

The Shultz faction and the perilous state of the Union

by Nora Hamerman

Perhaps the most significant fact bearing on the abysmal State of the Union message of U.S. President Ronald Reagan on Jan. 25, a message that signaled a new step in the process of U.S. capitulation to an international financiers' dictatorship, is the appearance that same day in the "newspapers of record" in European capitals of the observation that former Secretary of State Henry Kissinger is still at large in the case of the terrorist murder of Italian statesman Aldo Moro.

On Monday, Jan. 24, the Red Brigades terrorists who carried out Moro's execution in 1978 were given jail sentences in Rome. The press of Milan, Paris, and Moscow took the occasion to recall that last November, a close aide of the former Italian prime minister had given sworn testimony that the plot against Moro's life started with threats from then U.S. Secretary of State Kissinger in the middle 1970s. Kissinger, according to the statements of members of Moro's family and other witnesses, had told Moro he must "change his political line . . . or pay dearly for it."

Kissinger, according to European sources, is now conducting a whispering campaign in European political circles to the effect that Reagan is a lame-duck President and no one should engage in any serious policy cooperation with an administration that will soon change. This did not prevent the former Secretary of State from showing up at the White House on Jan. 22 to deliver in person his recommendations for "saving the world economy," a recipe that appeared earlier that week in *Newsweek* magazine. The recipe calls for the *political submission* of the United States to the London and Swiss banks which run Kissinger, his current successor as Secretary of State, George Shultz, and their long-time collaborator, Federal Reserve Board chairman Paul A. Volcker.

The fingerprints of the still-at-large Henry Kissinger were

all over Reagan's Jan. 25 speech. True, as the headlines blared across the country the next day, Reagan said that the "economy is on the mend," a line that the millions of Americans now unemployed or who have recently lost their farms and businesses to bankruptcy aren't likely to swallow. But the message was not simply a string of lies intended to pacify American voters. Three features of it matched point for point the recommendations of Kissinger, Shultz, and Volcker for delivering the United States to the dictates of London and Swiss banking institutions.

First, the President opened the door wide for a U.S. bailout of the International Monetary Fund, whose economy-wrecking "conditionalities" for loans are the root cause of the current world debt crisis. Reagan, whose more informed conservative political base loathes the IMF, went so far as to state that "We will continue to work closely with the industrial democracies of Europe and Japan and with the *International Monetary Fund* to ensure it has adequate resources to help bring the world economy back to a strong, non-inflationary growth [emphasis added]." In other words, unless Congress puts up a strong resistance, the United States will be locked into a process culminating in the U.S. Treasury's acting as the lender of last resort for the bankrupt Eurodollar market, a paper game currently running at \$500 billion.

Second, Reagan announced a freeze on domestic spending programs during fiscal 1984, a measure which senior officials estimate will slash \$43 billion from mandated cost-of-living augments for entitlement programs, civilian and military pay, Medicare benefits, and farm price supports. He indicated plans for longer-term gouging of entitlement programs and announced as a priority the "structural reform of transfer payments," that is, further chiseling at the very tax base which will immediately result in bigger budget deficits:

Third, Reagan indicated his willingness to accept \$55 billion in defense cuts over the next five years.

There is another feature of the Reagan State of the Union message with ominous indications of the pressures that are being massed against the White House by the strategists in the Kissinger-Shultz-Volcker camp. The President uncharacteristically discussed the nation's economy in the language of the "post-industrial society." He spoke of measures to "ease the massive economic transition for the American people," including the use of unemployment insurance programs for "worker-training and relocation" and employment incentives "programs for displaced workers." Since early last fall, all these schemes have been a pet project of the most liberal wing of the Democratic Party, the Averell Harriman-dominated Northwest-Midwest Congressional Coalition.

Media and other blackmail operations

The President's State of the Union message thus locks the United States into a depression which could seal the doom of the entire world economy. It must be seen as the culmination of a two-month campaign of extraordinary pressure on the White House by forces whose interests lie not in any desire to make money even for themselves, but in the determination to maintain the political power of the oligarchy.

The objective of this pressure campaign is to force first Reagan and then the U.S. Congress into political submission to the London and Swiss banks, and to force the surrender of U.S. national sovereignty to the IMF. With the United States politically annihilated, the London and Swiss banks can then safely proceed to pull down the entire house of cards—in time to demand a global central bank dictatorship role for the IMF at the Williamsburg, Virginia summit of the seven top industrialized nations this May. Reagan is being told that if he does not agree to this swindle, he will be responsible for an international financial collapse.

The campaign went into high gear in early January when *Time* magazine ran a cover story on the "debt bomb" threatened by the world debt crisis. *Time's* line is that the belief in the possibility of rapid industrial progress had deluded Third World countries and U.S. banks into making massive loan arrangements which now cannot be paid. Not only should all such "unrealistic" dreams of development now come to a halt, according to *Time*, but the unhealthy condition of the New York banks, the magazine strongly implied, demands some kind of immediate federal intervention.

The next week it was the turn of the "rival" slick weekly, *Newsweek*, with twin psy-warfare pieces, Kissinger's demands to stop a debtors' cartel at all costs (see page 20) and an article on the collapse of the U.S. Social Security system.

The newsweeklies are the major means through which the British-approved falsehoods otherwise attired in grey flannel in the Eastern Establishment dailies are pablumized, garnished with colorful pictures, and dished out to a mass American audience which is told that by reading these glossy publications it can make sparkling conversation at corporate

cocktail parties. Meanwhile, the demand for lowering the federal deficit by cutting the tax base to ribbons—the actual effect of the proposed cuts—rose to a fever pitch. A full-page "Bipartisan Appeal on the Budget Crisis" signed by 500 former government functionaries, heads of corporations, and so-called economists appeared in the *New York Times*, demanding that Reagan impose a \$60 billion cut in social services, a \$25 billion cut in defense, and a \$60 billion tax increase that would fall most heavily on workers and their families.

This occurred the week before the State of the Union; the same week, five former Treasury Secretaries, all veterans from the period in which the U.S. economy has been spiraling into the present post-industrial nightmare (and hence "experts"), entered their pleas that the President drastically slash the budget.

The phase of increasing the pressure on Congress after the President's concessions has now begun. On Jan. 27, Paul Volcker himself appeared on Capitol Hill before the Joint Economic Committee which he told to bail out the IMF or face "harsh consequences." Volcker warned that the Fed's need to finance looming out-year deficits could "force" interest rates back up again, and then turned his attention to the international debt crisis. He praised the role of the IMF in imposing austerity in the developing sector, although developing countries' "adjustment" efforts have come too little and too late. Now, said Volcker, "timely action by Congress is essential to assure that IMF resources are commensurate with possible need and to demonstrate that governments can act together. The failure to strengthen the international financial system could only feed back adversely on the U.S."

On the morning of Jan. 26, following Reagan's State of the Union message, *The New York Times* ran an editorial ordering President Reagan to draft Henry Kissinger to manage U.S. Middle East policy. It is, of course, not the first time that such hints have come out of that quarter, but the editorial was a signal that the people who own the *Times*, Britain's junior partners in the Morgan Guaranty banking group, are getting impatient with even the nominal appearance of a Reagan White House that is free to make independent decisions on policy.

These developments must be seen in the cold light of the assessment *EIR* founder Lyndon LaRouche made after last November's general elections (see *EIR*, Nov. 23, 1982). He noted that the real issues being fought out in the nation's capital are not between the Democratic and Republican parties, but between the backers of a Kissinger-guided State Department and the backers of the development of space-based anti-missile beam weapons.

LaRouche has stressed that a beam-weapons policy would end the reign of thermonuclear terror which has been used to dismantle Western industrial capacity over the past two decades, on the pretext that traditional military requirements of a healthy economy and universal military training were no longer required.