramatically in the post-war period (see Figure 3).

During the 1950s and into the 1960s, homicide deaths of male youths ages 16 to 24 were occurring at the rate of nine out of every 100,000 persons in this age group. By 1977, this had doubled, to a 19.4 level.

The rate for suicides is equally startling. The U.S. suicide rate for young male adults rose from 6.0 in 1955 to 21.8 by 1977; the suicide rate for young male Americans is now higher than that of Sweden.



'High interest rates cut population'

Rita Ricardo Campbell, leading supporter of Paul Volcker's policies and a member of the Hoover Institution for War, Revolution and Peace, confirmed in a recent interview that depopulation is the core of the Fed Charman's policy. Mrs. Campbell, whose husband Glenn Campbell heads this ostensibly conservative think tank, and who is herself a descendant of British economist David Ricardo, told a reporter on Feb. 25, 1981:

"We're only cutting \$50 billion from the fiscal year 1982 federal budget and that won't by itself help stop population growth much, but high interest rates will. The replacement rate for population is 2.1 births per female. Now, the U.S. is down to 1.8, and we won't be getting back to replacement rate. That's good; I don't want to see any increase in our birth rate, because the U.S. is absorbing too much energy per capita and that cannot continue.

"Some of my Social Security proposals would limit tax breaks to two or fewer children, for example. I don't think we'll ever see five- or six-kid families again. With these interest rates, and this inflation, the entire postwar baby boom generation has no prospects for jobs, and can't buy houses. So as a result, they aren't going to have any kids. They can't afford it."

How U.S. living standards were cut by 18 percent

In testimony before Congress on Oct. 8, 1979, U.S. Federal Reserve Board Chairman Paul Volcker solemnly pledged, "The standard of living of the average American has to decline." This is one promise Volcker has kept.

From the time he took office in August 1979 until September 1981, the American living standard plunged 15 to 18 percent, the lion's share of the 20 to 23 percent decline in living standards since Jimmy Carter's inaugural year of 1977.

The two principal measurable elements in this fall in living standards: the collapse of worker income and the collapse of food consumption. Three additional areas are critical to showing the decline in living standards—housing, private transportation, and the government estimates of poverty—although it is difficult to put a price tag on the collapse.

Income

According to the Census Bureau of the U.S. Department of Commerce, the average of all family income, adjusted for inflation, fell 6 percent from 1978 to 1980. The median family income, the level at which 50 percent of families earn more and 50 percent less, fell by 5.5 percent from 1979 to 1980 alone. But these figures grossly understate the income loss to the average American, who has suffered income loss from his shrinking, inflation-riddled paycheck that he has not been able to recover in money market funds or coupon-clipping.

A far more accurate measure is therefore the inflation-adjusted, after-tax (spendable) income of a non-agricultural worker with three additional dependents. This would assume, in most cases, a worker who has a wife and two children.

In 1977, this average, non-agricultural worker earned \$169.93 in real spendable income per week. In

1979 this had fallen to \$162.49 and by September 1981, to only \$144.60. This means that under G. William Miller, Volcker's predecessor as head of the Federal Reserve System, real spendable income fell 4.3 percent between 1977 and 1979; then from 1979 to September 1981, real spendable income fell another 11 percent. From 1977 to September 1981, spendable income fell a total of 15 percent. This is our starting point for determining the plunge in living standards.

Food consumption

The fall in food consumption is epitomized in the fall of meat consumption (carcass weight), and in particular beef consumption, per person per year. According to U.S. Department of Agriculture statistics, in 1976 each American consumed 192.1 pounds of meat per year; in 1978 only 185.0 pounds, and in 1980 only 180.1 pounds—a total drop of 12 pounds, over 6 percent.

The drop in the consumption of beef, the meat highest in protein content, fell even more precipitously. From 1976, when beef consumption was 129.3 pounds per person per year, it fell to 120.0 pounds in 1978 and to 103.4 pounds in 1979, a 20 percent drop in just four years.

That still underestimates the decline in the American diet. With the price of hamburger now almost the price of steak four years ago, beef consumption is shifting toward inferior chopped meat for most families. And only half the drop in beef consumption was made up by the consumption of inferior but less expensive pork or other meat products, such as frankfurters; the rest was uncompensated for by the consumption of other meat.

The drop in U.S. beef consumption is sharper than the four year fall-off in meat consumption in Third World countries. U.S. workers have suffered a major nutritional loss, which will start showing up in increased disease, and lowered work performance.

But the Bureau of Labor Statistics, which measures consumption levels to determine an average market basket by which to measure the inflation rate, does not record the drop. Admits the BLS, "If people substitute one food for another, or even other foods for meat, we can't tell. We have no way of qualitatively measuring a person's market basket."

Since beef consumption fell by 20 percent between 1976 and 1980, and since food consumption accounts for about 21 percent of the average family's household expenditures, the decline in the standard of living accountable to the drop in beef consumption is approximately 3 to 4 percent in the 1976-80 period, a decline not measured in the government's real spendable income statistics showing an overall 15 percent decline in the standard of living.

Figure 1

Affordability of housing

(based on a 30-year-term, \$60,000 mortgage)

Interest rate (percent)	Payment	Expense*	Annual income needed to afford**	Percent of families who can afford
9	\$483	\$215	\$33,504	20.6
10	527	215	35,616	18.4
13	664	215	42,192	11.8
18	904	215	53,712	3.2

* insurance, utilities, taxes.
** assumes 25% of income goes toward total housing payment.
Source: NAHB Economics Division

Housing

America has reached “the post-shelter age,” says housing expert George Sternlieb of Rutgers University. The trend in housing units is toward smaller sizes, three times more costly today than a decade ago. There is now a scarcity of homes or apartments at any price or size.

According to data compiled by the U.S. Department of Housing and Urban Development (HUD), in 1970 no fewer than 81 percent of all new private one-family homes had a price tag of \$35,000 or less and the average price of a new home was \$26,500. In 1979, the situation was totally reversed. Only 5 percent of new private one-family homes had a price tag of less than \$35,000 and the average price of a new home was \$79,400, a nearly three-fold price increase.

It is the land speculators and Paul Volcker who have done most to drive up housing costs. The cost of land as a percentage of the total cost of a new home has risen from 11 percent in 1949 to 23 percent in 1980. In the same period, the cost of financing has zoomed from 5 percent to 12 percent of the total cost.

The notion that labor costs have been responsible for increased housing costs is pure fabrication. The on-site labor-cost percentage of the total cost of a new home actually fell from 33 percent to 16 percent during that period.

But recently, Volcker’s interest rates have played a major role. In the 1960s, the average interest rate on a 30-year mortgage was 5 to 7 percent. In September 1981 it was over 17 percent. Figure 1 shows how much increasing interest rates raise the cost of a home mortgage, and how this prices families out of the housing market.

Volcker’s policy is also aimed at cutting off funds for homebuilders. In April 1980 Volcker told a group of 200 irate savings and loan officials, who make 85 percent of their loans to housing, “The 1980s is not going to be a decade for homebuilding.” Home starts are currently below the 1 million per year rate, the lowest since the end of World War II.

Apartment and home space is becoming smaller. According to federal statistics, the average volume of space for the average of homes and apartment units combined was 1,527 square feet in 1978, but by 1980 down to 1,464 and falling. Anthony Downs of the Brookings Institution claims that “in the 1980s we will see the housing market gravitate toward two extremes. One extreme will be luxury homes with the normal amount of physical space, and all the comforts of a home, costing \$150,000. On the other side, there will be the home or apartment with 450 square feet of physical space, that will have furniture that folds into the wall, a minimum amount of appliances, and so forth. This will be cheaper.” Downs’s projected 450 square feet is only one-quarter of the normal living space that a family currently enjoys.

Investment banks, real estate firms, and other landlords are now routinely putting severe restrictions on the number of children their family tenants can have, or excluding families altogether. In the city of Baltimore, for example, according to press reports nearly half the city’s apartments have restrictions against renting to couples with children. According to HUD, which conducted a nationwide survey in August 1980, 27 percent of all rental units in apartment buildings or complexes in the entire nation had policy restrictions against renting to couples with children. Another 50.4 percent had limitations on the number of children a couple could have, based on the age or sex of the child, or the location of the apartment. The HUD survey reported that 71.5 percent of all rental units of all types had restrictions or limitations on renting to families with children.

This has devastating implications for family formation. It has been projected that there will be 17 million new families formed in the 1980s needing housing. Replacing only 1/50th of the nation’s housing stock of approximately 80 million homes for each year of the decade of the 1980s, adds the need for the construction of 16 million additional units. The total of new homes needed is thus 33 million, or 3.3 million per year. Assuming some of the new families choose apartments, put the need at 3 million per year. The chief researcher at the Urban Land Institute, a think tank for Olympia and York and other real estate giants, estimates that only 1.5 million new homes will be built each year during the 1980s, and if the average of 1980 and 1981 is taken, only 1.24 million units will be built.

“Obviously the demographers reporting how many new families will be formed will be wrong,” says Brookings’ Anthony Downs. “Either people will live longer at home with their parents, or they will find alternative means of housing, but not get a home. Many of the families will have to be postponed.”

Unable to find decent, affordable housing, Ameri-

cans have begun to adopt less desirable alternatives. In 1980, 15 percent of all new homes sold were trailers. Garden homes—a euphemism for housing complexes in which the homeowner shares his front porch, walkway, etc. with others—are one of the fastest growing shares of the home market. In order to cut costs, homeowners are converting upper floors or basements into extra units to be rented out. Lofts, former warehouses, and other non-residential space are also rapidly being converted into rental units. Total conversion units, which totaled 2.9 million in 1975, had risen to 4.4 million by 1980, an increase of over 50 percent in five years.

Volcker's policy is opening the way for the wilder depopulation fantasies of the futurists. In 1981 the Worldwatch Institute, a frankly zero-growth think tank in Washington, D.C., released a study on housing, "Global Housing Prospects: The Resource Constraints." The study argues that the next great "advance" in U.S. housing is "unrelated individuals known as 'mingles' living together in houses with two or more . . . bedrooms but common kitchen and living areas. These new designs might also present a practical means for the elderly and couples whose children are no longer at home to avoid the isolation of impersonal apartment complexes or institutional care," as the Oct. 4, 1981 *Baltimore Sun* described the study.

Anyone who has seen New York City recently knows what the "mingles" trend means: the growth of homosexual paired relationships or childless unmarrieds postponing family creation indefinitely.

Figure 2
Costs of an American car

Year	Total purchase cost*	Interest on finance charges**	Production labor cost***
1970	\$ 4,055	\$ 325	\$ 791
1972	4,325	515	984
1974	5,085	785	1,084
1976	6,429	1,000	1,227
1978	7,936	1,460	1,625
1980	9,669	1,993	1,775
1981	11,596	2,576	2,022

* includes interest on finance charges.

** based on estimated contract price, or sticker price less down payment.

*** based on estimate of 140 hours labor/car, 1970-73; 130 hours labor/car, 1974-79; 120 hours labor/car, 1979-81. Labor hours decreased with size of cars produced.

Personal transportation

Automobiles are an indispensable part of American life and will remain so as long as good public transportation remains the exception. A car provides Americans with mobility. It means wage-earners can get to work if they take a job 10 to 40 miles away from their home—a

frequent occurrence. It means a vehicle for grocery shopping and other essential purchases, for carrying supplies, for taking the children on outings. Without a family car, freedom of movement is nonexistent for most Americans.

Volcker's high interest rates have cut auto production to 65 percent of 1978 levels, after a decade in which oil price increases, environmental restrictions, and spiraling insurance costs have sent the cost of owning and operating a motor vehicle skyward. The average selling price of a new car, according to the National Automobile Dealers Association, has more than doubled, from \$3,730 in 1971 to \$8,900 in 1981, about \$1,000 above the 1980 price (Figure 2). The automotive share of personal expenditures rose from 11.9 percent in 1970 to 13.8 percent in 1977, and continued at 13.2 percent for the first half of 1981, despite depressed car sales.

Cars have gotten much smaller—an indirect assault on family formation and personal safety. In 1972, 62 percent of all cars driven in the United States were medium- or large-sized vehicles capable of transporting a family in relative comfort. By 1979, this proportion was down to 36 percent. Marina von Neumann Whitman, chief economist of General Motors and a board member of the New York Council on Foreign Relations, argued in an article in the May-June 1981 issue of the magazine *Challenge* that the trend toward so-called economy cars is a direct and proper result of lowering living standards.

Americans are driving older cars, and driving them less. In 1970, the average age of a passenger car was 5.5 years; in 1975 it rose to 6.0 years, and by 1980, it was 6.6 years. At the same time, the steady increase in mileage driven per year per car peaked and began to decline. The average number of miles driven per car fell from 10,184 in 1972 to 9,400 in 1980.

Unemployment

The family that has a major breadwinner unemployed—and female unemployment is increasingly important because most families cannot make it on the income of one person alone—will stop planning to have children, and cannot clothe or feed existing children properly. Prolonged joblessness breaks up the moral strength of the individual and the family.

What is the real U.S. unemployment rate?

Bureau of Labor Statistics data are notoriously unreliable and even fraudulent on this point. Official unemployment in the construction industry, for example, is reported by the BLS as 18.2 percent. Most construction workers, who work perhaps one week out of three and are counted as "employed," could tell you that the unemployment rate, especially in cities, is closer to 50 percent.

But the official figures are shocking enough. In August 1979 as Volcker took office, official unemployment was 6.06 million. By August it was up to 7.94 million, an increase of 31 percent. By September 1981 it was 8.50 million and in December 1981 it reached 9.44 million, an increase of 50 percent since Volcker took office.

During the months of August and September 1981 alone, the number of part-time workers who would prefer to be working full-time has risen from 4.16 million to 5 million. Most of these workers had been full-time, but found their hours sharply reduced because of Volcker's depression, although they were not counted as unemployed.

The BLS classifies another group as "too discouraged to work" and drops them from the labor force altogether. These actually unemployed workers total 1.12 million. Another 1.74 million workers in August 1981 were part-time for reasons of illness.

Adding up these three areas alone, there are an additional 7.92 million workers actually unemployed. Adding the official 9.44 million unemployed in December 1981 to this figure, the total number of unemployed rises to 17.36 million.

At the same time, thanks to the Reagan administration's David Stockman and the Office of Management and Budget, job training programs are being cut from \$8.1 billion in the 1980 fiscal year budget to \$1.0 billion in fiscal 1982, while unemployment benefits, food stamps, and other such programs are cut as well. Those who become unemployed will pay dearly for that privilege.

Poverty

The Census Bureau considers those living at a level 40 percent or more below that of the median family income for any one year to be living on the poverty level. The number of those Americans jumped dramatically after Volcker took office.

In 1979, 25.35 million Americans were living below the poverty level. In 1980 that figure rose to 29.27 million—an increase of 15 percent in one year.

Poverty is not, as is often falsely asserted, a phenomenon primarily linked to blacks and Hispanics. In 1980, 19.7 million Americans classified as below the poverty level were white—67 percent of those so classified.

Among those below the poverty level are 3.87 million senior citizens, 65 years or over. Parents and grandparents have been thrown on a human scrap heap.

A full 6.2 million families lived below the poverty level in 1980. One out of 10 American families is grinding up its offspring, living at only 40 percent of an average American family income, which is itself increasingly too low to support a family.

Can the U.S. support the next generation?

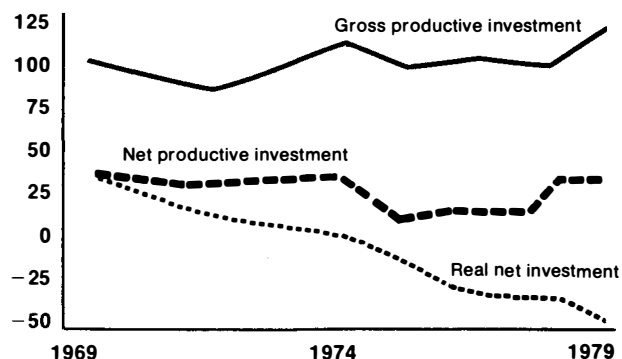
Three destructive trends in the U.S. economy—the shift of the labor force out of productive employment, the increasing technological obsolescence in industry, and the cancerous expansion of debt and paper claims held against productive output—have each been accelerated by Paul Volcker's high-interest-rate regime. Unless they are reversed, the next generation of Americans will be unable to reproduce itself.

The entirety of the labor force began deteriorating in the 1950s, as the economy moved away from an emphasis on goods production. This can be measured by looking at the sharply declining percentage of goods-producing workers in the overall composition of the labor force—that is, employed operatives in manufacturing, mining, construction, transportation, and agriculture, who materially alter nature in such a way as to produce goods for consumption by households or by the productive process itself. It is this sector of the workforce that produces the output that feeds, clothes,

Figure 1

Productive fixed investment

(in billion 1972 dollars)



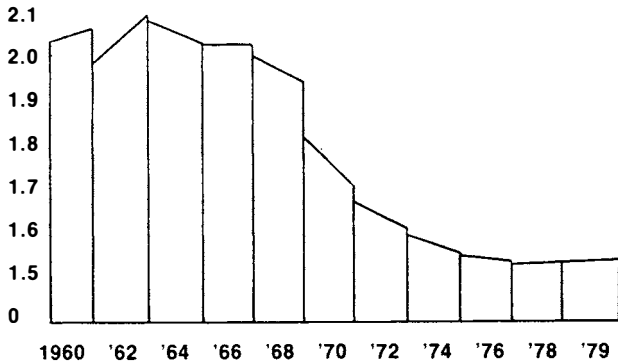
The trend of gross investment is taken from the Bureau of Economic Analysis estimates adjusted for unproductive investment (like office buildings). Net investment is derived by adjusting for BEA capital consumption allowance. Real net investment is the gross adjusted by the *EIR*'s capital consumption allowance.

Source: *EIR*

Figure 2

The slump in industrial R&D spending

(in percent of real gross national product)



Source: National Science Foundation, BW

and houses everyone. Occupations like medicine, teaching, and engineering, which enrich the productivity of goods-producing operatives, may be essential, but they are not directly productive. Still other jobs, for example croupiers in gambling casinos and many office workers and clerks, are neither essential nor productive.

The ratio of productive to non-productive labor has undergone a mirror-image reversal since the end of World War II. Since 1945, 44.37 million jobs have been added to the economy, and of that amount, 42.04 million have been non-productive—a staggering 95 out of every 100 new jobs.

Since the labor force (counting, for the moment, *only those on agricultural or non-agricultural payrolls*) nearly doubled between 1945 and today, this has produced a tremendous shift in the composition of the labor force. At the war's end, nearly two out of every three workers was employed in manufacturing, mining,

transportation, and agriculture. Today it is only one out of every three workers who is so employed. Two-thirds of the wage bill of the U.S. labor force is overhead—either necessary overhead or pure waste.

Skill levels have deteriorated. For example, according to U.S. Department of Labor statistics, the economy needs to fill 22,000 new machinists jobs each year. But only 2,300 machinists complete apprenticeship programs annually. There are openings for 8,700 tool and die makers annually, but only 2,400 tool and die makers complete apprenticeships. The average journeyman-craftsman for machinists is now 55 years old. If action is not taken soon, within five years the United States will face a far more acute skilled labor shortage than it experienced at the end of the 1930s.

Technological obsolescence

The increasing obsolescence of U.S. plant and equipment is a scandal. Machine tools are the sine qua non for capital formation and the introduction of new technologies, yet we are increasingly relying on decrepit, outdated tools. In 1963, 36.0 percent of machine tools in use in the metalworking industry were under 10 years of age; 43.3 percent were between 10 and 20 years old; and only 20 percent were more than 20 years old. By 1976-78, however, only 30.5 percent were less than 10 years of age; 35.2 percent between 10 and 20 years old; while 34.2 percent were over 20 years of age.

Had the United States continued even its modest capital investment plans of the 1962-65 period, it should be spending today an extra \$50 billion in real (deflated 1972) dollars on plant and equipment. Figure 1 demonstrates this, showing the actual amount of gross investment; net investment (with expenditures for ad hoc pollution-control devices and other such inefficient expenditures deducted); and the amount of real net investment, corrected for the \$50 billion spending shortfall.

Nor is the nation adequately funding new research and development. As Figure 2 shows, from the mid-1960s, R&D expenditures as a percentage of Gross National Product have fallen by 25 percent.

The consequence is downward-spiraling productivity. The productivity ratio put together by the Bureau of Labor Statistics is methodologically flawed, but as Figure 3 shows, it captures the fall in successive periods in manufacturing productivity and compares U.S. productivity with that of other nations. Not shown on the chart is the period 1979-80, during which the U.S. manufacturing productivity growth rate was *zero*. This reflects not only Volcker's depression, but decades of neglect in replacing aged plant and equipment.

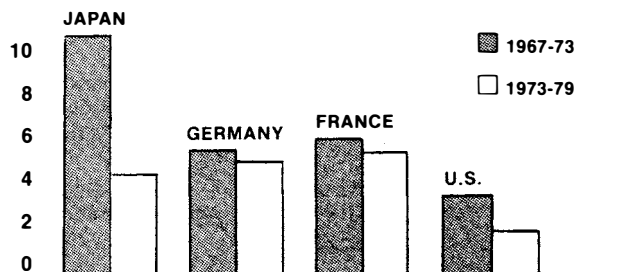
The U.S. economy is so far tilted toward non-productive activity that it will not be able to make the needed investments in plant and equipment unless the tremendous debt overload is redressed.

The total amount of debt is represented in Figure 4.

Figure 3

How U.S. productivity lags in manufacturing

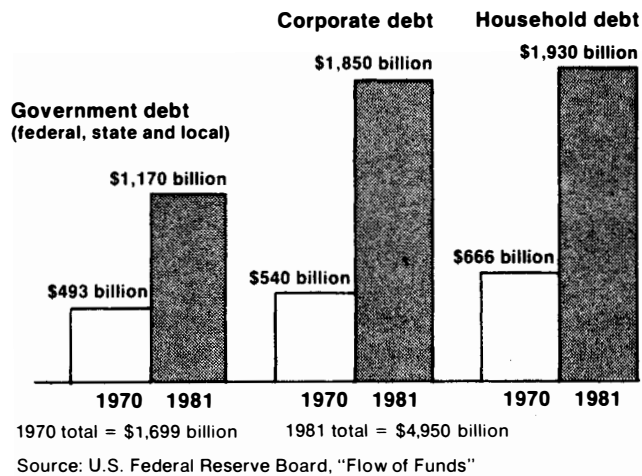
Average compounded annual percent increase



Source: Bureau of Labor Statistics

Figure 4

U.S. public and private debt



To arrive at another debt measure, consider the amount of household debt distributed among all Americans. If the amount of consumer plus household mortgage debt for the whole economy is divided by the population size for a given year, the results are: 1971: \$2,541 owed per person; 1976: \$4,008 owed per person; 1981: \$6,944 owed per person.

As for corporate debt, in the 1950s about 10 percent of all new non-financial corporations' debt went to pay accrued interest. By the 1970s, this ratio was up to an average of 40 percent! But in 1981, with interest rates averaging 17.5 percent for the first nine months, in the first quarter the amount of new interest due was greater than the amount of new debt contracted—meaning that corporate treasuries had to be looted to make up the difference. For the first three quarters of 1981 taken as a whole, new interest debt service was \$49.0 billion and new debt contracted was \$81.8 billion—nearly 60 percent of all new money borrowed by corporations went just to pay new interest.

Back on the household side, the increase in the amount of new debt contracted to pay new interest also increased, from an average of 5 to 10 percent in the 1950s to a staggering 39.2 percent in the first nine months of 1981.

Under Volcker's high interest rates, investment in productive industry becomes impossible; real estate and currency speculation and other quick-buck schemes become the only form of profitable activity; paper values expand at unheard-of rates while the productive economy is dismantled; and the only question is when, not whether, a hideous crash more devastating than that of the 1930s occurs.

Basic industries are already being taken apart:

- **Lumber:** 25 percent decline in output since 1979.
- **Steel:** 22 percent decline in finished steel production since 1979.
- **Auto:** 35 percent decline in production since 1978.
- **Housing:** 42 percent decline in new home starts since 1978.
- **Farming:** 42 percent decline in farm income since 1979.

The case of the black American worker

The decay of the United States toward a "post-industrial society" and its devastating impact on our nation's population has become most clearly visible in the case of the black American worker.

The erosion of the economy

From the end of World War II until the mid-to late 1950s, the economy was oriented to manufacturing-centered growth, as is most dramatically illustrated by the increased labor-force participation rate of the black worker, the lowest-paid worker in the economy. From a rate of less than 80 percent in 1945, the black male worker's rate of participation in the labor force rose to 85 percent by 1953, a rate just 0.4 percentage points below the rate of the white male. The black worker, it is true, was primarily employed in unskilled to semi-skilled jobs, but he was prepared to move upward in skill level as the economy expanded. Steel, auto and many other basic industries were primary means of employment for black Americans.

With the shift from basic goods-producing manufacturing and agriculture to the post-industrial era, the participation rate of black male workers in the labor force tumbled. By 1960, the black participation rate was down to 83.0 percent; by 1970 76.5 percent; and by 1980 70.8 percent, a rate 20 percent lower than in 1953. The black male unemployment rate went from 4.8 percent in 1953, to 8.2 percent in 1970, to 13.3 percent in 1980.

To the extent that new manufacturing jobs were not created, unskilled workers could not be assimilated into the labor force. When job opportunities dropped in the 1960's and black neighborhoods were deliberately flooded with drugs and transformed into ghettos, the black male went from unskilled worker to permanently unemployed 'useless eater' slated for extermination.

The historical lessons of America's economic and population expansion

Think tankers, government officials, and news media reports that claim that population growth impedes economic development are lying. The history of the United States, which has doubled its population five times since its founding 200 years ago, proves that they are lying.

From the days of the earliest New England colonists, our republic has been committed to fulfilling the Biblical injunction that man shall "multiply and subdue the earth," that is, to the human species' responsibility and ability to support an expanding population through scientific and technological progress. The growth in population resulting from each era of national development effort has served as the spur to force Americans to develop new technologies, new resources, new energy systems of ever higher quality and density, to support the growing population.

Population growth is the "flywheel" of economic development and vice-versa. Once we make the breakthrough to 21st-century modes of production and technologies—including those on the exciting scientific frontier of nuclear fission and fusion energy—our nation's potential to support even higher population levels will be widened. This positive self-feeding process has been defined by economist Lyndon H. LaRouche, Jr. as an increase in "potential relative population density," that is, an economy's ability to support increasing population

density is fed by the creativity of the human mind mediated through the production process.

America's history of expanding population exemplifies such an increase in potential relative population density. Notice in Figure 1 the rate at which America doubled its population, starting with the year 1790. Between 1790 and 1813, the United States doubled population in 23 years. Then, in the next interval, 1813-1838, it doubled within 25 years. The next succeeding intervals were 24 years, 31 years, 38 years, and, based on projections of current population growth, the next interval will be 60 years. The interval has not only gotten longer, but the last interval is more than twice as long as the first three.

New eras of American technology

During the first interval, the craft of shipbuilding was developed, and canals and internal waterways making transportation faster and cheaper were constructed. During the second interval, beginning in 1813, coal power became a widespread energy source, replacing wood. The third period, beginning in 1838, saw the use of the reaper for agricultural work. In the fourth interval, beginning in 1862, steel production and mass assembly techniques for producing clothing and industrial goods were inaugurated, as well as the spread of the use of oil as a fuel.

Each time new technologies were developed and put into practice greater populations resulted. Nor is the United States running out of natural resources or land. Resources are what a newly discovered technology defines them to be, not some permanently fixed scalar amount of a given substance. Man not only uses resources, but it is he who discovers and invents them.

The standing-room-only hoax

Figure 2 shows the amount of land space occupied by the U.S. population. Using data from the Census Bureau of the Commerce Department, we see that the United States is primarily an urban population. In 1960,

Figure 1
Doubling of U.S. population

Year	Population size (in millions)	Years elapsed between doubling of population
1790	3,929	—
1813	7,939	23
1838	16,264	25
1862	33,188	24
1893	66,970	31
1931	124,149	38
1991*	248,300	60

*estimated

Source: U.S. Census Bureau

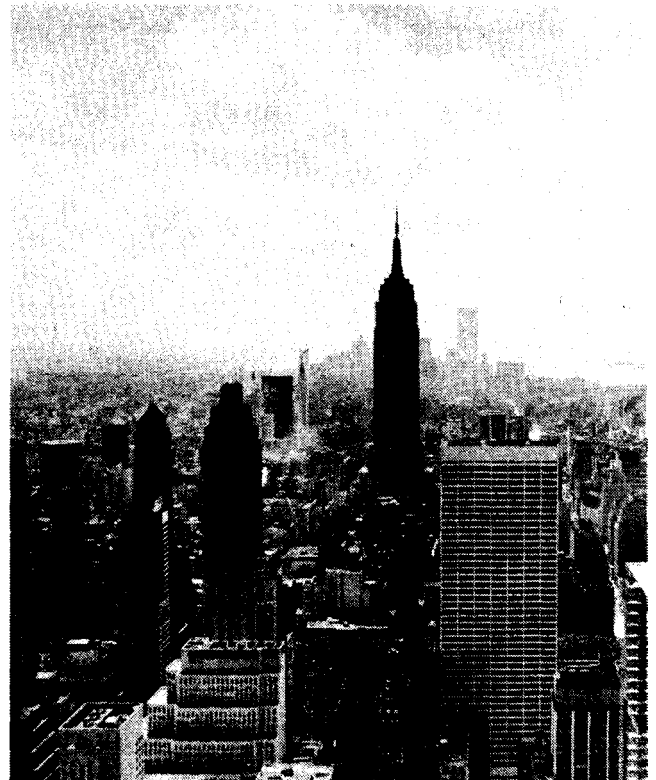
69.9 percent of Americans, concentrated primarily in 212 cities of 50,000 people or more, still occupied only 1.1 percent of the U.S. land mass. In 1980, 73.7 percent of the people, concentrated in 373 cities of 50,000 people or more, still only occupied 2 percent of the land mass. Ninety-eight percent of the U.S. land mass is rural and relatively unoccupied, averaging 17 people per square mile.

How large would the U.S. population have to be before Paul Ehrlich's "standing-room-only" prophecies could be realized? Manhattan's population density is roughly 63,000 people per square mile. The U.S. land mass is greater than 3.5 million square miles (although some of this land is frozen Alaskan tundra). Were the United States to reach the population density of Manhattan for every square mile of land mass—the U.S. population would be 215 billion—more than 45 times greater than the current population of the entire globe.

When would the United States reach such a size? If the U.S. population grew at its current rate, doubling once every 60 years, then the United States would not achieve standing room only until the year 2486 A.D., 500 years hence. Long before that time, unless Volcker's policy prevails, the United States and other nations will have colonized the moon and the solar system, and then moved on in fusion-powered rocket ships to the tasks of colonizing the galaxy. If America could achieve all that it has in its first 200 years as a republic, it can surely accomplish this colonization of the stars in its next 500 years.

Volcker threatens U.S. cities

Figure 2 also makes another important point: it is the growth of cities that has made America great. As a city-building culture, American has drawn together in



urban centers the nuclei of industry, culture, and civilization and nurtured these leading features of a people's existence. Between 1960 and 1980, even though the Census Bureau somewhat liberalized its definition of city to include more groupings under that category—the number of American cities of 50,000 or more rose spectacularly from 213 to 373.

But Volcker's usury policy is now making it nearly impossible for cities to exist, and therefore they are depopulating themselves. Cities can no longer afford to float bonds for capital improvements nor provide the services that make cities liveable.

The effects of New York City's well-publicized budget crisis have been drastic. Since 1975, in a metropolitan area that services 12 to 14 million people, 27 hospitals have been shut down; 30 firehouses have been closed and 1,456 firemen (10.5 percent of the workforce) laid off; 53 schools have been closed and 10,000 teachers (13 percent of the workforce) laid off; 7,750 policemen (29 percent of the workforce) have been eliminated; train and bus service has been cut by 30 percent; and garbage pickup by 18.2 percent, as 3,582 sanitationmen (23.4 percent of the workforce) have been dismissed.

Although New York is the worst case, Philadelphia, Detroit, Cleveland, and Chicago have been hit almost as hard, as have many other cities. The fall in total capital expenditures for city operations nationally since 1970 is a disastrous 44 percent.

Figure 2
U.S. population density

	Land area		Population		
	Thousand sq. miles	Percent of U.S.	Thousand persons	Percent of U.S.	Per sq. mile
1960					
Total	3,548.9	100.0	179,323	100.0	51
Urban . . .	40.2	1.1	125,269	69.9	3,113
Rural	3,508.7	98.9	54,054	30.1	15
1980					
Total	3,543.9	100.0	226,505	100.0	64
Urban . . .	71.4	2.0	166,965	73.7	2,440
Rural	3,472.5	98.0	59,540	26.3	17

Source: U.S. Census Bureau

Britain's 'NATO pullout' bluff could be called

by Lyndon H. LaRouche, Jr.

Agents and agents-of-influence of the United Kingdom are currently engaged in strategic blackmail against the government of the United States. They demand that the United States tacitly condone British military aggression against Argentina, threatening that unless the United States submits to this demand:

1. The United Kingdom will withdraw from the North Atlantic Treaty Organization (NATO), allegedly thereby destroying NATO;

2. That if Washington opposes London on the matter of British military action against Argentina, Western Europe will drift into the arms of Moscow;

3. That the maintenance of a credible U.S. strategic posture depends upon military support by the United Kingdom and the British Commonwealth.

The British give the government of the United States but a mere few remaining days to decide whether or not to submit to this blackmail. Once British military action against Argentina begins, a chain-reaction of incalculable strategic consequences begins.

I restate, in summary, the facts of the Malvinas crisis. I summarize the strategic consequences of U.S. tolerance of British military action. I then outline, also in summary, the means by which British blackmail-threats may be reduced to bluff.

The Malvinas crisis

The Malvinas Islands have been territory of the sovereign nation of Argentina since earlier than the promulgation of the Monroe Doctrine in 1823. They were seized by military force from Argentina, by Brit-

ain, with unlawful British occupation consolidated in actions of 1839-40. Under U.S. law, the islands have been and remain Argentine territory.

Although Argentina publicized its disposition to occupation of its Malvinas Islands territory since no later than January of this year, the government of the United Kingdom, under the direction of the allegedly "duplicitous" Foreign Minister, Lord Carrington, refused to tolerate the lawful position of Argentina in this matter, and thus willfully left the government of Argentina no honorable and lawful choice but to assert its lawful rights by unilateral means.

In response to this development, the government of the United Kingdom has acted with that 19th-century "jingoistic" military imperialism so characterized by Rudyard Kipling, committing itself to military action in the Western Hemisphere.

If the United States fails now to prevent that British action, the government of the United States has violated its own laws, including the Monroe Doctrine and the 1947 Treaty of Rio de Janeiro. No secret agreement with the government of the United Kingdom could be invoked to override those two cited instances of the public law of the United States. Any use of such subterfuges as secret agreements with the government of the United Kingdom would represent connivance in violation of U.S. law by officials of the United States.

Lawfully, the government of the United States could refuse to honor the Monroe Doctrine and the 1947 Rio Treaty only by causing those laws to be repealed by consent of the Senate of the United States. Pending

consent to repeal those laws by the Senate, any failure of the U.S. Department of State or other executive branch agencies to prevent British action in a manner comparable to President Dwight Eisenhower's actions in the "Suez Crisis" would be in fact a flagrant violation of U.S. law, by those officials responsible.

The government of the United Kingdom and its agents of influence within influential U.S. official and policy-influencing positions have acted to argue that there are overriding considerations which oblige the United States to violate its own law in this case. So-called Anglophile interests, centered in the so-called Eastern Establishment, are urging capitulation to demands of the United Kingdom in this matter. The cited strategic blackmail is but the most pointed of those pressures being applied to attempt to induce the government of the United States to violate U.S. law.

Strategic policy implications

The continuing and clear intent of the Monroe Doctrine was a commitment by the United States to be a *primus inter pares* of the sovereign nations of the Western Hemisphere. To the extent we had the means to do so, we committed ourselves to erecting a "steel shield" around the Western Hemisphere, against military and related actions by Britain and its treaty-partners of the Holy Alliance. The mutual security features of the 1947 Treaty of Rio de Janeiro represent chiefly a formal implementation of the intent of the Monroe Doctrine on this point.

From the beginning, as was then recognized by Secretary of State John Quincy Adams, our interpretation of the Monroe Doctrine was directly at variance with British interpretations of international law. British doctrine of international law was based on the principle of efficient force, e.g., a declaration of a military blockade was not viewed as valid by British and similar views of international law unless the blockade were implemented by adequate force. The states distinguished the rightness of matters at law from the question of adequate means of force at the disposal of the plaintiff in actions at law. The moral and proper lawful rights of a person or nation are not contingent upon that person's or nation's means of unilateral adequate force to compel an oppressor to submit to the right of the matter.

From the beginning, the Monroe Doctrine was a law which the United States was bound to enforce to the degree it had the means adequate to right a wrong at a particular time. Our lack of action at an earlier point does not constitute repudiation of our right to act on the same matter at some later time when we have means adequate to do so.

Beginning with the adoption of the 1947 Treaty of Rio de Janeiro, we solemnly resolved that the time had

come at which the United States had adequate means to enforce the right of law in this matter for the hemisphere.

From the beginning, in 1823, and continuing today, the only qualification respecting enforcement of the Monroe Doctrine had been our policy respecting those territories of the Western Hemisphere which were not yet sovereign nation-states. This included, foremost, the case of the British-flag entity Canada, and certain other British, French, and Dutch colonial possessions which continued to be either colonies or semi-colonies of European states. We refrained, by adopted policy, from interfering to establish the sovereignty of those territories by unilateral action of the United States.

However, once a territory of the Western Hemisphere was established as a sovereign nation-state, the Monroe Doctrine applied and applies henceforth with full force.

The role of the British government in leading British actions in the matter of the Malvinas Islands are the clearest, classic cases and a *de facto casus belli* against the United States' fundamental law by the government of the United Kingdom. In the first of these two classical cases, the British-led conquest of Mexico, we lacked the means to enforce the doctrine. Since 1947, we have entered into treaty-agreements, having force of U.S. public law, obliging the government of the United States to employ its adequate means to enforce that doctrine.

The most directly relevant dividing-line between our restraint in enforcement of the doctrine and our obligation to permit no restraint where we have the means adequate to do so, is the 1823 enactment of the Monroe Doctrine. All territories which were territories of sovereign states of the Western Hemisphere on or before the promulgation of that doctrine are protected territories according to the implications of that doctrine.

However, if any European power, or other extra-hemispheric power, makes acts of war against the Monroe Doctrine, all of that power's interests within the territories of the Western Hemisphere are subject to nullification by the sovereign states of the Western Hemisphere, as those latter states may elect to execute that plain intent of the doctrine.

Under present U.S. law, the Secretary of State and Secretary of Defense are, most emphatically, obliged to enforce the Monroe Doctrine and treaties adopted as implementation of that doctrine. They are in flagrant violation of U.S. law should they refuse to do so.

Consequences of failure

If British military action against Argentina occurs, without adequate, efficient efforts to prevent this by military forces of the United States—other efforts failing, the United States loses its efficient influence over

the southern portions of this hemisphere. This will have incalculable consequences globally. If that occurs, the United States no longer has a credible foreign policy or strategic posture in any part of the globe.

This is underlined by recent pronouncements of the government of Argentina. They have reported offers of assistance from the Soviet Union, offers they report that they have so far declined to accept. However, if the existence of Argentina as a sovereign political entity were placed in jeopardy, and if the United States refused to act against Britain on behalf of Argentina's sovereignty, classical military doctrine argues that Argentina will feel itself obliged to accept any credible military aid available.

Under such foreseeable circumstances, the United States's de facto nullification of the 1947 Rio Treaty and Monroe Doctrine in respect to British violations would remove the "steel shield" of the doctrine as a fully efficient policy against Soviet aid to Argentina.

This could become most deadly. The destruction of the two British carriers and of possibly one or two British submarines are developments well within the scope of possibility through reenforcement of Argentina's capabilities. The British then: a) resort to nuclear warfare in the Western Hemisphere; b) attempt to force the United States into military action against Soviet forces; or c) the British are left with nothing but a humiliating withdrawal.

Short of creating an open situation for Soviet aid to Argentina, British economic-warfare action can force Argentina to suspend payments upon its foreign debts. This could be restricted suspension, with accompanying war-measures including seizures of assets of Britain and its accomplices, or could become by force of circumstances a more generalized suspension of payments. This would threaten to detonate a chain-reaction of collapse in the unstable world monetary order of the present moment.

The government of the United States has no acceptable lawful or practical strategic options but to force the British military forces to retreat, using means comparable to those applied by President Eisenhower in the Suez Crisis.

Effects on Britain

It is informed speculation in Britain and elsewhere that not only did Lord Carrington foresee the consequences we have indicated, but that Lord Carrington and other parties complicit with him must have desired those foreseeable consequences.

Among the foreseeable consequences, Prime Minister Thatcher's government is almost assuredly doomed to fall. If the U.S. government acts in support of Carrington's recent and Thatcher's present policies in the Malvinas Islands affair, the United States is subject-

ed to the greatest foreign-policy humiliation in postwar history. Such a humiliation of the United States would be fully consistent with the "third way" policy to which Lord Carrington's machinations were recently dedicated.

Carrington's "third way" policy prescribed a significant withdrawal of Western Europe from the preexisting form of SHAPE and related agreements and institutions. The thermonuclear alliance with the United States was to be continued, but the European components of the Atlantic Alliance, including France, were to be realigned under British leadership as a third force maneuvering between Washington and Moscow. The Socialist International and Libya's Colonel Qaddafi are exemplary of the principal accomplices of Carrington et al. In recent deployments to this purpose, the trans-Atlantic "peace movement" is among the tactics deployed in aid of such a development.

So, if Britain today threatens to break up the NATO alliance, and threatens a more detached role of Western Europe, maneuvering between the two superpowers, Britain is threatening to do what it has been working to accomplish in any case.

These consequences must certainly have been pre-calculated by Lord Carrington and must have assuredly informed his actions leading into the present Malvinas Islands crisis.

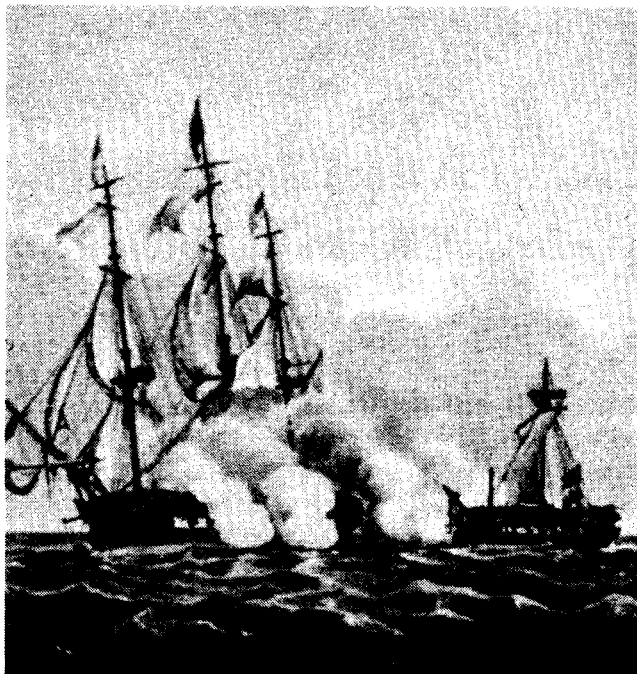
Bringing down the Thatcher government and savagely isolating and humiliating the United States are the leading, pre-calculable consequences of this present crisis set into motion through conscious actions by Lord Carrington.

U.S. counter-capabilities

The conditions for continued existence of the governments of western continental Europe depend chiefly upon the margin of exports of the Federal Republic of Germany, plus assurance of continued petroleum-supplies from the Gulf region. Excepting exports to the Comecon nations, chiefly Soviet Urals and Siberian development, the decisive margin of exports of Europe and Japan today is provided by shrinking markets of the developing sector.

Therefore, if the United States retains its primus inter pares position in the Western Hemisphere, and so retains its favored position among most of the developing sector as well, the most vital self-interests of most of our European allies oblige them to adhere firmly to the United States in any conflict between the governments of the United States and Britain. This would be most emphatically the case in which the United States enjoyed a great surge of admiration among developing nations for its actions in upholding the Monroe Doctrine against Britain.

The central strategic problem of the government of



The U.S. warship Constitution defeats the British frigate Java off Brazil on Dec. 29, 1812.

the United States is a combined domestic and strategic erosion accelerating during the period since actions institutionalizing the "post-industrial society" doctrine by the Johnson administration during the period 1966-67, a doctrine otherwise represented by the "population-policy" of the Club of Rome, the Aspen Institute, the Ford Foundation, and the *Global 2000 Report*.

The population of the United States has been subjected to accumulated frustration, becoming culturally, morally, and strategically pessimistic. Our shift away from a policy of high-technology agriculture and industrial development within the developing sector has ruined and politically destabilized many developing nations, while ruining the high-technology-export markets of the United States and our allies of Western Europe and Japan.

This accelerating shift toward becoming a "formerly industrialized nation," like Thatcher's Britain today, has destroyed the economic basis for our high-technology-pointed strategic logistical and purely military capabilities, while producing the collapse of our internal economy to such effects as the presently growing rates of federal budget deficits.

The accelerating deterioration of the domestic and foreign-policy posture of the United States requires sharp action to reverse these trends, by reversing the causes in policy for these trends. This requires nothing less than dramatic action beginning such a policy-reversal by the President of the United States.

The British actions in the Malvinas case has become

a point-of-no-return imposed upon us. If we back down to London on this matter, we lose virtually all of the options in sight for correcting this downward slide.

If the United States treats Britain in this matter as President Eisenhower treated Britain and France in the Suez Crisis, an electrifying upsurge in perceived and actual U.S. domestic and strategic power will result. Those governments among our allies which join with us will be strengthened at home and in their relation to us. Those which oppose us will be doomed to earlier or later appropriate treatment by their electorates.

The British, spanked properly by the United States, may emit monstrous, threatening noises, but they have no choice but to submit, and to learn quickly to become cheerful about their submission to the wisdom of their fathers.

The Soviet aspect

The possibility that a desperate, abandoned Argentina might accept some Soviet assistance in this crisis typifies the true implications of this crisis for the U.S.-Soviet strategic relationships.

It is precisely to the extent we permit Britain to wreck U.S. *primus inter pares* authority among our nation's friends and allies generally, that we permit the continuing drift toward a "post-industrial society," that we create vacuums into which growing Soviet power is drawn, whether or not Moscow originally intended such extension of its influence.

The Carter administration's support for the overthrow of the government of Iran is an example of this process. The Carter administration's attempts to use Pakistan and China as supporting forces for operations against the Soviet southern flank in an area we had no efficient capabilities, Afghanistan, is another example of this. The turn toward Moscow by Gulf states threatened by U.S. present policies toward Israel's expansionism and in support of Iran, is another illustration of this.

The strategic relations of the United States to the Soviet Union must be considered from a threefold standpoint.

First, there is the relationship of the United States and the U.S.S.R. as sovereign states. On this point, our mutual relations are purely and simply great-power relationships and are worsened or improved entirely on the basis of those considerations and those considerations alone.

Second, there is the traditional foreign policy of the Communist Party of the Soviet Union, an historic perspective for the lawful destruction of capitalist states in favor of emergence of a socialist world-order.

Third, there is the disposition for meddling by Soviet agencies in active and potential trouble-spots throughout the world, in which meddling a mixture of pure-

and-simple great-power strategic expediency and traditional communistic global commitments intersect.

The first category of conflicts is rationally negotiable on a state-to-state basis. Insofar as the Soviet Union and its allied states pursue a self-interest of technological progress within their borders and in the domain of world-trade relationships, there is no irrepressible form of conflict between our states as states.

The second feature of the matter, traditional communist perspectives, is of no general strategic significance if we ourselves pursue a policy of energetic technological progress in development of the agriculture, industry, and basic industrial and agricultural infrastructure of developing nations, and if we act to prevent Federal Reserve policies from continuing the slide into a new world economic depression.

It is the third category of problems we define that is the clear and immediate source of strategic conflicts.

However, even in matters bearing upon the third category, Moscow would take no action intended to force the United States and its allies to war-fighting against Moscow itself. The danger of direct military engagement between forces of the superpowers arises from the chain-reaction of some accumulated set of strategic miscalculations.

The temporary withdrawal of a sulking Britain from NATO would not eliminate those other alliances which are based on the same threefold strategic view toward the Soviet threat as we have summarized here. Nor would Moscow exploit such a British withdrawal, especially under the circumstances in which the United States emerged as the hero of the developing nations as a whole, defending a developing nation against British colonialist forms of military atrocities.

Rather, such action would be the occasion for placing Moscow before a new agenda for immediate negotiations.

Meanwhile, the United States position within the hemisphere as a whole would be the best since the close of the last world war. That light which the Marquis de Lafayette and others described in such terms as "beacon of hope" and "temple of liberty" would be rekindled in the hearts and minds of peoples throughout the world. It is that light of the American constitutional republic, combined with resolution not to be degraded into a "post-industrial society," which is the foundation of our moral power as well as our material strategic capabilities in conduct of foreign policy.

The time has come for a stunning and just exercise of the power of the President of the United States, according to the law known as the Monroe Doctrine.

Let the Tories of the "Eastern Establishment" and our Jacobins howl in protest against this! Let all our patriots exult in unity, to assert once again the heritage of the American Revolution!

Latin America reacts to Malvinas crisis

by Cynthia Rush

EIR has learned that while Alexander Haig has been colluding with great Britain around the Malvinas crisis, Britain's intelligence services have begun to activate their assets throughout Latin America to guarantee that there are no efforts to invoke the Monroe Doctrine. *EIR*'s sources say that large sums of money are pouring into Latin American nations, beginning with Mexico, to buy support for Britain and to back up whatever operations are necessary to prevent unified Latin American support for Argentina.

As of April 15, reports were circulating in Washington that if Argentina attempts to invoke the Rio Treaty at the Organization of American States (OAS), it will be blocked by the United States.

Alexander Haig is scheduled to return to Buenos Aires on April 15 reportedly carrying some "new ideas" to discuss with the Galtieri government. Presuming that Argentina's position has been substantially weakened by lack of U.S. support, Haig can be expected to present the Argentines with an ultimatum—perhaps threatening a cutoff in U.S. aid—if the Galtieri government doesn't agree to withdraw its troops from the Malvinas or accept "multi-national" administration of the islands as proposed by Britain.

The British oligarchy is prepared to go beyond threats however. Intelligence sources say the British are preparing for total war, and may re-establish military bases in Africa and the Indian Ocean to provide logistical support for the fleet now heading toward the Malvinas. Since Britain cannot afford to maintain a lengthy conflict or blockade, the plan is to "sink an Argentine ship or two," and force Argentina to its knees as quickly as possible. "Britain won't flinch from using force," Margaret Thatcher told an enthusiastic House of Commons on April 14.

The consequences

The Galtieri government, which was shaky before the Malvinas invasion, could fall altogether if it suffers a political or military defeat at the hands of the British. The man said to be waiting in the wings is Interior Minister Gen. Alfredo St. Jean, a hardline nationalist whose military allies strongly oppose Swiss-born Fi-



nance Minister Roberto Alemann's program for handing state enterprises and exploitation of natural resources to the private sector and multinational corporations. It is St. Jean's group that has shown disgust with Haig's pro-British stance and is warning that Argentina will "reverse its diplomatic alliances," perhaps by moving closer to the Soviet Union, if Argentina is humiliated as a result of a U.S. alliance with Great Britain.

In the rest of Latin America, Argentina enjoys substantial support.

- **Peru** has offered its total support to Argentina, including military aid in the event of an armed conflict. Mexican press sources report that six Peruvian air-force jets have been in Southern Argentina since April 12, prepared to aid the Argentine air force.

- **Venezuela** has offered political and military support, and has urged the OAS not to take on a mediating role in the dispute because it "should side with Argentina."

- **Bolivia** supports Argentina's claim to the Malvinas, and has offered to send fighter planes to Argentina in the event of armed conflict.

- **Brazil's** foreign ministry supports a three-point program which includes Brazil's intention of voting in Argentina's favor should the latter invoke the Rio Treaty at the OAS, not using diplomatic pressure to force Argentina to comply with U.N. Resolution 502 demanding withdrawal of Argentine troops from the Malvinas, and refusing refueling rights in Brazilian ports for the British fleet.

Mexico and Colombia have been the most reluctant to openly back Argentina in this dispute, and Mexico has even asked Argentina to adhere to Resolution 502 and withdraw its troops. The English-speaking Caribbean nations, nominally independent British colonies, have served as spokesmen for Great Britain and as the main obstacle in OAS meetings to passing any resolution in Argentina's favor.

The Pinochet government in Chile is under intense pressure to side with Britain. It has denied reports that it recently signed an agreement granting Britain the right to refuel in Chilean ports. But the head of the

Chilean navy and junta member Admiral Merino Castro inaugurated the newest British-made ship into the navy recently with the statement that Britain and Chile have been "sister nations" for nearly two centuries because they are both "island nations . . . dependent on the sea."

Even if the Monroe Doctrine or Rio Treaty are not applied, the majority Latin American support for Argentina poses the threat of influencing the United States. Britain's current efforts to set off other simmering border disputes in Latin America are designed to supersede that threat by creating maximum upheaval throughout the continent. Immediate targets are disputes between Peru and Chile, Argentina and Chile, Colombia and Venezuela, or Peru and Ecuador. A sharpened Central American crisis is also on the agenda.

The financial warfare against Argentina

by Kathy Burdman

Before any shooting war, Britain has directed an intensity of financial warfare against Argentina which could bring down the entire world banking system. On April 2, Britain froze \$1.5 billion in Argentine assets in Britain, and halted all further lending to Argentina by British banks. In retaliation, Argentina announced that it will suspend all payments on its \$5.8 billion in loans already borrowed from British banks; as much as \$4 billion may be due for interest and principal repayment during 1982.

The risk is that Britain, by cutting off credit, will force Argentina into open default on its international debt. If that happens, "cross-default" clauses will be triggered on much of the \$34 billion Argentina owes to banks around the world. Major banks in the United States, Germany, and Britain could be bankrupted as a result.

The risks on either side are so high that neither is likely to call the question as a financial matter, as Francesca Edwards, chief economist for Morgan Grenfell, told *EIR* in London. "The Argentine situation will not result in a collapse of Argentina's finances, except if there is military action," the investment banker stated. "If action occurs, all Argentine debts would have to be written off, but in that case we shall be more worried

about things other than the financial markets.”

British strategy is to protect its banks and destroy Argentina's economy, the London *Sunday Times* stated April 11. “The banks will starve Argentina of loans, but not seek to bankrupt it” by outright default, they revealed. “Britain is lining up all of its ducks in a row” as if moving to force default, said one Bankers Trust official, and has taken a series of measures designed to draw other lenders into its strategy. Britain is:

- exerting “talking” pressure on other countries, U.S. Treasury sources said, “and that makes other lenders wary.” “This whole thing is causing havoc,” said one U.S. banker. “We’re remaking our policy every day.” Some large U.S. banks have even “temporarily ceased operations” of lending to Argentina, one banker told *EIR*, because of the “risks involved.”

- forcing the European Community to ban all Argentine exports to the EC for one month, which would cost Argentina \$167 million of its annual \$2 billion export revenues from Europe.

- lining up an identical Commonwealth nations’ trade embargo of Argentina.

- starting “panic” rumors about a collapse of the Argentine peso. British bankers have spread the word that runs will occur on Argentine banks, that several of them are “near bankrupt,” and that the government will be forced to close banks in a “bank holiday,” the *New York Journal of Commerce* reported April 15. This, the rumors say, will force the Argentine central bank to “print money,” collapsing the value of the peso.

- Britain is, however, *allowing British banks to roll over some Argentine debt*, although under the terms of the British loan freeze, Argentina is already in “technical default” on certain loans.

Britain intends to protect its own banks, such as Lloyds and the Bank of London and South America; the latter suffered minor runs April 13 because of its large loans to Argentina. “A default only occurs when the lender says it exists, and Britain won’t call one,” a Treasury official said April 13. “Britain has frozen only a small portion of Argentina’s total assets, which are over \$5 billion, and most of which are in New York, in U.S. banks. In a default, Britain would lose, since U.S. banks would grab most of the assets first.” He estimated U.S. banks hold “the bulk” of Argentina’s debt, “perhaps \$10 billion;” the British “over \$7 billion, more than reports;” and West German banks “almost as much of the rest.”

The idea is to impose harsh austerity on Argentina, while making it pay the debt. Argentine Finance Minister Roberto Alemann announced April 14 that Argentina will pay all debts, including those to Britain, and established an escrow account in the Banco de la Nacion Argentina in New York for payments to Britain. Due to pay a total of \$14 billion in debt service this year,

Argentina can draw on \$5 billion in reserves.

But the collapse in export and loan revenues means Argentina will be forced into harsh import cuts, and domestic production will suffer badly. Last year, Argentine industrial production fell 16 percent; import cuts mean vital industrial investment and production must be cut further.

The following is excerpted from an interview with Gary C. Hufbauer of the Washington, D.C. law firm Tozer, Kemely and Milbourn. Hufbauer was Assistant Secretary for Trade and Investment Policy in the Treasury Department under the Carter administration. A member of the American branch of the British aristocracy’s Ditchley Foundation, he expressed the view that the United Kingdom might after all push Argentina into default.

Q: Will the British try to bankrupt Argentina?

A: Yes, that is Britain’s goal. Britain will cut off lending to Argentina, and put a tremendous pressure on American banks and European banks not to step in and roll over the loans that Britain wouldn’t make. In this case, the IMF will come into the picture and the British will put pressure on the IMF not to make any loans to Argentina.

Q: What if the U.S. applies the Monroe Doctrine against Great Britain?

A: If the U.S. wanted to sever its relationship from Great Britain, it would do that. That policy would do much to weaken the NATO alliance. . . . The application of the Monroe Doctrine would be like what Eisenhower did in Suez. Do you know what damage was done by that? At least we had a strategic interest there which gave us a necessity to act in Suez. But what strategic interest do we have in the Falklands?

The following is excerpted from an editorial in the London Times of April 12, 1982:

The American administration is afraid of the dispute over the Falklands further undermining stability in Central America. . . . In particular it wants to avoid the Rio Treaty being invoked against the introduction of forces from outside the continent into the American hemisphere. . . .

A degree of circumspection is necessary as a mediator. But for the United States to go beyond that simply in order to protect its own local interests would not be consistent with the obligations which it owes to Britain as an ally or with its own broader purposes in the world. . . .

The American administration may fail to think sufficiently of the effect that its conduct in this crisis will have upon the future of the Atlantic Alliance. . . .

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The Mideast stakes in the war between Iran and Iraq

by Robert Dreyfuss, Middle East Editor

American, West European, and Israeli arms and military intelligence aid are being rushed to Iran's Ayatollah Khomeini for a second Iranian offensive to be unleashed this summer under the overall control of the British Secret Intelligence Service, which installed the Khomeini regime in 1979. London, Tel Aviv, and their friends in the Reagan administration, led by Secretary of State Alexander Haig, intend to put maximum pressure on Iraq between now and September. The ultimate goal of this support for Iran, which was shamelessly proclaimed by the *London Times* and the *Washington Post* the week of April 12, is to topple the Iraqi government of Saddam Hussein before the summit of the Nonaligned Group in Baghdad, Iraq, in September, and to spread the "Khomeini disease" into the rest of the Middle East.

Should Iraq collapse the entire area will be plunged into chaos—as Egypt, Saudi Arabia, Jordan, and other Arab states know.

Israel makes no apologies for its overt backing of the Khomeini regime, including supplying military equipment. "Saddam Hussein is another Hitler," said one Israeli official. "Anything that we can do to destroy him, we will do." Among other actions, the Israelis are pressuring President Reagan—whose mind is by no means made up—to reject requests from Iraq, Egypt, and Saudi Arabia to halt the flow of Israeli and American weapons to Iran.

According to information from London specialists on the Persian Gulf, confirmed by U.S. military sources, Khomeini's Iran does not have the ability to sustain an armored drive into Iraqi territory or to defeat Iraq decisively. But, they argue, continued Iranian advances toward the Iraqi border, eventually pushing Iraq back into its own territory, would so disrupt Iraq politically that it would trigger a coup d'état against President Hussein. "The armed forces of Iraq will not accept a humiliation by the Iranians," said one British SIS area specialist. "They will blame Saddam for their defeat."

In the following report, the *Executive Intelligence Review* intends to separate fact from fiction in regard to the war in the Persian Gulf. Despite American media

reports and Anglo-Zionist accounts of the war, vital American interests are threatened if the Israel-Iran combination is successful. President Reagan, who tolerates State Department and Justice Department gun-running to Iran, is currently being misinformed by the CIA on the nature of the conflict between Iraq and Iran.

The reality of the Gulf war can be summed up as follows:

First, London's banks and oil companies support Khomeini's Iran in an effort to reorganize the oil industry in the Persian Gulf; specifically, this means the elimination of the American "Aramco mafia" from Saudi Arabia and the replacement of the pro-U.S. Prince Fahd by the British SIS allies in the Saudi royal family. Part of this design includes the reduction of Saudi oil production from its current 7 million barrels per day to somewhere around 3-4 million bpd.

Second, the destruction of the Iraqi regime as the standard-bearer of republican nationalism in the Middle East, and the spread of "Islamic fundamentalist" ideology is a conscious aim of the British and Israelis. The fall of Iraq as a force for modernization would weaken every country in the area.

Third, Iran's offensive against Iraq is being conducted literally as a campaign of national suicide by the mullahs. No losses, even staggering ones that would stun any other nation, will deter Teheran from pushing fanatically toward its objective.

The suicide war

The Iranian military strategy in the Gulf war carries the putrid stench of the suicide cult of Jim Jones's Jonestown. What was portrayed in the United States by corrupt media as an "Iranian victory" in the March offensive cost Iran 100,000 dead and wounded and the backbone of its entire armored corps.

"Thousands and thousands of Iranian youth came at our forces, almost unarmed in some cases, and ran directly into our fire," said one Iraqi official. "Our fighters could not believe what they were seeing. They just kept firing into crowds of people until their ammu-

nition was exhausted. It was awful, unbelievable.”

According to some Iraqi accounts, Iran massed up to 2 million ragtag soldiers, of all ages and without military training, across a narrow front of 150 kilometers south of Dezful, an Iranian city strategically vital for its communications center and air base.

“They just marched their forces across densely packed minefields, blowing up the mines with their bodies,” said the source.

Detailed reports from American correspondents brought to the front by the Iranian authorities did not report these facts. Nor, in their accounts of the Iranian offensive, did the U.S. reporters find it important to mention that the Iranians failed to capture even a single Iranian city held by Iraqi forces.

Iraqi accounts of the fighting were blacked out of the American press. During the period of the heaviest fighting, from March 20 through early April, not a single American newspaper filed a battlefield report from the Iraqi side or quoted communiqués from the Iraqi High Command. According to Iraqi reports, cross-checked with neutral intelligence sources, the following is a rough account of what actually transpired during the March-April fighting.

In mid-March, Iraqi intelligence confirmed reports of a major Iranian offensive to be launched on March 21. On March 20, to preempt Iran, Iraq launched a large-scale attack on Dezful, surrounding the city and forcing Iran to divert its planned attack to defend Dezful instead. After extremely heavy fighting, with both sides suffering heavy casualties, Iraqi troops fell back to absorb the brunt of the now-weakened Iranian attack. Abandoning the siege of Dezful, whose capture was never an Iraqi objective, the Iraqi forces withdrew back to more defensible positions along an elevated ridge, rather than at their more exposed front lines that had been located in a valley-like area west of Dezful.

Although Iraq suffered heavy losses, including perhaps 200 tanks, its losses were miniscule in comparison with the tens of thousands of Iranian dead and wounded. In addition, Iran lost at least 250 of its 700 tanks.

Intelligence sources now report that Iran has begun an extensive rearming and reorganization effort for its next human-wave assault. This time, Iran is expected to make use of sophisticated anti-aircraft devices being supplied by the United States and the Israelis, in order to prevent Iraqi air superiority from coming into play.

Egypt, Saudis, Jordan back Iraq

Syria, allied to Iran, is threatening to open a second front against Iraq, to prevent Baghdad from throwing its entire force against Iran. Syria has closed the border with Iraq, shut the Iraqi pipeline carrying oil to the Mediterranean, and repeatedly violated Iraqi airspace with its jet fighters.

Saudi Arabia and Egypt, in late March, decided to provide more extensive support to Iraq to prevent Iran from gaining ground in the war. According to intelligence sources, the White House and the CIA—though opposed by the State Department—are quietly supporting the Egyptian-Saudi effort on behalf of Iraq. As a signal of that support, muted as it is, on April 13 the Reagan administration announced the decision to sell 6 to 12 L100 transport planes to Iraq, the first such sale with potentially military applications since 1967. In February 1982, the Reagan administration took Iraq off the list of countries supposedly implicated in terrorism, thus clearing the way for the L100 sale.

In March, two Iraqi delegations visited Egypt to talk to Cairo about purchasing weapons, although Egypt and Iraq nominally do not maintain diplomatic relations.

According to Egyptian sources, at a meeting of the Egyptian Cabinet in late March, Egypt's President Hosni Mubarak made a decision to materially support Iraq. An arms deal was concluded, which, according to Israeli sources, involves the shipment of tanks and heavy war equipment, including artillery, to Iran. The *Christian Science Monitor* reported that the value of the Egyptian-Iraq deal is more than \$1.5 billion.

The Egyptian shipments to Iraq, carried in both Egyptian and Saudi vessels, have already begun to be loaded at Red Sea ports, and the entire deal is financed by Saudi Arabia, which has loaned billions of dollars to Iraq's war effort already.

“We will help Iraq in any way that we can,” said an Egyptian official. Asked whether the decision by Reagan to sell transport planes to Iraq was significant, the official said: “Of course! It is crucially important. Besides that sale, there will probably be other sales, through arms brokers and third countries, to Iraq.”

Conspiracy to support Iran

Despite some emerging support for Iraq, American weapons are flowing steadily into Iran. And, more and more, “opinion makers” in the United States are demanding that Washington side with Iran. Leading the support for Iran is the British aristocracy, the SIS, and Israel. “The Israeli embassy in Washington is working overtime to get the American press to carry only the pro-Iranian side of the story,” said one Middle East CIA veteran.

According to intelligence sources, the arms for Iran—including anti-aircraft missiles and other sophisticated weapons—are being shipped from three American ports: New York, Houston, and Los Angeles. Using a network of arms smugglers and Bahamas-based operatives, the smuggling apparatus is based in London, the international capital of the arms traffic. At least a portion of the arms from these three ports is being

shipped from warehouses stockpiled with American weapons but held under Israeli control! These arms depots, supposedly a strategic reserve for Israel, were set up in arrangement with the State and Justice Departments following the 1978 Camp David accords, as part of the secret protocols attached to Camp David's public side.

President Reagan either does not know of, or does not care to stop, these deliveries.

The London *Times* in an April 13 editorial entitled "The Trembling Thrones of Araby," demanded that the West refrain from aiding Iraq, despite the "desperate" plight of Baghdad. "Should the West join in this general rallying of pro-Western Arab states behind Iraq? The answer must surely be no. Mr. Saddam Hussein is a sanguinary dictator, not worth helping in himself." The consequences, the *Times* admits, might be "an Iraqi Islamic republic, Iranian style," and asks: "And would the contagion stop there, or would it spread to Kuwait, Bahrain, the United Arab Emirates, and the eastern provinces of Saudi Arabia—all areas where Shi'ism, like oil, is a subterranean force now bubbling to the surface?"

And the *Washington Post*, taking its cue as always from London, published the same day an editorial called, "Iran Is Winning." That piece called Iran the "principal regional military power" and said that it "remains the strategic prize in the Gulf." Rather than "plunging after Arab favor," the United States should return to Jimmy Carter's Iran policy, citing Carter's infamous quote in 1980, at the very height of the hostage crisis: "We have no quarrel with the government, the revolution, or the people of Iran."

Such editorial policy is also reflected in the news coverage.

In that direction, not only have the principal American news media refused to cover the war from an unbiased standpoint, preferring instead to report the Iranian military communiqués, but *The New York Times*, *Washington Post*, ABC-TV, and so forth have gone out of their way to portray a mythical "pro-American" faction among Iran's insane mullahs.

The *Washington Post*, for instance, reported on April 13 that Iran is trying to "pose as an anti-communist bulwark" in the Middle East, citing recent Iranian pacts with Turkey and Pakistan as evidence that Iran wants better relations with the "West." Gratuitously, the *Post* quotes *Islamic Republic*, the daily newspaper of the ruling mullahs' party, attacking the Soviet Union as proof of Iran's continuing loyalty to the Western world! Such idiotic non sequiturs are hardly comforting to Riyadh or Cairo, who know that the "West" Iran supports is the fascist British SIS creators of the Muslim Brotherhood who installed the Khomeini regime in the first place.

Because of the critical nature of the next few weeks and months, there has not been a lack of diplomacy to seek an end to the war.

Mediation and realignment

At the end of March, Iran's Foreign Minister Velayati paid a surprise visit to Abu Dhabi, U.A.E., to discuss the Gulf war. After meeting Velayati, U.A.E. President Sheikh Zayed flew to Baghdad to explore a possible mediation effort, and an effort was made to bring about a meeting between the foreign ministers of Iran and Iraq at the non-aligned meeting in Kuwait in early April. That effort failed.

Then, two weeks later, Saddam Hussein declared Iraq's willingness to withdraw its troops from the territory of Iran provided guarantees could be found that Iran would not cross the Iraqi border again, as it did in September 1980 when it started the war. India, Cuba, Zambia, and the PLO—of the non-aligned group—were reportedly prepared to station forces between Iran and Iraq, but to no avail. Iran also rejected that offer. The stalemate continued. The British backers of Khomeini will, it appears, insist on *at least* a perpetual stalemate to bleed Iraq and weaken the Gulf states over a prolonged conflict.

Diplomatically, Iran seems intent on building up its relations with Pakistan and, through that Muslim fundamentalist nation, to Peking China. Indeed, the emergence of an Israel-Iran-Pakistan-China axis is very possibly on the immediate agenda of the London controllers of the Muslim Brotherhood. A key aspect of that operation is the rapprochement being sought between Iran and the U.A.E.

In March and April, two major Iranian delegations visited Pakistan and, before returning to Iran, also stopped in the U.A.E. Among the first delegation was Iran's blood-judge Ayatollah Khalkhali, who has ordered thousands to be shot or hanged in his "Islamic courts." Because the emirate of Dubai in the U.A.E. is the headquarters of the British SIS in the Gulf, it is not surprising that Iran would seek allies there. And Pakistan, backed by London and the Israelis, is looking for a peacekeeping military role in the Persian Gulf states, including Saudi Arabia.

Aiding the Iranian-Pakistani effort to outflank Iraq in the Gulf itself, through Dubai, are the Israelis and Chinese. Several top Israeli financiers, including the Mossad's Shaul Eisenberg, have been to China recently, and Armand Hammer—another Mossad collaborator with close ties to Libya and the Soviet KGB—signed a major deal in Peking, brokering some diplomacy for the Chinese Communists as well. According to some accounts, Eisenberg and Hammer envision Israel and China working together in the Gulf with Iran and Pakistan.

Ariel Sharon's dangerous game

by Nancy Coker

Israeli Defense Minister Ariel Sharon is moving recklessly ahead to take advantage of declining American power in the Middle East. At the behest of his sponsors in British intelligence, the British-connected European oligarchies, and the international Propaganda-2 Freemasonic networks, Sharon is doing what he was installed in power to do: transforming Israel into a Middle Eastern Switzerland, an international haven for dirty-money bankers and a playground for terrorism, dope-running, arms production and smuggling, free enterprise zones, and other Mafia-related activities. Sharon and his backers could use such an economically transformed Israel as an independent regional superpower, free to carry out military strikes and other adventurist policies without the constraints imposed by Washington.

With the United States fast becoming a second-rate power in the region, Sharon, with Prime Minister Menachem Begin in tow, is moving rapidly to act now. According to Israeli intelligence insiders, Sharon is preparing a "utopian, comprehensive solution" for the Arab-Israeli conflict based on a sweeping revision of the Middle East map. His plan involves not merely invasion and partition of Lebanon, with Israel absorbing parts of that shattered country: Sharon also envisions the fall of the Syrian government, the toppling of King Hussein in Jordan, the annexation of the West Bank, and, eventually, the integration of Jordan itself into greater Eretz Israel. The Palestine Liberation Organization, according to the Sharon master plan, would fracture into "10 squabbling PLOs" and move closer to Moscow, becoming politically irrelevant. "Sharon is even thinking of occupying the Saudi oil fields," the sources report.

Recolonizing the Persian Gulf

Sharon's power play is backed by the intelligence service of Great Britain and its factional hangers-on in the United States and continental Europe, who seek to recolonize the Persian Gulf, using the military forces of Israel and Iran as proxies against the Arabs. London's

backing of Israel's ally Iran in its war against Iraq—and Washington's quiet assumption of the same position—underscore a revived perception of Israel as the centerpiece of a regional military axis ostensibly dedicated to "preventing Soviet expansion" in the area.

This perspective was spelled out by Sharon last year when he put forth the notion that Israel's strategic zone of concern stretched from Africa through Turkey and Iran into Pakistan and Indonesia.

Should the United States follow Britain's lead and decide that Israel and Iran are the strategic bulwarks of anti-communism in the region, Washington will not have out-foxed Moscow; rather, it will have jeopardized its own best interests in the area. The collapse of Iraq—the likely result of such a policy and the openly expressed goal of Israeli officials, who revile pro-development Iraqi President Saddam Hussein as another Hitler—is certain to trigger the demise of the pro-American regime of Prince Fahd in Saudi Arabia (see article, page 43) creating the conditions for the spread of Khomeinist-style Islamic fundamentalism throughout the Arab world. With the demise of President Hussein the very concept of the nation-state would be severely weakened in the region, and with it any semblance of regional political stability and any chances for economic growth. Israel's role as the pre-eminent political and military power in the region would thus be assured.

Angling for power

Sharon is also tied into an international network of organized-crime figures inside and outside Israel. His connection into this circle is said to be through Meshulam Riklis, who sits at the top of the Rapid-American corporate empire and is a reputed associate of underworld kingpin Meyer Lansky.

Inside Israel, Sharon has maneuvered into a strongman position from which he intends to take official power once the ailing Begin passes from the scene. Although there exists considerable opposition to Sharon's power play both from within the government and from the opposition Labour Party, no Israeli political leader of any stature has stepped forward to challenge the wild-eyed general.

According to one Israeli source, most of Begin's Herut Party had originally been opposed to Sharon, including Begin himself, who, unlike Sharon, is reluctant to provoke a full-blown crisis with the United States by invading Lebanon. However, Sharon's demagogic charisma has led many in the Herut executive to believe that Sharon is the only one who could carry the party to victory in the post-Begin era.

To consolidate his position, Sharon has waged a ruthless war against the Herut "old boys," gathering around him his most loyal cronies from the military and playing off different factions against each other. For

example, by publicly reversing his stand on Israel's scheduled withdrawal from the Sinai and becoming the leader of the pro-withdrawal faction in the government (despite his behind-the-scenes support for the Stop the Withdrawal fanatics), Sharon succeeded in neutralizing strong opposition to him from Deputy Prime Minister David Levy, the leader of the ruling Likud's large Oriental (Sephardic) Jewish bloc.

Sharon then won the support of Finance Minister Yoram Aridor by agreeing to cut the defense budget and to suspend the purchase of foreign weapons.

Sharon has also moved to reorganize the entire Israeli defense apparatus, eliminating all civilian input and establishing a central military command over the defense ministry and related civilian institutions. It was in the context of this fight that Sharon recently blocked the appointment of David Kimche, Director-General of Israel's Foreign Ministry, as head of Mossad, Israel's intelligence agency. Kimche was reportedly the candidate of Foreign Minister Yitzhak Shamir, Sharon's rival in the succession struggle. "To clinch the whole deal, Sharon is seeking a war," one Israeli journalist explained. "This is a risk for him, because a war might be a disaster. But he is hoping to become another war hero and thus become unstoppable in Israeli affairs."

Begin, a moderate in comparison with Sharon, is reliably reported to be intent on returning the Sinai on schedule and on restraining Sharon. "Begin has given us assurances, and Sharon is opposed to Begin," commented an Egyptian official. However, the furor after the April 11 shooting at the Dome of the Rock mosque in East Jerusalem, which touched off violent protests and worldwide denunciations of Israel by Muslims, has pushed Begin in Sharon's direction, according to intelligence sources. Israeli intelligence sources report that the instigator of the Jerusalem mosque incident was none other than Sharon, who personally orchestrated the affair through his networks in the Jewish Defense League (JDL) and the fanatical settlers movement, Gush Emunim.

Labour Party paralysis

The threat of a military move into Lebanon by Sharon and Begin has met with opposition on the part of some Labour Party and military realists who do not want to risk a rupture in relations with the United States. In an interview with Israeli radio, Gen. Haim Bar-Lev, Secretary-General of the Labour Party, said that an invasion of Lebanon at this time was unwarranted. He recommended that Israel not move militarily unless attacked or unless Syrian troops advance against the Christians in Lebanon. Gen. Mordecai Gur added: "The last days have not created such a situation [to warrant invasion] and do not require us to act." Gur warned of a "general confrontation with Syria . . . we

do not know where [such a war] will end." Begin called the statements "acts of irresponsibility of the highest degree."

Because Bar-Lev was a key participant in the discussion of a possible "government of national unity" which took place with Begin, Sharon, and Shamir earlier this month, his statement attracted great attention in Israel; it violated the confidence of that meeting, the central topic of which was the Lebanon crisis.

Labour Party chief Shimon Peres, however, has not turned down the proposal for a national unity/war government. By all accounts, Labour is paralytically divided, with Peres' main interparty rival, former Prime Minister Yitzhak Rabin, angling for some sort of government of national unity in which he would play the major role. According to one source, the Labour Party would become nothing but a carbon copy of Begin's Likud. The core of the party's power base, the Histadrut labor union, is defecting in droves to Likud; Israel's large Sephardic Jewish population is fast abandoning Labour for the leadership of Deputy Prime Minister Levy; the left wing of the Labour Party is considering an overt break. Peres's lack of leadership has all but ensured the collapse of an effective Labour opposition much less a Labour rise to power.

With the opposition in disarray, and with Washington hardly on top of the Middle East situation, Sharon's faction has seized the initiative. The possibility of war over Lebanon looms; the Sinai withdrawal is imperiled as Sharon manufactures reasons not to go through with it; the West Bank is aflame as Sharon and Begin escalate their operation to depopulate the occupied territories of Arab inhabitants and annex the land.

To give Israel the leverage and freedom of action to carry out his designs, Sharon is championing the controversial Lavie project, an ultra-expensive plan for having Israel manufacture its own sophisticated jet fighter. Sharon justifies the Lavie project by emphasizing the importance of Israel's acquiring "independence" through developing an arms-producing capability. In point of fact, Sharon, who as defense minister personally controls no less than 40 percent of the Israeli budget, is out to completely militarize Israel's economy. Given Israel's precarious economic situation (inflation is officially pegged at 127 percent), the Lavie project will only hasten Israel's transformation from real economic activity to arms production and Mafia-run drug and gambling operations.

"Israel will become the new Switzerland of the Middle East," said one Israeli source. "Only strong American pressure from outside Israel can work, combined with a U.S.-sponsored plan for the redevelopment of the militarized Israeli economy as part of a package deal for regional economic integration and development. Anything short of that won't work."

The fraud of Trudeau's constitution

Contributing Editor Christopher White takes stock of the Canadian Privy Council's expanded control and of resistance against it.

On April 17th Queen Elizabeth II completes the repatriation of the instruments of British legal rule over Canada in a ceremony in Ottawa, the colonial capital. Repatriation of the formal instruments of British rule, known as the British North America Act, sets the stage for a total overhaul of Canadian government as has been proposed over the last years by Pierre Trudeau, the Canadian Prime Minister.

The repatriation proceedings have been accompanied with much ballyhoo in the Canadian media, lauding to the skies the completion of the process of independence from mother Britain, along with paens to the coming of age of Canada as a free nation at last.

Such proceedings are, in fact, a cruel swindle and fraud. Canada is actually being subjected to the same process of destabilizing decolonization, so-called, as has been inflicted on other members of the former British empire in the post-war period. The objective of the festivities in Ottawa the weekend of April 17, are, in actuality, an effort to strengthen the political control of the monarchy as an institution in North America, by rule through such institutions as the office of the Governor-General and the Privy Council, as a prelude to further assaults on republican institutions and principles south of the border.

Americans cannot fail to notice that the Queen's presence on these shores, not coincidentally, takes place as the apparently liberal British Commonwealth drops its carefully made up human face to reveal the full savagery of the policies that have for so long been denounced by this journal, by dispatching the British fleet against the Malvinas Islands. Newly "independent" Canada has, of course, given full support to the gun-boat diplomacy of the British monarch, in withdrawing its ambassador to Argentina, and severing trade relations. Newly "independent Canada" has therefore joined with the British ruling house in undeclared war against the republican institutions of the Western Hemisphere.

For such reasons the Queen's presence in North America and the reform proposed by her lackey Prime Minister are properly a matter of grave concern to American patriots who are now asking themselves, no

doubt, what the old witch of Windsor has cooked up against them in her visit.

Opposition from Quebec

With the return of the instruments of British rule comes an appendage, a brand new shining "Bill of Rights and Freedoms" and, for the first time in history, the right of the Canadian federal government to amend its constitution, both part of the Trudeau's constitutional package for the Queen's Canadian subjects. Starting with the document itself we may easily demonstrate the swindle which is now being pulled off north of our borders while noting that thus far, the major opposition to these moves from within Canada has come from the provincial government of René Levesque in Quebec. Levesque has instructed all Quebec officials to keep well clear of the April 17 proceedings, and has initiated legal action in the Canadian court system against the constitutional reform now to be unleashed by Trudeau.

Levesque has good reason to push Quebec into this course of opposition to the crown and its lackeys.

The fraud of Trudeau's reform can be seen in two ways; first, by looking at what Trudeau is actually doing, and second, by debunking the so-called philosophy of law that passes as the underlying world outlook of the proposed proceedings. While Quebec and other forces within Canada have bitterly opposed aspects of the proposed reform that fall under the first category, they have thus far been ineffective in identifying and combatting those more subtly pernicious features that fall within the second category.

On that first level, Trudeau is in fact embarking on a process of establishing a virtual dictatorship for the monarchy within Canada. This can be shown from the text of the proposed Bill of Rights, and from ancillary processes that have been unleashed in reform of Canada's existing political institutions. In the preamble to the Trudeau reform draft, Canadians are guaranteed those "rights" which are traditionally recognized "by law." Nowhere in the body of the text as a whole is the doctrine on which such a guarantee is premised explicitly addressed. In Clause 4 of the draft, parliament is

empowered to suspend itself, and all rights, on a two-thirds vote, under conditions of "real or apprehended insurrection or war." The Bill of Rights does not specify how such determinations, whether "real or apprehended" are to be made or by whom.

Looked at in this way, the Trudeau constitution is in fact an enabling act for the imposition of dictatorial government over Canada. It is notable that excluded from the purview of the proposed document have been those very institutions through which Canada is presently ruled, namely, the office of the Governor-General, and the Privy Council. Such institutions are probably as unknown to most Americans as they are to Canadians.

The Queen's personal representatives

The Governor-General is the Queen's personal representative in Canada. The Privy Council, comprised of parliamentarians and non-parliamentarians, is a monarchy-appointed body that can rule over the head of other institutions within the dominion, through the instrumentality of Orders in Council. Americans would remember that Stuart and Welf Orders in Council of the 17th and 18th centuries were among the principle abuses and irrationalities to be corrected by the adoption of republican institutional reforms on this continent. Trudeau has recently embarked on a course of strengthening the privy council vis-à-vis the puppet parliament and senate by drafting provincial premiers on to that body. Levesque has thus far refused to join.

As of now there is an intensive discussion going on in the English-language Canadian press about the revision of an order in council dealing with emergencies, such as "real or apprehended war or insurrection," energy crises, or economic crises. According to the President of the Privy Council, Yvon Pinard, internment camps would be set up in Canada under certain circumstances. According to other Canadian politicians, such internment camps have already been established, and Trudeau is merely waiting for a suitable crisis pretext to activate the emergency features of the Order in Council and the Bill of Rights.

A former Governor-General of Canada, the late Jules Leger, remarked in his recently published autobiography that these are the ways in which monarchical power would be strengthened in Canada, with Trudeau, the Governor-General, and Privy Council functioning as a team for the crown, bypassing federal and provincial elected institutions.

Under such circumstances the separatist ferment that had, for example, characterized Quebec earlier in the 1970s, and is now sweeping Western Canada, may well function as the lever by which Canadians are manipulated into the kind of dictatorial arrangements Trudeau is so patiently seeking. Canada at this point is lacking a unified nationalist, and national opposition

that is capable of meeting the instrumentalities of the crown, such as Trudeau, on even ground, still less from the higher vantage point that is demanded by modern republicanism.

In the Canadian west much opposition to Trudeau's intentions has been based on the fact that Trudeau would eliminate, for example, the right to private property. Though this is the case, as the powers also accorded the Prime Minister by the emergency code revisions attest, it is by no means what is wrong with the Trudeau proposal in a more fundamental sense.

British empiricism

While not identified explicitly in the document, the philosophical world-outlook on which the Trudeau draft is premised is in fact the same old British philosophical radicalism that any right-thinking republican current knows it has to combat. The rights that the Trudeau draft fraudulently claims to guarantee are the rights of the pluralist, of the fascist in outlook who attempts to decompose the human race into the component ethnic and preference-based groups whose particular predilections, preferences, and aversions are to be defended and protected by central government from the encroachment of all conflicting and competing separate interests. The outlook of the document is the same outlook of the radical British empiricist current typified by Thomas Hobbes and Jeremy Bentham; that man is no different from the lower beasts, knowing no higher purpose in his mortal existence than the satisfaction of whatever sensual impulses momentarily give him pleasure, or the avoidance of those which give him pain.

Only one kind of system of government can ensue from such a view of man, no matter what that system of government calls itself and that is the system of government that has become identified over the course of this present century as fascism.

From within the United States an alternative constitutional reform for Canada has been proposed by Lyndon H. LaRouche, the world-renowned economist and Advisory Board Chairman of the National Democratic Policy Committee. Drawing from the lessons of the last 2,500 years of republican history, the LaRouche constitutional draft is now offered as a gift to Canada and to Canadians who would make a nation-state for themselves on the basis of republican principles. The LaRouche draft, taking as its point of departure the modern scientific principles of the qualifications of a republican citizen, proposes a reform that would correct many of the weaknesses in prior efforts of man to order his political systems according to adducible principles of natural law.

Now the subject of much discussion in Quebec and western Canada, the LaRouche proposal will be the subject of a subsequent report.

Bankers threaten nuclear program

In the wake of the peso devaluation, Mexico's nuclear power development program is at the top of the chopping block.

The Mexican government is seriously considering cancelling, or at least postponing for a considerable time, its nuclear programme worth more than 30 billion at current prices, because of the country's economic difficulties," the *Financial Times* of London said April 2.

I can certainly attest to the accuracy of the British paper in describing, not what the López Portillo government is thinking, but what Mexico's creditors in London and the International Monetary Fund have in mind. Since the 40 percent devaluation of the peso in February, banking officials in the U.S. Federal Reserve, the IMF, London, and Wall Street have been demanding that Mexico cut back on many of its planned capital-intensive projects. The country's nuclear program has been especially targeted because it represents the "spearhead" of the López Portillo strategy to make Mexico an industrial power by the year 2000.

The bankers think nuclear is vulnerable because it is just "taking off." Mexico has only one nuclear plant under construction, the 1300 megawatt plant of Laguna Verde. Several companies from the United States, Canada, France, Sweden, and Germany are now bidding for a contract to supply a second, 2300 megawatt plant whose construction is scheduled to start next year. Bankers have put special emphasis on the scrapping of this latest project, but the same *Financial Times*

article made it clear that they are interested in having the *entire* nuclear program (which calls for a 20,000 megawatt nuclear capacity by the year 2000) at least drastically delayed.

For the moment, the bankers' strategy is to make sure the López Portillo government doesn't announce the winner of the bidding next August as scheduled. They are demanding that instead the government present the PRI candidate, who will therefore be the next president, Miguel de la Madrid, with a "study" of the contract bids submitted by the nuclear suppliers. Once under the control of the new administration, the scenario goes, the project and the entire nuclear program could be "studied to death," as the *Financial Times* says.

It is not that the PRI candidate is against the nuclear program. It is too early to determine that. Nonetheless, the IMF and the rest are counting on the influence of the Wharton School's "go slow" strategies promoted by some of de la Madrid's closest advisers. The "go slow" forces are represented by Carlos Salinas de Gortari, director of the PRI think tank, IEPES, and Manuel Bartlett, Secretary General of the PRI. Both officials have been associated with recent efforts to make of the powerful PRI a European-styled "greenie" party.

Although the PRI has been somewhat tainted with "greenie" overtones, that party remains one

of Mexico's strongest institutional vehicles for progress and modernization. Therefore, the country's creditors have a better ally in two other parties. They are the "right-wing" Party of National Action (PAN) and the leftist Social Democratic Party (PSD), both tracing their roots to the fascist networks of Franz-Josef Strauss in the European Christian Democracy. The two parties' presidential candidates for the elections July 4, Pablo Emilio Madero from the PAN and Manuel Moreno Sanchez from the PSD, are running explicit campaigns against the nuclear program and other big state development projects. In an interview with the Monterrey-based daily *El Norte* April 10, Madero called the nuclear program "absurd" and made a point of expressing his loyalty to the opponents of Mexico's development by saying that "it is very good that the World Bank and the Federal Reserve of the U.S. are pressuring Mexico to cut public spending."

The PSD has been even more blatant. In an exclusive interview with *EIR* April 5, Adip Sabag, top PSD environmentalist, flatly stated that his party is mobilizing to stop not only new nuclear projects but the already long-delayed project at Laguna Verde. "We have a big ally on our side, the devaluation. Thanks to the devaluation, many nuclear projects are going to be abandoned. . . . That's what we are there for—to denounce these things once again," Sabag said.

Despite these anti-growth efforts, the López Portillo government's commitment to its nuclear program is still a powerful factor determining its future. The nuclear future of Mexico, we can say, is therefore "up in the air."

International Intelligence

State welcomes notorious Pakistani

Lieutenant-General Fazle Haq, governor of Pakistan's opium-ridden North West Frontier Province, arrived in Washington the week of April 12 as the "honored guest" of the U.S. State Department's Bureau of International Narcotics Matters. According to the State Department, Fazle Haq is here to "observe the drug enforcement agency's methods of preventing drug inflow into the U.S." *EIR* reported last October that Fazle Haq's brother, Fazle Hussein, is wanted by Interpol in connection with various narcotics-trafficking-related cases, and that Governor Fazle Haq himself is linked to illegal drug traffickers. According to New York sources, Fazle Haq told Washington that he could do very little to stop drugs in the tribal areas unless the U.S. poured large amounts of money into the region.

Fazle Haq also met with Undersecretary of State James Buckley, and Assistant Secretary Nicholas Veliotis to discuss security affairs. Fazle is thought to represent that faction of the ruling Pakistani junta which wants Pakistan to allow U.S. military bases on its territory.

Israeli paper says Reagan toughening up

The Reagan administration may soon move to pressure Israel to agree to the establishment of a Palestinian state in the occupied West Bank and Gaza, the Tel Aviv daily *Hatsofe* asserts. President Reagan has stressed in discussions with his aides that the establishment of a Palestinian state is a prerequisite for solving the Middle East crisis, and that such a Palestinian state would not necessarily be—as Israel contends—a Soviet outpost in the Middle East.

"President Reagan raised the main points of this policy of his before senior Israeli officials," *Hatsofe* reports, "and hinted to them that their non-acceptance

of a Palestinian state may create numerous difficulties for Israel."

"The White House is hinging economic assistance to Israel on future developments," in the occupied territories, *Hatsofe* reports.

A toughening-up on the part of the Reagan administration vis-à-vis Israel and the possible formulation of a comprehensive U.S. policy approach for the region has alarmed certain people. Israel's hard-line Ambassador to Washington, Moshe Arens, was recalled to Israel to discuss these developments with his government. At the same time, columnist Joseph Kraft, a mouthpiece for Henry Kissinger, has decided that the time is now ripe for a "weighty figure" (a not-so-subtle allusion to the rotund former Secretary of State) to be called in to handle Middle East diplomacy.

Moro trial baring new facts on terror

The trial of 63 suspected terrorists indicted for participation in the 1978 kidnapping and murder of former Italian Prime Minister Aldo Moro began April 13 in Rome. Leonora Moro, widow of the victim, gave an interview that day to Italy's leading daily, *Corriere della Sera*, providing new insights into the case, which has deeply affected all aspects of Italian political life since its occurrence.

Signora Moro added new weight to investigators' accusations that powerful international agencies participated in designing the murder. Prior to his abduction, she reported, Moro had been threatened by "very important people" during a diplomatic event. These individuals told Moro that unless he ceased negotiations between his Christian Democratic Party and the Communist Party on possible formation of a coalition government, Moro would face grave consequences.

Signora Moro also revealed that her husband was denied increased protection by security forces when his body guard noticed some weeks prior to his kidnapping that he was being systematically subject-

ed to surveillance.

On April 14 Judge Imposimato, a leading magistrate in the case, told the daily *La Repubblica* that Moro's kidnapers were tied into a large international network, reaching from Israel to Paris, France. Imposimato then stated that he is continuing to pursue suspect Francesco Piperno, who has escaped investigation by moving to Canada, which refuses to extradite him. Piperno, a physicist, is documented to have been a top controller of the Red Brigades.

Venezuela cites the Monroe Doctrine

Venezuela's Ambassador to the Organization of American States (OAS), Hilarion Cardoza, called Britain's moves on the Malvinas question a violation of the Monroe Doctrine, in an April 14 interview. Cardoza's statement was the first from a Latin American official reviving the doctrine. The only claims Britain can place on the Malvinas are those of "loot and force," he said at an earlier OAS meeting.

Britain told the government of Bolivia on April 15 that the EC will boycott it economically if it aids Argentina, and Brazil is threatened with breach of Britain's contract to modernize its navy.

Dope Inc.'s Costa Rican launching pad

Costa Rica, according to sources in Mexico, is the staging ground for a "liberation army" that is preparing to invade Nicaragua. The invasion, led by Libyan-trained Socialist International mercenary Eden Pastora, would trigger another round of population-decimating civil war in Central America, as part of Alexander Haig's strategy of perpetual destabilization and slaughter for the region.

The idea, say these sources, is to set up Pastora, who went into hiding after breaking with the Nicaraguan junta earlier this year, as a new Central American

"strongman" who would remodel Nicaragua into another Costa Rica—the dirty money and arms haven appropriately dubbed the "Switzerland" of Central America.

The surfacing of the Pastora operation marks a regrouping of the dope- and death-dealing United Brands network whose home base is Costa Rica. In May, Luis Alberto Monge, a protégé of former President and Socialist International patriarch in Costa Rica "Pepe" Figueres, will be installed as president. Figueres, on whose farm dozens of different guerrilla operations (including Pastora's earlier efforts) have been trained, has been on the United Brands payroll for decades. Henry Kissinger has been invited to his inauguration festivities.

Another of Figueres's old friends, fugitive investment-swindler Robert Vesco, has suddenly reappeared in Costa Rica as well. Forced out of his comfortable Costa Rican sanctuary by the previous regime, Vesco, tied to the international Propaganda-2 drug-money networks, evidently thinks it is safe to return.

Arthur Burns attacks Chancellor Schmidt

U.S. Ambassador to West Germany Arthur Burns has made public a private briefing delivered by him the first week of April to a congressional subcommittee, in which he launched a series of verbal attacks on the current government of West Germany.

The statement, issued "confidentially" to the House Subcommittee on Europe and the Mideast, accuses West Germany of failing to live up to its obligations of alliance with the United States. Although Burns does not mention Schmidt's name once in the lengthy remarks, he makes clear that his target is the current Bonn government, by asserting that the "German population" is dissatisfied with the foreign-policy failures of their country, as is the U.S. citizenry.

"Americans were disappointed," the statement reads, "in the Federal Repub-

lic's delay in deciding to boycott the Moscow Olympics after the Soviet invasion of Afghanistan. . . . They were disturbed by the initial reluctance of the Federal Republic's leaders to recognize publicly the Soviet role in the military takeover of Poland."

Burns also states that he is aiming to break German resistance to revamping the North Atlantic Treaty Organization. "We have also been troubled," he stated, "about the Federal Republic's caution in involving itself in some problems outside NATO's boundaries, particularly in the Persian Gulf area." Schmidt is firmly opposed to Anglo-American proposals to broaden NATO's area of jurisdiction beyond Europe into the Third World and South Atlantic. Burns, one of the key figures trying to oust Schmidt from office, supports transformation of NATO into a world policeman which can fight conventional regional wars.

Montreal daily defends Italian terrorist

Francesco Piperno, currently awaiting hearings in Canada on the Italian government's attempt to extradite him to Italy, where he is wanted for the murder of former Prime Minister Aldo Moro, was given a full-page spread in Montreal's *Le Devoir* on April 14 to make his own case. A week earlier *Le Devoir* succeeded in having cancelled the regular TV broadcast of the Ralliement Republicain du Québec (RRQ), which contained an exposé of the Canadian supporters of the international Propaganda-2 drug and terrorism networks.

Facing the successful counterterror methods of the Italian government—the *political* methods advocated by the Lyndon LaRouche-affiliated RRQ, Piperno claims that torture awaits him if he is returned to Italy.

The Canadian Ministry of Emigration and Manpower is reported planning revised immigration laws that would make it even easier for criminals to claim political sanctuary in Canada.

Briefly

● **LIONEL JOSPIN**, General Secretary of the ruling Socialist Party in France, had unenthusiastic words for the nuclear freeze and no-first-strike proposals of Robert McNamara and friends now receiving such wide play in the American media. "It all depends on who freezes, and at what level and with what further purpose," said Jospin during a speech in New York on April 13, adding that he could comment on "the previous history" of some of the authors of these proposals, but would refrain.

● **WEAPONS** recovered from students at Karachi and Sind Universities by Pakistani police are believed to have been sold to the regime's opponents by the so-called rebel forces in Afghanistan. The Pakistani dictatorship's policy of channeling sophisticated arms to the Afghani bands would appear to be backfiring.

● **INDONESIA'S** Vice President, Dr. Adam Malik, who played a leading role in his country's struggle for independence from the Dutch colonial rule in the 1940s, said that sovereignty over the Malvinas Islands should be granted to Argentina. The Indonesian constitution says colonialism "should be eliminated from the face of the earth."

● **COUNT BOUGAINVILLE**, a descendant of the original French discoverer of the Malvinas islands during the 17th century, has gone on record backing Argentina's claim of ownership of the islands. "To recognize the British . . . would be to admit that the Queen is the legitimate sovereign of New York," the Count told a Paris newspaper April 12.

● **THE UNITED NATIONS** Environment Program (UNEP) is planning to release in May a hit list of alleged environmental hazards, which will mobilize environmentalists against the production and use of oil and other fossil fuels, according to confidential documents made available to *EIR*.

Tories gain the upper hand in Washington

by Graham Lowry, U.S. Editor

One week after *EIR* founder Lyndon LaRouche issued his April 9 open memorandum to President Reagan on the possibility of calling Great Britain's bluff (see International, "British NATO Pullout Against the United States Can Be Reduced to a Pathetic Bluff"), it appeared that the Anglophiles within the administration, grouped around Vice-President George Bush, Secretary of State Alexander Haig, and White House Chief of Staff James Baker III, had gained the upper hand.

Behind the diplomatic façade of "even-handedness" maintained in Washington while the British fleet steamed toward Argentina's Malvinas Islands, a policy struggle has been under way as the British and their agents in the government of the United States move to suppress any assertion of U.S. national interest in the face of the British invasion of the hemisphere.

Britain's naval deployment and declaration of a 200-mile "war zone" around the Malvinas, or Falkland Islands, has factionalized Washington in a fashion threatening the "special relationship" that has permitted London to manipulate the United States to its own geopolitical ends with increasing success since the 1956 Suez crisis. Anticipating that risk, the British launched their South Atlantic operation with an accompanying barrage of pressure and threats against the Reagan administration designed to neutralize any patriotic impulses.

The primary target has been President Reagan himself, reported by sources in Washington to have reacted to the dispatch of the British fleet with a first instinct to invoke the Monroe Doctrine. But the British made their move with Reagan conveniently out of the way and the government in Bush's hands, while the President was touring the Caribbean and vacationing on the British Commonwealth island of Barbados. His vacation hostess, actress Claudette Colbert, had also arranged for raving Anglophile William F. Buckley to share the President's accommodations during his stay.

Intelligence sources report that by the time Reagan returned to Washington the weekend of April 10th, the essentially Tory-run government had activated extensive channels of coordination with Britain, including fuel supplies and communications support to the British fleet. Against a current within the intelligence agencies, the military, and the Defense Department arguing for the invocation of the Monroe Doctrine, James Baker has been telling the President that such a move would result in his being "ridiculed" by the media and in Britain's wrecking the Western Alliance.

"The Brits have pulled out all the stops on this one," reports a leading policy strategist close to the administration. "I had lunch with a senior official the other day, and he was called out twice during the meal to speak to Downing Street. Haig's British contacts are besieging

him, and the whole seventh floor of the State Department is under tremendous British pressure. The British are saying, 'This is the second most serious crisis for us in the postwar period. The first was Suez. You Americans blew it on Suez and almost bankrupted us. Don't repeat it. You owe us. And we rent some islands to you that you need for a number of important things.'

Haig's diplomacy

While such pressure was being exerted from London, Secretary of State Haig carried out his shuttle diplomacy as a virtual agent of the British Foreign Office. As reported April 13 in the Mexican daily *Excelsior*, Haig rejected a number of Argentine President Galtieri's proposals on the specific grounds that British Prime Minister Thatcher's career was at stake, and to accept them "would be suicide for Mrs. Thatcher." At the same time, the Tories within the Reagan administration were emboldened enough to put out a leak from the White House that the United States had "tilted" in favor of Britain. That was a sufficient warning signal of Tory intentions to prompt a speedy denial from another administration official, subsequently identified by ABC news as Deputy CIA Director Bobby Lee Inman.

Simply maintaining the role of a "fair broker" in the Malvinas conflict has left the United States on the verge of surrendering the Monroe Doctrine and its influence within the hemisphere. Following President Reagan's press conference April 14, Haig was also left free to resume his role as the Queen's shuttle, with no restraining public criteria concerning U.S. objectives in the dispute.

Instead, Mr. Reagan announced that the situation "is most sensitive," and that to avoid doing anything to "endanger the peacekeeping process," the "safest thing is not to comment"—an instruction he made binding on the administration as a whole.

Haig emerged at the State Department soon afterward to declare that the United States will maintain its "long-standing relations" with Argentina "and the United Kingdom," and will not accede "to requests that would go beyond the scope of customary patterns of cooperation, based on existing bilateral agreements." Haig was not announcing limits on U.S.-U.K. collaboration but his own commitment to do everything possible to prevent application of the Monroe Doctrine, or the Organization of American States' Rio Treaty, against Britain's intervention in the Malvinas Islands.

Much of the countdown to the British fleet's arrival in the Malvinas proceeded with Congress effectively demobilized by the Easter recess, and with most of the House leadership scattered over several continents on a variety of junkets. Such apes of the British as Sen. Edward Kennedy (D-Mass.) and Sen. Daniel Patrick

Moynihan (D-N.Y.) came out in support of the monarchy.

Serious opposition

Thus far only Sen. Jesse Helms (R-N.C.), Chairman of the Western Hemisphere Subcommittee of the Senate Foreign Relations Committee, has raised any serious opposition on Capitol Hill to Britain's actions. In a statement released April 7, Helms charged Britain with violation of the Monroe Doctrine, including its original seizure of the Malvinas Islands in 1833, as well as of the Rio Treaty, under which he predicted most of the nations of the Americas would unite "against British imperialism." Helms warned of "a possibility of severe strains to the inter-American system as a result of the dispatch of the British fleet to the Western Hemisphere."

Among American military opponents of Britain's actions, Lt.-Gen. Mitchell Werbell III released a public statement April 5 calling on President Reagan to invoke the Monroe Doctrine, to have the United States "once again clearly assert its proper role as a leading ally of our hemispheric neighbors." If President Reagan "takes clear action in this spirit," Werbell declared, "this will be a matter of inspiration for all of our allies—particularly at a time when we are confronted with the potential for major instabilities in Central America and elsewhere in the hemisphere."

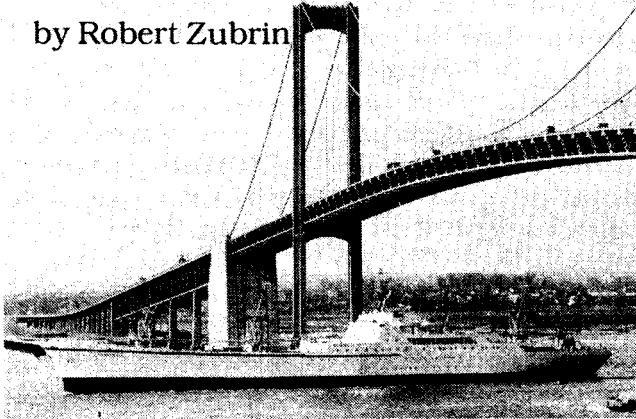
A split among conservatives

Despite an avalanche of Tory propaganda in the U.S. media, which also imposed a virtual blackout on Senator Helms' statement, the British invasion of the hemisphere has set in motion major political repercussions across the country. The National Democratic Policy Committee has mobilized hundreds of chapters nationally in support of its Advisory Board Chairman Lyndon LaRouche's call for enforcing the Monroe Doctrine, in a campaign backed up by mass leafleting and demonstrations against British consulates and other offices around the country.

The director of one of the largest conservative Republican political action groups recently underscored the prospect that such an anti-British campaign could end the leading influence Anglophiles exert over the conservative movement in the United States. That potential was demonstrated when Michael Sterns, interim national chairman of the Young Americans for Freedom, signed a telegram to President Reagan calling on him "to immediately invoke the Monroe Doctrine in light of the British attempt to resurrect colonial warfare in a nuclear age," and should Britain refuse to withdraw, "to appropriately declare any British possession in the Western Hemisphere under this nation's jurisdiction."

A U.S. nuclear merchant marine?

by Robert Zubrin



Today, the majority of nuclear reactors are operating not on land, but on the high seas, propelling the 250 leading warships of the world's navies. Yet in the non-communist world there exists no functioning nuclear-powered merchant ship, nor are there plans to build any. Although 90 percent of world trade moves by ship, the West has apparently decided to confine itself to a slow-moving fleets of increasingly uneconomic and wasteful oil-consuming merchant ships and tramp steamers, a low-technology approach which is allowing floating sweatshops to sweep away the once-proud U.S. Merchant Marine.

The Savannah

Because nuclear power had first been successfully developed for the submarine *Nautilus*, it was logical that when the Eisenhower administration developed its Atoms for Peace program in the mid-1950s, one of the first applications proposed was construction of a nuclear-powered merchant ship. In 1956, contracts were drawn up between Babcock & Wilcox and a Maritime Administration (MarAd)/Atomic Energy Commission project office which led to the design, construction, and, in 1962, the launching of the *N.S. Savannah*, America's first and only such nuclear-powered ship. Going into full service in 1964, the *Savannah* exceeded all of her original design specifications, and over the next seven years sailed some half million miles around the world, being visited by some 1.5 million people in 46 ports, without a single incident of either radiation leakage or reactor or fuel failure. A total technological success, the *Savannah* was not designed to be an economic success,

however, being herself only a demonstration ship of some 20,000 tons, of a combined cargo and passenger type that no longer fit into the global maritime picture by the mid-1960s. Today she is moored as part of a nautical museum in Charleston, South Carolina.

Under the supervision of Dr. Zelvin Levine, the maritime reactor group at Babcock & Wilcox had developed a more advanced type of maritime nuclear reactor by 1964 known as the Consolidated Nuclear Steam Generator (CNSG). Instead of heating turbine steam with coolant piped out of the reactor vessel, the steam generators were placed inside the reactor pressure vessel itself, permitting greater efficiency and power. The first CNSG model was exported by Babcock & Wilcox to be used as the propulsion system for West Germany's nuclear ship, the *Otto Hahn*.

What was needed next was to construct some 50,000-ton or more container ships or 300,000-ton-plus oil tankers that could demonstrate the economic superiority of nuclear over conventional merchant ships. In an effort to revive the government's somewhat moribund maritime nuclear program, Dr. Levine left Babcock & Wilcox to become chief of the Office of Maritime Technology at MarAd in 1970.

Levine pushed through the design and licensing of a standardized version of an advanced CNSG of 120,000-shaft horsepower (SHP), suitable for propelling a large container ship anywhere in the world non-stop at 34 knots or a 500,000-ton tanker at 20 knots from the Persian Gulf to the United States. Studies at MarAd also indicated potentially very favorable economics for nuclear-powered liquified natural gas carriers, icebreakers, submarine oil tankers, and icebreaking petroleum-drilling ships for use in the high Arctic.

By 1973, Levine could predict, "I believe the outlook for the near term is as follows: "Economic demonstration ships, probably an initial order of three Very Large Crude Carriers, may be ordered in the U.S., with government financial assistance, in the reasonably near future, probably late 1974 or early 1975. Nuclear powered vessels for Arctic applications may be ordered in the period 1975-76 and will enter service in the 1980-81 period, providing further evidence of the merits of nuclear propulsion. . . .

"By the mid-1980s, nuclear propulsion will be winning multiple orders in all classes of high productivity ships: i.e. VLCC's, container ships, RO-ROs, barge carriers, Arctic vessels, and perhaps LNG carriers. As a result of the rapidly rising orders backlog which will develop by 1985, new shipbuilding facilities specifically designed for nuclear ship construction and repair will be constructed. By 1990, U.S. flag operators will have at least 50 nuclear powered ships on order, under construction, or in service. . . . By the end of the century, the U.S. should have in excess of 200 nuclear

powered merchant ships.”

The Globtik affair

Within a few months of his prediction, the advantages of nuclear power were quadrupled by the 1973-74 oil-price increase, and in 1975, the United States was presented a potentially huge order for nuclear merchant-ship construction from a private source, the London-based Globtik Tankers. Headed by Indian entrepreneur Ravi Tikoo, Globtik was the builder and owner of the largest ocean-going oil tankers in the world. Tikoo's offer was to build in U.S. shipyards and register under the U.S. flag three nuclear-powered Very Large Crude Carriers of 660,000 tons. Each one would be seven times the size of the largest aircraft carriers afloat. Tikoo was willing to put up \$300 million per ship, but he wanted the U.S. government to provide \$45 million (or 15 percent) per ship for first-of-a-kind start-up costs. He (and U.S. vendors Babcock & Wilcox and Newport News Shipyards) also needed limited liability legislation analogous to the nuclear industry's Price-Anderson Act. Given the massive job-creation potential for both steel and shipbuilding in the initial order (to say nothing of the competitive advantage U.S. shipyards would have if

maritime trade went nuclear) the requested outlay was nominal, and appropriate legislation to handle the financial and the liability aspects was drawn up in the House Merchant Marine Committee. But anti-nuclear elements in both the Ford and Carter administrations not only acted to block the legislation, but ran an insulting operation on Tikoo himself, on the basis of his foreign nationality.

In 1978 Globtik presented another proposal, this time to build a fleet of twenty 300,000-ton nuclear-powered ice-breaking LNGs, in U.S. yards, which at one-sixth the cost could have fulfilled the entire function of the Alaska Gas Pipeline with much greater flexibility and security. Despite Japan's offer to provide 100 percent export financing for the port facilities the ships would need on Alaska's north slope, as well as full financing for some of the ships, the project went nowhere. Globtik lawyer John Meade explained, "We went to the DOE with the idea of applying nuclear technology to the Arctic, but it was like singing them a lullaby. . . . They had their orders that nuclear was simply not something the administration was interested in. . . . It really ticks me off. Here is one field in which the U.S. had a real technological lead, and we've done

The military benefits

The following is an excerpt from a National Democratic Policy Committee discussion memorandum titled "Only Beam-Weapons Could Bring to an End the Kissingerian Age of Mutual Thermonuclear Terror."

Energy, water-management systems, and transportation infrastructure already suffice to define broadly the global civilian-economy requirements of development. These same parameters define to a large degree the combined civilian capabilities and peaceful use of military capabilities to be projected in the relevant functions of our military general staff.

For example, the world requires urgently an upgrading of the standard design of shipping containers. The handling of grain for both domestic and foreign-trade consumption is a task which illustrates the point. Grain should be cleanly poured into standard containers on the farm, and only the container itself handled as a unit thereafter until the shipment of grain reaches its final break-bulk destination. Containers for this and other uses must be shifted from one mode of transport to another probably several times during

their handling in foreign commerce: among truck, rail, barge, air, ocean-vessel, and so forth. The efficiency of turnover from one mode of transport to another is of concern. The development of trucks, rail systems, inland waterway systems, air-freight systems, ocean-vessel systems, and of storage and handling among systems must be standardized world-wide.

With aid of such deliberations, the United States must develop a U.S.-flag fleet of nuclear-powered ocean vessels. Port designs and other obvious correlates must be taken into account.

Throughout the treatment of the list of matters bearing up this area of infrastructure, what is developed to meet definable civilian needs is a definition of the potential military needs within the scope of what is both possible and required. The making of peace and development and maintenance of the capacities for war-fighting are overlapping republican enterprises, defining the corresponding participating role of the military general staff. If one reckons the ratio of combat activity to logistics in modern warfare, the greatest portion of war-fighting is using the existing arsenal of ploughshares as swords.

We won the last World War by mobilizing our potential as an exporter of industrial and agricultural goods. This was the foundation of our mobility and firepower, the heart of our war-winning capability.

nothing with it. Now the damned Russians are building nuclear-powered icebreakers.”

The economics of nuclear-powered ships

The most recent study of the comparative economics of nuclear and conventional maritime propulsion was done at MarAd in 1976, when oil was selling at \$11 to \$12 a barrel (for bunker C fuel.) It showed that nuclear power was cheaper than conventional by 9.0 mils per SHP per hour (8 mils compared to 17.0). The nuclear advantage has soared to about 27 mils/SHP-HR today. A 1978 paper by Sam Esleek and Al Winall published in the *Transactions of the Institute of Marine Engineers* in March 1979 states: “Consider a nuclear and fossil-fuel container ship, each at 120,000-ton SHP and 33-knot service speed operating over long routes with the equivalent of 70 percent open-sea operations at rated service speed. When at sea, the fossil-fuel ship will consume over 650 tons of fuel per day at an annual fuel cost of almost 13 million dollars. For the same situation, the nuclear ship’s annual fuel bill [including investment and refueling and reprocessing costs—R.Z.] will be less than \$6 million, a gross savings of some \$7 million per year. . . .

“For two 600,000 DWT tankers on a Persian Gulf-to-U.S.A. or Western Europe route in one average year the fossil-fueled tanker will deliver 2.7 million tons of crude oil at an annual fuel cost of \$7.3 million. In the same average year the nuclear tanker will deliver 3.64 million tons of crude oil at an annual fuel cost of \$6.12 million. . . . The Required Freight Rate for each tanker is: \$2.71 per ton for the fossil fueled tanker and \$1.68 per ton for the nuclear-fueled tanker.

Moreover, one factor omitted from the MarAd study is the fact that if nuclear maritime propulsion became the general rule, faster ships would mean decreased shipping times and thus decreased inventory time, enhancing the rate of production and profit for industrial enterprises globally. Conversely, current fossil-fuel costs are tending to make impractical the continued operation of fast fossil-fueled containerships, causing many of the best of these ships in current operation to be laid up. Ironically, among the first victims have been the seven 34-knot SL-7 containerships built for the recently bankrupted SeaLand Corporation. The SL-7s were originally designed in the late 1960s by J.J. Henry Company to be fast nuclear-powered container ships, but the lack of liability legislation forced them to be provided with a conventional power plant instead.

The Soviet program

The only nation which today is maintaining an active program to develop a nuclear merchant marine is the Soviet Union. The U.S.S.R. began its nuclear maritime program in 1959 with the launching of the

nuclear-powered icebreaker *Lenin*, and has since launched two more, the *Artika* and the *Sibir*, with a fourth, the *Rossiya*, now under construction. In 1977 the *Artika* amazed the maritime world by cutting its way through the ice all the way to the North Pole. In contrast to Western icebreakers, which have a maximum endurance of about 50 days, the Soviet nuclear icebreakers have an endurance of 400 to 700 days and unlimited sailing range. Their performance has been so outstanding that the Canadian Coast Guard in 1977 tried to get the Trudeau government to allow it to build one. The proposal was refused.

The Soviets are also building other categories of nuclear merchant ships, starting with a 60,000-ton, 40,000 SHP lighter carrier (about the size of the battleship *New Jersey*) which is expected to be completed by 1984. Powerful enough to break ice, the new ship is intended to be first of a class which will provide “a new dependable transportation system” for the Soviet north coast, according to the U.S.S.R. Merchant Marine Ministry. The U.S.S.R.’s maritime fleet has extended its activities into every corner of the globe, and the Soviet nuclear maritime plans may be far more ambitious still.

Where does the United States go from here?

The Reagan administration came to office with a promise to revive American industry in general and the nuclear industry in particular, yet it has done nothing so far to secure the nuclear maritime limited-liability legislation required for nuclear merchant ships ever to be built in U.S. shipyards. A second necessary step would be “first-of-a-kind” type federal subsidies or favorable credit terms to entrepreneurs who intend to build a nuclear merchant ship in a U.S. shipyard. If no such private interests presented themselves immediately, the administration would be well advised to spend a couple of hundred million dollars to build a sample nuclear supertanker and/or fast containership to demonstrate once and for all the economic advantages of maritime nuclear propulsion. Such ships could be sold to private industry at a profit, or assigned to the navy. The competitive advantage that would accrue to U.S. shipyards would far outweigh the investment.

Finally, the administration can ratify the recently agreed-upon Intergovernmental Maritime Consultative Organization (IMCO) standards for nuclear ship construction as being standards adequate to guarantee port entry of any nuclear merchant ship into a U.S. port, and launch a diplomatic offensive to get the other principal maritime nations to do the same. (The Soviet Union has apparently ratified such regulation de facto by building its new nuclear merchant ships in accordance with IMCO rules.) Such ratification will give shipbuilders confidence in the ability of their nuclear ships to enter harbors without complications.

Drug mafia moves on Houston police

by Harley Schlanger,
Houston Bureau Chief

Houston Mayor Kathy Whitmire has won the first round in her campaign to dismantle the Houston police department with her appointment of Lee Brown, the Atlanta Public Safety Commissioner, as Police Chief of Houston. Brown's appointment was confirmed by the City Council in early April with only three dissenting votes from the 14-member council, by members who fear that Houston is on its way to becoming a major drug center if Whitmire is not stopped. She was elected in a landslide last November on a platform of "fiscal conservatism and social liberalism," largely due to support from Houston's large homosexual community and the environmentalist coalitions.

The support which put her in office, with covert support from the Schlumberger-de Menil interests, and open backing from city and national media, has helped Whitmire in her coup against the Houston police department.

What's at stake

The state of Texas is hotly contested territory. Local law-enforcement sources report that Caribbean drug traffic using Texas as a port of entry grew considerably in 1981 and is expected to increase further in 1982. Arms trafficking through the Texas Gulf ports has also increased massively, despite record seizures by U.S. customs officials of weapons intended for both left- and right-wing terrorist operations in Central and South America.

Houston and the Dallas-Fort Worth areas have become dumping grounds for a large part of the drug-money cash flow, as evidenced by the "building boom" in office buildings and luxury condominiums of the past two years. A Hong Kong-based firm, Deanlake Investments, recently bought out the Houston-based Allright Parking Lot Company, which has large real estate holdings in Houston and other major American cities.

To counter the growing drug traffic, the Texas legislature, under the direction of Republican Gov. William Clements, passed a packet titled "War on Drugs" during the 1981 legislative session, granting unusual power to law-enforcement officials to shut down "head shops" and use wiretaps against suspected

drug pushers. A nationwide attempt to watergate Governor Clements was launched as soon as these laws went into effect, spearheaded by an early March article in *Playboy* magazine announcing the intention of *Playboy* representatives, in conjunction with the American Civil Liberties Union, to overturn this legislation.

'Reforming' the police

Mayor Whitmire launched her attack on the Houston police department at the same time. Houston has long been a target of the "police reformers" along with New York, Chicago, and Los Angeles. A leading figure in this operation is Patrick Murphy, president of the Ford Foundation-funded Police Foundation, who has made a career of "police reform." Murphy was appointed by President Johnson's Attorney General, Ramsey Clark, to head up the Office of Law Enforcement Assistance, the precursor of the Law Enforcement Assistance Administration (LEAA). The LEAA was established in 1968 to "federalize" the police system, and, despite its ultimate failure (Congress cut all appropriations this year), opened the doors to many of the destructive operations of the 1970s.

Murphy served as Police Commissioner of New York City from 1970 to 1973. He virtually eliminated foot patrols in New York and greatly undercut the power of precinct detective squads. Crime grew at an unprecedented rate as police morale was eroded. Chicago Mayor Jane Byrne has replicated these methods; she fired four police chiefs in her first term of office.

In 1979, the U.S. Civil Rights Commission released the so-called Fleming Report on "Who is Guarding the Guardians?" The report, charging both the Philadelphia and Houston police forces with incompetence and brutality, was based on inaccurate reports and unconfirmed complaints, as project director Gail Garabencis was later forced to admit. However, its charges of police misconduct against minorities, poor training, lack of discipline, and racial and sexual bias within the forces were dredged up by Mayor Whitmire for her attack on the Houston department. In a series of interviews with the *Houston Chronicle* in mid-March, she charged members of the police department with unspecified corruption and brutality, and alleged that there was no communication between the leadership of the department and the rank-and-file. Whitmire's interviews were followed by a report of the U.S. Civil Rights Commission, prominently reported in the Houston press, claiming that Houston had the second largest total of complaints against the police force of any American city. At this point, Whitmire announced the Lee Brown appointment.

Who is Lee Brown?

Lee Brown is a long-term protégé of the Murphy

networks. He received a Ph.D. in criminology from the University of California at Berkeley, a department which also graduated Italian Red Brigades organizer Giovanni Senzani. Senzani was professor of criminology at the University of Pisa, until forced underground in 1980 by the discovery of the Italian police that his prison visits to conduct "criminological research" were actually used to conduct Red Brigades business. He and 11 other terrorists were arrested when the police raided three hideouts in Rome in January, just as a massive new terror wave was about to be launched in Italy.

Another member of the "police reform" network is British subject Leslie T. Wilkens, who formed the Eurogroup for Deviancy and Social Control in the 1960s, an organization directly linked to the Propaganda-2 Freemasonic lodge and the Red Brigades. Wilkens was one of the promoters of setting up the Berkeley Criminology Department, and its policy that terrorism and violent crime are "sociological phenomena," the result of injustices committed by the state.

Brown, described as a "professional job jumper," has been deployed to several police departments to implement the "managerial reform" and "community relations" programs pushed by Berkeley, including San Jose, California, and Portland, Oregon. One of Brown's key policies has been to decentralize each department, undermining established chains of command and demoralizing career officers. In Atlanta, he issued orders banning the questioning of his policies; as a result, he was found guilty for illegally firing, without a hearing, a police major who questioned some of his directives. One veteran law-enforcement observer remarked that, under this system of management, "The Atlanta detective division was destroyed, which prolonged the successful conclusion of the child-murder cases."

When his appointment was announced, Brown immediately joined Whitmire in attacking the Texas civil service code, which would restrict his ability to "clean house" of his subordinates. Before this code was passed in the early 1950s, each new Mayor could bring in his own people, and there was no continuity or job security in the police department. The civil service code grants some degree of autonomy to the department from the municipal government and limits the degree to which the police chief can start or stop investigations. Both Brown and Whitmire have pledged to overturn this code.

The opposition to Brown, though strong, has not been able to counter the powerful campaign Whitmire has run. Opposition from the police was neutralized by wide-spread reports of corruption, and the media has claimed that opposition to Brown was motivated by racism, since Brown is black, a charge which has increased racial tensions within Houston.

EIR

seminar in Europe

Bonn: May 5

*The U.S. Depression:
Why the Projections of All Leading
Econometric Services Failed'*

**10:00 a.m. Comparison of EIR and
Leading Econometric
Projections for U.S.
Economy Since
October 1979**

David Goldman, Economics
Editor, *EIR*

**1:30 p.m. 'Mathematical Basis
for Successful
Economic Forecasting'**

Uwe v. Parpart, Research
Director, Fusion Energy
Foundation

**3:00 p.m. 'Why Only a Two-Tier
Credit Policy and
Regulated Banking
Can Foster Recovery
From the Present
General Depression'**

Lyndon H. LaRouche, Jr.,
Founder, *EIR*

**7:00 p.m. Chamber music
featuring the
KloECKl Quartet**

Hotel Steigenberger, Bonn
Corporate fee 100 DM; individuals 50 DM
Queries: Mrs. Mary Lalevée or Mr. George Gregory,
EIR Nachrichtenagentur GmBH, Postfach 2308, D-62
Wiesbaden.
Tel: 06121 30 70 35.

New assassination danger to Reagan

by Jeffrey Steinberg,
Counterintelligence Editor

Security specialists in Washington and in European capitols are bracing for an anticipated new wave of assassination attempts over the period between mid-April and the June NATO summit meeting in Bonn, West Germany. At the top of the security "watch list" are President Ronald Reagan, Pope John Paul II, West German Chancellor Helmut Schmidt, and incoming Mexican President Miguel de la Madrid.

Privately, these specialists are identifying the British Royal House and its secret intelligence services as the ultimate authors of a broad-based terror spree. The resources drawn upon include those of the neo-Nazi Malmö International (see *EIR* Special Report, April 20), the Socialist International, the Libyan Muslim Brotherhood apparatus of Muammar Qaddafi, the Israeli Mafia, and sections of Soviet KGB-controlled hit capabilities linked to safehousing operations in Prague, Czechoslovakia and in Bulgaria.

The motive?—growing fear among leading circles in Switzerland, Venice, and London that the Reagan administration may break free from the control being presently exerted by British assets Alexander Haig and Paul Volcker and launch an independent economic, military, and foreign policy course.

It is widely believed that President Reagan's early-June trip to Western Europe, during which he will meet privately with Pope John Paul II, Chancellor Schmidt, and other heads of state, is a potential branching point for such a decisive breakaway, and therefore represents an outer limit for eliminating one or more of these political leaders from the scene.

European activation

This evaluation is backed up by hard "ground-level" intelligence of an unusually heavy deployment of terrorist cadre throughout Europe under the overall cover of the "peace" movement. Billions of dollars have been poured into the disarmament movement through secret bank accounts in Switzerland, London, Tripoli, and East Berlin.

This process accelerated in the aftermath of Libyan dictator Qaddafi's March 1982 trip to Vienna, where he met with Chancellor Bruno Kreisky, a leading figure in

the Socialist International, and with a string of terrorists and terrorist supporters including Baader-Meinhof Gang attorney Otto Schily.

Shortly after the Qaddafi trip and the Libyan dictator's full endorsement of the anti-missile demonstration in Sicily, a 120-man "hit unit" consisting of 40 "three-man teams" from Abu Nidal's Black September group was reported to have arrived in Austria—under covert Kreisky government sponsorship. The Abu Nidal strike teams, financed by Syria and Libya, have been linked to the "Jackal" apparatus and to neo-Nazi terrorist elements associated with the Malmö International.

As of mid-April, this grouping is threatening to launch a month of terror against the French government unless a terrorist, Bruno Breguet of Switzerland, is released from custody.

Intelligence sources have identified a professional assassin, Helmut Stahl, as directing an assassination operation against West German Chancellor Helmut Schmidt. According to these sources, Stahl, an ideological Nazi who was previously operating out of Latin America, and has recently been in the Soviet Union, is presently in West Germany in preparation for an assassination attempt.

One scenario outlined for the assassination involves an attempt by Stahl to penetrate the security of the Chancellor with the aid of a top official from the Interior Ministry. Several intelligence sources have confirmed that that Department, run by environmentalist Gerhard Baum, who calls terrorism "a sociological phenomenon," is suspected of leaking information to West German terrorist networks.

Preparations are also under way for potential terrorist violence at the June 10 NATO summit session in Bonn. The West German disarmament movement has been fissured, and the extreme pro-terrorist wing is formally isolated. Leading figures within the "green" movement on both sides of the Atlantic are already advertising their "innocence" of any responsibility for the violence that is now expected in Bonn.

Bill Arkin, a fellow of the Center for Defense Information (CDI) in Washington, D.C.—one of the control centers for the international disarmament thrust—authoritatively "predicted" to an *EIR* interviewer in mid-April that the "splinter elements" at Bonn would almost certainly "take a shot at President Reagan."

Arkin, who leaked the locations of secret U.S. missile sites in West Germany to *Stern* magazine last year, triggering the first wave of anti-U.S. violence, including the assassination attempt against a U.S. general, reported that he was informing the State Department of the threat, to clear himself of responsibility for a possible hit on the President.

National News

CBO says Reagan navy budget too small

Despite the fact that the Navy receives the largest share of the Defense Department budget, there is not enough money in the administration's five-year defense plan to meet Navy Secretary John Lehman's stated goal of a 600-ship Navy by 1990, a mid-April Congressional Budget Office (CBO) report concludes.

Building a 600-ship Navy, the CBO report says, would require authorization of 176 ships over the next six years at an average annual cost of \$24.8 billion in 1982 dollars. Such a shipbuilding budget would be two and a half times the size of the actual 1982 naval construction budget, and 34 percent more than the administration has mapped out for next year. At its current rate of spending, the Navy will emerge in 1990 with only its current level of 12 aircraft carrier battle groups, not the 15 that the administration had projected.

Instead of arguing that the administration attempt to counter this shortfall by improving the technology of the ships, however, the liberal-controlled CBO goes on to argue that the administration attempt to meet the 600-ship quota by building a "throwaway navy" of conventional submarines and destroyers which lack the necessary sophisticated radar and guided missiles.

Moynihan bill would double Midwest costs

Senator Daniel Patrick Moynihan (D-N.Y.) is proposing legislation that would double the cost of electricity in the Midwest by imposing emission standards on utility plants to reduce acid rain. The bill, S.1709, would require all states east of the Mississippi River to curb emissions from coal-fired electric stations and steel plants by 85 percent.

Spokesmen for Midwest utilities say the bill would force rates up from 35 to

150 percent due to the costs of pollution control. Total cost to the economy would be close to \$2.5 billion a year for 10 years, two-thirds of which would be in costs incurred by the utilities of Ohio, Illinois, Kentucky, Missouri, and Pennsylvania.

The effect of acid rain over the past century has been some damage to about 10 percent of all U.S. lakes and ponds. However, a member of Senator Moynihan's staff acknowledged that if acid rain is allowed to continue unchecked for the coming 20 years, no additional lakes or ponds would become unsuitable for fish.

"This type of regulation, which has no basis in research, would cause irreparable damage to farmers already close to foreclosure," stated Marion Stackhouse, the President of the Indiana Farm Bureau. District 11 United Mine Workers President Larry Reynolds said Moynihan's bill would cost the UMW some 89,000 jobs.

IPS delegation discusses arms control in Moscow

A 10-member delegation sponsored by the Institute for Policy Studies, the Warburg-created Washington think tank that promotes terrorist-support networks, returned April 11 from a five-day visit to Moscow, where they conferred with five members of the Soviet Central Committee. The delegation included Marcus Raskin, the co-founder of IPS, who served on the National Security Council under McGeorge Bundy in the early 1960s and was head of the Arms Control and Disarmament Agency in 1963. The delegation met with Vadim Zagladin, First Deputy Chief of the International Department of the Central Committee; Georgii Arbatov, head of the Soviet Institute on the U.S.A. and Canada; and senior arms control experts.

IPS officials quoted a senior Soviet arms control specialist as saying that the Soviet Union may adopt a "launch on warning" defense posture in response to the Reagan administration's arms buildup. Other Soviet officials were quoted as saying they are preparing to make "uni-

lateral initiatives" in an effort to stop the arms race and that a proposal by U.S. Rep. Albert Gore, Jr. (D-Tenn.) calling for deep cuts in the nuclear arsenal could form the basis for further arms negotiations.

A Soviet official was also quoted as saying that a meeting between President Reagan and Soviet leader Brezhnev "would be useful" and that Brezhnev would "probably" meet with Reagan.

IPS and the Soviet Institute on the U.S.A. and Canada have signed a protocol establishing annual Soviet-American conferences to deal with the issues of bilateral relations and disarmament. The first meeting is set for next year in Minneapolis, Minnesota, with 40 delegates from each institution.

GAO promotes laser-weapon program

The U.S. General Accounting Office called for the United States to accelerate its laser weapons development program to provide an early feasibility demonstration of a space-based laser weapon in orbit in an early April report, according to *Aviation Week* magazine.

The report states that directed-energy weapons may revolutionize military strategy, tactics, and doctrine. It calls the technology for space-based-laser battle stations as important as the "invention of the wheel, computers, and nuclear weapons." The report goes on to recommend that the Secretary of Defense establish a space-based laser program that recognizes "the relative priority of space-based lasers with the Defense Department."

The report documents that the Soviet Union's high-energy laser program is three to five times larger than the U.S. effort, in research, development, test, and evaluation of a space-based laser weapon.

However, the U.S. Air Force is not requesting any funds for the space-based laser program in its draft 1984 budget request, and present funding for the Defense Advanced Research Projects Agen-

cy program is the minimum just to keep the program moving at all. Furthermore, the DARPA program is only oriented towards satellite defense and anti-satellite capabilities, not for anti-ballistic-missile applications.

The GAO stresses that under the pace of the DARPA and Air Force programs, the United States cannot make a decision to schedule an orbital demonstration of laser weapons in space until mid-1987 unless funding is sharply increased. The DARPA program will not support any level of operational space-based laser weapon systems until the year 2000.

The GAO proposes two accelerated programs: 1) additional funding of \$250-\$300 million per year to achieve space-based lasers for flight testing by 1993; or 2) additional funding of \$400 million through 1985 and \$600 million thereafter to achieve a successful orbital test by 1990.

Democratic faction libels LaRouche

The Democratic National Committee, chaired by Charles Manatt, commissioned Russell Bellant, a career radical leftist, to write a memo charging the National Democratic Policy Committee with repudiating the traditions of the Democratic Party, according to an April 11 article in the Baltimore *News-American*. The memo also claimed that EIR founder Lyndon LaRouche, chairman of the Advisory Committee of the NDPC, was behind "disruptive groups" in the Democratic Party.

Ann Fishman, a DNC official who co-authored the memo with Bellant, discussed it with a reporter April 12, but the next day denied its existence.

Bellant, also a DNC official, is currently director of the Wayne State University Committee Against Registration for the Draft, and organized the All People's Congress held in Detroit last October, which drew Weatherunderground and Black Liberation Army members and supporters. Bellant began his career as a writer for *Public Eye* magazine in

1975. The left-wing *Public Eye* regularly publishes attacks on military, intelligence, and law enforcement personnel.

DNC Chairman Manatt's law firm includes Playboy Enterprises among its clients. The Playboy Foundation is a major funder of the National Organization to Reform Marijuana Laws. Manatt is also Chairman of the Board of the First Los Angeles Bank. On Aug. 20, 1980, the Istituto Bancario San Paolo di Torino, the sixth largest bank in Italy, announced it was acquiring a majority share in First Los Angeles for \$65 million. Italian Socialist Party leader Bettino Craxi, heavily implicated in the recent Propaganda-2 Freemasonic lodge scandals in Italy, has extremely close political associations with many officials of the San Paolo bank. Nerio Nesi, a close political colleague of Calabrian Mafia boss Giacomo Mancini, was also formerly associated with the bank.

NASA launches India's satellite

A NASA Delta rocket sent INSAT-I, the first of India's new satellites into orbit from Cape Canaveral, April 10.

Built for India by the Ford Aerospace and Communications Corporation in Palo Alto, California, INSAT-I is expected to provide telecommunication, meteorological, television, and radio services over a life span of seven years. Together with its companion, INSAT-II, scheduled to be launched next year by the Space Shuttle Columbia, INSAT will be able to give early warning of the onset of the monsoon rains that devastate India each year. It will also allow educational television and telephone links to reach remote areas of the country.

While India currently relies on the U.S., Soviet, or European space agencies to launch its satellites, it has developed the capability to manufacture solid rocket fuel and a four-stage rocket system, which will soon allow it to launch its own satellites, as well as those from cooperating countries in South and Southeast Asia, the Arabian Peninsula, and Africa.

Briefly

● **SENATOR HUDDLESTON** (D-Ky.) objected to the FBI's statement that it was "compiling the public record" on Abscam to submit to the Senate Select Committee on Abscam. At the first meeting of the committee the week of April 12, Walter Huddleston stated that "we will need much more than the public record to get to the bottom of this."

● **CHRISTOPHER COLUMBUS** Kraft, Jr. will be the fourth head of a NASA Space Center to resign this year. Kraft led NASA through Mercury and Apollo, the manned space programs. His resignation from the Johnson Space Center in Houston, was announced April 14.

● **ABRAHAM HIRSHFELD**, a member of the Democratic National Committee Finance Council, and a New York real estate dealer, has called for a national ceiling of 6 to 8 percent on interest rates, stating this is the only means of stabilizing the deficit.

● **TOM HAYDEN** and Jane Fonda were picketed April 10 by unionists who say they are furious with the couple for using non-union labor on their new solar-powered home, the *Los Angeles Herald-Examiner* reported recently. Tom's comment: "It was Jane's responsibility."

● **ALEXANDER HAIG** may be honored by the Queen of England, the London *Daily Telegraph* reported April 14. "It would most likely be a G.C.B. [Knight Grand Cross of the Order of the Bath] or a G.B.E. [Knight Grand Cross of the Order of the British Empire]." The *Telegraph* warns that if Haig should be discredited as a result of the failure of his mediation efforts, "From Britain's point of view this would be a loss, since Mr. Haig is one of the few senior members of the administration who is both skilled in foreign affairs and essentially pro-European with a respect and liking for Britain. . . ."

The conventional war push

Robert McNamara's proposal that the United States and NATO unilaterally renounce the first use of nuclear weapons, and focus on building up conventional forces, has now been adopted by sections of the U.S. "nuclear-freeze" movement and the European "peace" movement. The former Defense Secretary, joined by McGeorge Bundy, Gerard Smith, and George F. Kennan, made his proposal at an April 7 press conference publicizing the publication of their demand in the spring issue of *Foreign Affairs*, the journal of the New York Council on Foreign Relations.

It is worth noting who is on stage here, ballyhooing the dangers of nuclear war. Mr. McNamara not only devised the "body-count" method of prosecuting the Vietnam War, a war that lacked any substantial strategic goals except to annihilate Indochinese and restructure the U.S. military to accept such a travesty; he headed the World Bank's battle against urbanization and population growth in the underdeveloped sector. Gerard Smith, Henry Kissinger's arms negotiator under Nixon, has actively opposed the peaceful use of nuclear energy in the so-called Third World because it allegedly leads to nuclear weapons proliferation. Mr. Kennan is best known for his 1947 "Mr. X" articulation of the containment policy against the U.S.S.R., but even before World War II ended he was most concerned with curbing a revival of European sovereignty and industrial expansion, and now says openly that population growth and the spread of technology are the two greatest evils facing man.

The Council on Foreign Relations itself, as *EIR* has documented, most clearly outlined its goals by 1) installing the Carter administration in 1976 and Paul Volcker in 1979; 2) publicly supporting the overthrow of the Shah of Iran and the spread of Khomeini-style fundamentalism; and 3) announcing, in its *Project 1980s* series of volumes, that the West's chief enemy is not communism, but "Hamiltonian policies," whether practiced in the Soviet command economy or in the Gaullist and Japanese

dirigist economies.

Now this group is attempting to establish new rules for the conduct of warfare in the 1980s and beyond.

The essence of the proposal is to extend the no-first-use pledge worldwide and reduce both strategic and tactical nuclear arsenals further and further. By removing the threat of nuclear retaliation, McNamara and his associates within the government would be free to launch conventional warfare in the underdeveloped sector, through surrogates or directly, without risk. Thus their plan is not a proposal for peace, but for managed, self-multiplying conventional conflicts. George Kennan stated as much at the April 7 press conference, when he specified that the wars of the future will not be fought in Europe but in the Persian Gulf or Africa.

Next week *EIR* will explore the origins of this policy in British strategic circles since it was first put forward in the 1960s. Recently, its most vocal proponent has been Gen. Maxwell Taylor, the former chairman of the U.S. Joint Chiefs of Staff, a spokesman for the Draper Fund/Population Crisis Committee who looks forward to a cycle of depopulation, chaos, and war in Africa, Asia, and Latin America requiring conventional-arms involvement by NATO. We will further explore the premises of the McNamara policy—that a nuclear war will never be fought under any circumstances, that the reductions in strategic outlays demanded by Paul Volcker are therefore appropriate, and that the Soviets, because they have nibbled at the no-first-strike approach and stupidly support elements of the peace movement in the West, can be persuaded never to deploy or use their superior strategic war-fighting capability.

Matters of war and peace cannot be left to those who have so abundantly shown both deluded reasoning and evil intentions. The only welcome aspect of the "no-first-strike" campaign is that it will force proponents of industrial progress to take responsibility for this question.

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