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Can Kissinger control **Cartergate**? Behind the **Bert Lance** scandals...a desperate **scramble for financial and political survival**...in which **Henry Kissinger** and **Chase Manhattan** have struck a deal with U.S. Vice-President **Walter Mondale**...to share power in a **figurehead Carter** Administration. Our **International Report** analyzes this week's explosive developments in **Washington** and **Wall Street**...From Europe, U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.** reveals "**The Kissinger Element in My Planned Assassination**"...

\* \* \*

**Carter's** endorsement of **Lance** has put his own **neck** squarely in a **noose**...and all scandals lead to **Carter**. See **National Report** for a rundown of the **evidence**...including the **Federal Election Commission** angle, which has **yet to appear in the press**...Plus a full selection of **U.S. editorial opinion** on the **Lance** affair.

\* \* \*

**Col. Thomas McCrary**...leading U.S. conservative...reports on the **nationwide con-**

**ference of independents** in **Memphis** this month...which endorsed his **resolution** on **LaRouche's Third National Bank** proposal and additional **programmatic measures** needed to pull together a strong "**American Whig**" **counterpole** to **Carter** and **Kissinger**. Reprinted from the **Washington Post**...last week's **front page** article describing the **U.S. Labor Party's** remarkable impact on U.S. conservative circles...see **National Report**.

\* \* \*

The **Federal Election Commission**, plumbing for **Carter**...has accelerated its "**financial warfare**" campaign...forced the **Labor Party** near the edge of **bankruptcy**. A complete report on **FEC-coordinated harassment** of party organizers and vendors...a multi-million dollar **dirty tricks** operation beside which the **Lance** affair pales by comparison...is featured in this week's **National Report**.

\* \* \*

**Operation Shutdown** begins against **Chase Manhattan**...**Citibank** and others are practicing "**lifeboat economics**" to save them-

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INTER-NATIONAL
NATIONAL
ECONOMICS
COUNTER INTELLIGENCE
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selves...push weaker banks like **David Rockefeller's** under...see **Economics**. Plus the "last words" of murdered West German banker **Jürgen Ponto**...pointing the way toward **economic development arrangements** which could defuse Kissinger's **race war** scenarios in southern **Africa**...

\* \* \*

The **Fabian influence on the American right**..our **Counterintelligence Report** begins a four-part series on the history and methods of the **Buckley Family**.

\* \* \*

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\* \* \*

A sweeping "**anti-fascist**" destabilization of **European governments**...highlighted by the

"**Kappler affair**" hitting West Germany and Italy... intended to produce a reign of terror forcing Europe to abandon moves toward a **new international monetary system**. See **Europe** for a country-by-country run-down...plus a **special report** by the Labor Party's **LaRouche**...

\* \* \*

**South Korea**...police state sweatshop? Our special **economic survey** rips apart this mythology fostered by the New York Times and World Bank...details the progress of a 15-year fight for **industrial development and economic growth**...see **Asia**.

\* \* \*

The Carter Administration's supposedly humanitarian "**illegal aliens**" program is a monstrous **fraud**...designed to **destroy Mexico's economy**...pave the way for large-scale **slave labor** in the **USA**. Our **Latin America** report includes evidence from the U.S. government's own studies exposing the program...

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# What's At Stake In Lancegate

Events surrounding the unstable fortunes of Mr. Bert Lance will reflect the most important aspects of world politics to come during the immediate period ahead. The Director of Management and Budget is the bobbing cork, whose gyrations indicate volcanic activity on the ocean floor. On the surface there is the fate of Carter's closest crony, Attorney General Griffin Bell, and potentially Vice-President Mondale, the President himself, and even the omnipresent Dr. Henry Kissinger. Beneath this are the scramble of financier factions in the face of the international monetary earthquake; the revolt of most of U.S. business against the Carter Administration's depredations upon the U.S. economy; and the issue of war and peace in the Mideast, and hence the world.

As in most fundamental political crises-in-progress, the true motives of the principals have only been shown to the public in brief glimpses, to the extent it is necessary to marshal broader forces behind a factional position. Two such instances are the *Wall Street Journal* editorial of Aug. 16 and the *Washington Post* editorial of Aug. 19.

Entitled "Economic Policy Adrift," the *Journal* piece sets out plainly the motives for the general pressure towards "Cartergate" on the Republican, and even part of the Democratic, side of Congress.

What the *Journal* editors call the "Schlesinger-Califano" economic program of the Administration, referring to new Energy Dept. head Schlesinger's conservation program and the "workfare" program of HEW Secretary Joseph Califano, "is pushing the economy onto the shoals," the editorial says. It cites the plunge of the stock market (which continued its fall this week to close within points of the January 1976 low of 859). The Administration's advisors are pretty much hopeless, the editorial argues. Council of Economic Advisors chairman Charles Schultze is a "born-again-Keynesian." There had been some hope for Treasury Secretary Michael Blumenthal, "but he is more interested in picking the daisies of tax reform." Poor Bert Lance, the "corporate high-roller," is given up for dead. The *Journal* editors quoted at length the current view of the consultants Townsend-Greenspan, whose President, Alan Greenspan, was the chief economic advisor to the Ford Administration, that Carter's programs will stop business from mounting the level of investment required to prevent a secular downturn in economic activity.

The editorial's author, Mr. Robert Bartley, did not add that he and former Treasury Secretary William Simon had worked out a "Cartergate" plan dating back to the last week in July, and that the *Journal* has become the organ of a makeshift alliance between the Republican leadership, conservative Wall Street, and much of U.S. business against the beleaguered Administration.

On the other side, the Aug. 19 lead editorial of the *Washington Post* argues for settling the dust over a series of deals that culminated in the half-exoneration of Lance by the Comptroller of the Currency, John Heimann, on the morning of Aug. 18. The particular arrangement behind the "exxoneration" dates from Henry Kissinger's visit to the White House on five days before. The terms are: Kissinger will help end the Cartergate drive in the press and in Congress, in return for taking over foreign policy. (Kissinger's stated support for the Sol Linowitz treaty on the Panama Canal is the cover for this deal.)

The code-word for the deal is "pragmatism." The mediators of the deal (see *National Report*) are Vice-President Mondale and Senators Humphrey, Javits, and Case of the International Relations Committee, and Sen. Ribicoff, whose committee resumes hearings on Mr. Lance's business activities in September.

The *Washington Post* editorial notes that Lance, according to the Comptroller's report, had not broken the law. But he is guilty of improprieties which may be used against him at any time in the future. Mr. Lance may stay on, and Carter (implicitly) can be freed of some pressure, if the Administration gets down off its high horse and stops moralizing, and becomes "pragmatic." What this means is that Kissinger's "realpolitik" will replace the failed "architectonics" of the Brzezinski "Trilateral" foreign policy. As both men have repeatedly stated, this is no difference in substance, but rather a difference in style.

As far as it can be reconstructed, the series of actions leading to the threat of "Cartergate" is the following. Kissinger played a double game. In summary, he judoed the "Cartergate" pressure from the conservative Republican side in order to force through a deal with the Administration — actually with Vice-President Mondale and his backers — on Kissinger terms. On the weekend of July 23-24 Kissinger and Simon spent the weekend together and planned a strategy against Carter. Simon communicated the order of battle to Bartley and the *Wall Street Journal*, and to the Republican leadership of the Senate, where minority leader Howard Baker's office acted as a clearinghouse for media leaks and committee action. Kissinger activated certain Nelson Rockefeller assets, such as *New York Times* columnist and former Nixon speechwriter William Safire, whose Aug. 12 column announced "Lancegate" for the first time.

Kissinger then proceeded to doublecross the conservatives, including the highly manipulable Bill Simon, and strike a deal with Vice-President Mondale for control of the Administration. That is how matters stood as of Friday afternoon, Aug. 19. But in the big scramble, no such deal is permanent. The conservatives are furious,

and need only pick up the battering ram again. Henry Kissinger, who is possibly the most hated man in American politics, got away with the judo job for only one reason. The industrial, agricultural, and conservative political groupings who created the impetus for getting rid of Jimmy Carter are a huge but heteronomic political force. They have no political leadership other than the holdovers from the previous Administration. It was only necessary for Kissinger to dupe Bill Simon, which almost any fool could do, to gain temporary tactical control of the drive against Carter.

What could break against the principals now, depending on the political line-up, includes the following:

\*The Blumenthal scandal. One of the few things the National Bank of Georgia crowd figured out about what had hit them was that Treasury Secretary Blumenthal had acted as "deep throat" for much of the press blitz against Lance. Blumenthal and Comptroller of the Currency John Heimann, a Nelson Rockefeller appointee to the New York State Banking Commission in 1975, acted as Kissinger's inside team in the Administration. The *Atlanta Journal*, the flagship paper of the Cox chain, has broken the story that Blumenthal improperly used the relationship of his Bendix Corporation to the National Bank of Detroit to obtain a \$300,000 personal loan — precisely the kind of misconduct Lance has been pinned to.

\*The Kissinger scandal. Columnists Evans and Novak, regular conduits for Dr. Kissinger, warned Thursday that an obscure case against former Director of Central Intelligence Richard Helms, who has been investigated for perjury before a Senate Committee on U.S. involvement in the 1973 Chile coup, should be dropped. Highly reliable sources say that the Justice Department is prepared to bring perjury charges against Helms, with the immediate effect of forcing Helms to implicate former NSC director Kissinger, who ordered Helms to lie about Chile. This could lead to criminal prosecution charges against Kissinger. Mondale and various allies of the New York "Our Crowd" investment banks are the authors of this option, which is part of their insurance policy against Kissinger.

\*The whole shebang against Carter. Three scandals could bring down the entire Administration. They are (1) massive vote fraud during the 1976 Presidential election; (2) the use of the Federal Election Commissions as a political plumbers' unit and Gestapo against opponents of the Administration; and (3) Carter Administration links to international terrorism, including the so-called Baader-Meinhoff gang "Red Morning" unit, which murdered top West German banker Juergen Ponto last month.

The material on these scandals has been made available by the intelligence, security, and legal staffs of the U.S. Labor Party over the last few weeks and months. During the last ten days, enough political dynamite to blow the Administration out of the water has been obtained by the first-echelon national media from the U.S. Labor Party, and the U.S. Labor Party's profile on the Carter Administration, Institute for Policy Studies, and Interpol conduits of terrorism has begun to circulate through top-ranking law enforcement channels. The Aug. 17 morning *Washington Post* carried a two-page spread

on the U.S. Labor Party, which became one of the most discussed items in Washington circles this week. Probably it was a "pre-emptive leak" by the *Washington Post* editors in anticipation of the release of the vote fraud and FEC stories.

#### *Kissinger and Chase Manhattan*

Kissinger's motives are the exigencies of his present job, Chairman of the International Advisory Board of the Chase Manhattan Bank, whose foreign minister he became after leaving the U.S. State Department. Chase is widely advertised to be on the verge of bankruptcy. That is not only the long-stated opinion of the *Executive Intelligence Review*, but the word around Kidder-Peabody, Merrill Lynch, Townsend-Greenspan, and other conservative installations in the New York financial district.

Among the most important elements of the conservative infrastructure is a financial network that includes New York's Citibank, the Bank of America in San Francisco, Chicago's Continental Illinois Bank, and their British cousins, Lloyds, Barclays, and other clearing banks. A life-and-death battle is underway between this banking network, which is allied to conservative investment banks such as Kidder Peabody and Merrill, and Chase Manhattan's network, which includes Chemical Bank and Bankers Trust, and is allied to the Kuhn-Loeb, Loeb-Rhoades, Lazards, that is, "Our Crowd." "Our Crowd" has its own independent stance in these matters. It is most closely linked to the Mondale element in the Administration and Humphrey in the Senate.

Chase Manhattan's position is too weak to permit hope for success in the cut-and-thrust of market warfare. Its only chance is to gain an advantage on the political front, with the hope of direct and indirect support from the Administration.

The mechanism of this survival-fight between the two networks (see *Economics*) is a shadowy war over control of Arab deposits and interest margins. For a series of reasons detailed elsewhere, the "Citibank" side is better prepared to withstand a rate war among international banks than the "Chase" side.

Fed Chairman Arthur Burns' decision to raise interest rates — the Federal funds rate is up from under five and one-half to over six percent over the past two weeks — has been instigated by Citibank and favors them heavily. To summarize, Chase has depended on two-year funds deposited by Saudi Arabia in the volume of hundreds of millions of dollars per month, and a clean \$1 billion in July, to obtain an unusually large lending spread. The Saudi funds were obtained at almost 1 percent below normal certificate of deposit rates, by virtue of Chase Manhattan Bank chairman David Rockefeller's demands upon the Saudis during a March trip to Riyadh. Chase needed the extra spread to cover up a stupendous proportion of nonearning assets in foreign loans to developing countries and U.S. real estate. (Citibank's own position is terrible, but not as terrible as Chase's, due to its strategy of doing business through local currency, which accounts for half of its foreign lending).

Over the past couple of weeks, Burns' flattening of the yield curve has sharply reduced banking spreads in the Eurocurrency market; and the August oil payments

failed to go into Chase Manhattan, wiping out its advantage on two counts. Chase's current operating margin has been cut by about 60 percent, below the survival margin.

The Citibank management, closely tied to the *Wall Street Journal*, is guilty of gross cynicism in representing as an economic program what is, on the contrary, a pure financial warfare strategem: raising rates and tightening credit to wipe out its opposition. But because the policy which is monetarily advantageous to Citibank coincides with conservative economic dogma, e.g., the pronouncements of Townsend-Greenspan, the approach is broadly "saleable" to the rank-and-file of industry. So

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## COMING SOON!

in the  
*Executive Intelligence Review*

### Carter's Corporate Watergate

*How U.S. companies and executives are targeted for scandal, bankruptcy, and terrorism. Who puts together the Administration's enemies list...and how it's used against American business.*

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Citibank's *Monthly Economic Digest*, the *Wall Street Journal's* editorial pages, Townsend-Greenspan's forecasts, and Fed Chairman Arthur Burns' pronouncements are agreed about tightening credit.

By default, this has become the view of U.S. business, harassed so long by environmental regulators, Carter's non-energy program, the Securities and Exchange Commission, and others that what it thinks it wants is to be left alone.

This non-policy is wholly incapable of preventing economic and political disaster in the United States, with the inevitable consequences of world depression collapse and probable general thermonuclear war in the near term. Without a centrally-led USA political opposition to the Carter-Mondale crowd, organized around industrial capitalist principles of expanding production and trade through national bank-directed hard-commodity credit policies, the situation can only deteriorate. The pace of current efforts to organize such a "counterpole" to Carter, exemplified by the outcome of last week's national conference of conservatives and independents in Memphis, Tenn. (see *National Report*) is thus the key determinant in rescuing the U.S. economy, and the point of intervention to compel Simon, Citibank et al. toward the replacement of the present International Monetary Fund-World Bank monetary mess with a viable gold-backed monetary system.

— David Goldman



# LaRouche: The Kissinger Element In My Planned Assassination

*The following statement was issued on Aug. 18 by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential Candidate.*

Federal Elections Commission-Justice Department pressure on Western Union International to cause that firm to attempt to close down vital elements of the U.S. Labor Party's communications and related security operations obliges me to announce the relevant fact that I know from the most reliable source that former Secretary of State Henry Kissinger is personally complicit in the effort to facilitate my assassination.

Because of the importance of my revelations concerning Henry Kissinger, I must insist that at this point I have no direct indication that Nelson A. Rockefeller himself is either complicit or necessarily knowledgeable of the specific implications of Henry Kissinger's action. However, although some Nelson Rockefeller-linked Commission on Critical Choices circles are moving in a relatively positive direction respecting USA interests, other persons also associated with Rockefeller activities in the past are directly involved, such as FEC Chairman Harris, in the overall operation which includes the projected assassination. Therefore, respecting Nelson A. Rockefeller, I urge him to take sufficient time from his very busy present schedule to inform himself of the full extent of this matter and to directly review the relevant problems with my representatives.

The *Washington Post* articles of Tuesday, Aug. 16, and the projected similar article in the *New York Times* are also part of the same overall spectrum of the operations including the projected assassination. It is notable that these journals, although more emphatically linked to the Humphrey-Mondale faction and Cyrus Vance and certain New York investment houses, are currently pushing Henry Kissinger with an almost obscene enthusiasm. It is also our knowledge that the *Washington Post's* attempted attack was prepared in consultation with the terrorist-linked organization, CounterSpy, a key element in the Institute for Policy Studies' international terrorist networks.

This unwholesome mess poses two sets of observations which, although fundamentally interrelated, are apparently distinct on the surface of things. The involvement of Henry Kissinger in attempting to facilitate my assassination points directly to crucial features of the current international terrorist problem. The matter of

Kissinger's despicable role in the matter of the Baader-Meinhof attack throws important light on Kissinger's real role in the current impeachment process against Jimmy Carter and the "Atlanta Mafia." We consider the second aspect first.

## *Far Worse Than Carter*

Although the current press coverage might not suggest this to be the case, there are worse alternatives than Jimmy Carter. For example, a Mondale White House. Still worse, a Mondale-Kissinger package. Kissinger's implication in the Baader-Meinhof affair points to a back-room deal between Kissinger and Mondale's backers.

The Baader-Meinhof operation itself is partially of U.S. origins, but also, through Hamburg and other points, involves the same sections of British intelligence (and their backers) which created and operate the IRA Provo terrorists. The principal targeting of the writer for Baader-Meinhof or "George Jackson Brigade" assassination (depending upon my location) was principally conducted through certain lower Manhattan investment house financier circles, who prepared the propaganda motivation for the assassination at about the time of the Pittsburgh, Pa. FEF conference this past spring, with massive lying slanders conducted through B'nai B'rith and other culpable organizations into certain American Jewish circles. This circle of financier interests, which were circulating that same terrorist slander in a more limited way as early as last September 1976, have direct connections into the British intelligence and financier factions which run the IRA Provos and which are most relevant in the Hamburg link to Baader-Meinhof in West Germany.

Kissinger's connections to this mob of cutthroats are not new. According to Charles Colson and others, it was Henry Kissinger and his stooge, White House office-boy Alexander Haig, who played the crucial inside role both in setting up the Nixon Administration for Watergate and for doing the inside job in cooperation with the *Washington Post*, *New York Times*, and others from the outside. Henry, the key figure in the National Security Council and its critical Special Action Group subsidiary throughout the entire period, was never brought into focus during the Watergate (most strangely, since his bugging of Halperin et al. started the process leading to Watergate) and got off scot-free.

Let's not kid ourselves about Kissinger. It was Henry Kissinger who set up the genocidal proxy war in

Lebanon. It was Kissinger who organized the present crisis in southern Africa. It was Kissinger who set up the conflict between Ethiopia and Somalia (at that time backing a different Ethiopian government). It was Kissinger who set up the potentials for launching a Latin "thirty years war" in Central America with the Panama Canal business as the detonator. (The idea of Carter and Vance briefing Kissinger on Panama Canal dealings is pathetically laughable. Henry set the package up.) It was Henry Kissinger who ran the Chile coup of 1973 as a personal "desk job." It was Kissinger who played all ends against the middle in the Arab nations and OPEC generally, lying generously to everyone involved. Vance and Brzezinski are clumsy fools, but the Carter Administration is correct when it attempts to defend its record in foreign policy with the argument that the new administration has continued the arrangements put into place by Kissinger. Brzezinski is correct in stating that the difference between himself and Kissinger is a matter of "style" rather than substance.

There are significant differences between Kissinger and the London crowd. The name of the difference is Persian-Arab Gulf oil. Kissinger, like Jake Javits and Frank Church, is an Exxon man, as well as an associate of Chase Manhattan Bank. From that latter position he has been acting during recent weeks as if he were still running the State Department and the National Security Council. Even Soviet ambassador Dobrynin is apparently persuaded to this effect.

Let's lay out the situation.

Looking at U.S. policy from the standpoint of major commercial banks, we have the following picture.

Some of these banks, ostensibly in some degree of agreement with William Simon, are moving to take important options in Western European and Japanese moves toward setting up a new gold-based monetary system. Notable are Citibank, Morgan Guaranty, Manufacturers Hanover, Continental of Chicago, Bank of America and some key banking circles in Texas. They are friendly to French, Belgian and other interests which are moving with a slightly better perception than is so far visible from Simon or Citibank's Friedman.

Certain other banks are potentially basket cases in the coming crunch. These include Chase Manhattan, Irving Trust, Banker's Trust, Chemical Bank, and so forth.

Key in this pattern was Dresdner Bank's Jürgen Ponto. Ponto, with direct connections to the saner U.S. commercial banking circles, also had important links into French and Belgian circles, into efforts to stabilize the situation in southern Africa through well-conceived economic packages of development, and into the Arab-OPEC combinations. He was also the individual who set up the financing of the nuclear-fission deal between Brazil and West Germany, a deal which in fact indirectly involves European nuclear industries as a whole. Ponto was killed for the same banking reason I was targeted for assassination by either the Baader-Meinhof or George Jackson terrorists. And Henry Kissinger intervened overtly to attempt to facilitate my assassination, Henry Kissinger of Chase Manhattan.

The other element aiming to crush West Germany, apart from Exxon and Chase Manhattan, was Lehman Brothers and the investment banks politically aligned with it in Manhattan, London and elsewhere. Those

banks are also involved, as is David Rockefeller's family, in the funding of the networks which run international terrorist operations. So, again, international terrorism, Kissinger, and certain financial combinations converge.

The key point to understand is that despite Kissinger's delusions concerning his effort to swindle the Soviets in some used-camel trade, the Soviets' muddleheadedness does not extend into certain crucial areas concerning strategic correlations of combined, military, economic and political forces. As the opposition to a Kissinger-keyed USA regime is crushed in the USA and Western Europe, this fact alone forces the Soviet command to shift definitively to a war-fighting posture, after which pushes of the sort projected by Kissinger et al. mean total war — no matter how desperately Henry Kissinger believes in the combination within the East bloc on which he relies for Soviet capitulations before the forthcoming series of bluffs.

In short, if the Kissinger version of Cartergate is tolerated, those of you who hesitate to join the U.S. Labor Party in this fight at this time are all as good as self-condemned dead men — radioactively dead, along with an estimated 160 to 180 million USA citizens.

#### *The Terrorist Angle*

The hard-core of terrorists themselves are not the problem. In West Germany, for example, the hard-core of the terrorists was recruited from a mental patients' social-work project known as the Heidelberg Patients' Collective, a brainwashing project politically supported with aid of prominent, complicit elements politically close to Peter Graf von Oertzen of the SPD. In the United States, the Lincoln Hospital De-Tox Unit in New York City exemplifies a similar operation. The terrorists are few, generally known, and could be easily neutralized if they were the main component of the problem.

The so-called terrorist assassins are merely a key, tiny element within the actual terrorist network as a whole. The terrorist network as a whole is that network which mobilizes a section of the liberal, radical and some profiled-as-right elements of the population into a Chomskyian linguistical form of belief-structure. This political stratum is the terrorist network, the political stratum for which the small numbers of assassins are merely an included arm.

This network functions as follows. There are three principal elements to be considered.

At the top, there are the financier and political circles which created and use the terrorist apparatus as an instrument of financial and political policy against nations, other financial interests, and so forth. The terrorists and their associates are merely the hired propaganda, hooligan and assassin tools of the financial and political circles ultimately issuing the orders and providing the funding for much of the "environmentalist," "radical," and technical agencies involved.

Under witting control of the financiers and political circles is the technical side of the terrorist operations, the so-called "Interpol network," including private agencies, corporate agencies, and contaminated elements of official agencies.

Under witting control at the top, but not the lower

layers, are the liberals, radicals and others who make up the mass of duped tools of the environmentalist and pro-terrorist elements and their hard-core terrorist elements as such.

It is this third element which represents the belief-structure association of those forces indispensable to the terrorist operation as a whole.

The crucial difference between a terrorist assassination, such as that of Jürgen Ponto, and an ordinary black-operation, professional killing is that the professional assassin is operating as a witting agent of some agency. The terrorist generally does not know that he is a tool of Chase Manhattan policies (for example). The terrorist operates on the basis of a surrogate motivation for killing the Chase Manhattan target "in the interest of the left." This distinction is provided by means of the Chomskyan linguistical belief-structure.

The way in which it operates is principally as follows. The broadest layers of liberals, radicals or so-called right-wing groups involved in the overall terrorist networks are simple dupes who are conditioned to think in radically nominalist terms of "radicalism" modeled upon the bestialist doctrines of Hobbes, Locke, Rousseau, Voltaire, Marat, Bakunin, Bentham, Mill, and so forth. Here the "New Left" professors such as wittingly-complicit RAND Corporation anarchist and terrorist sympathizer Professor Noam Chomsky are key.

As this belief-structure is molded and ripened, the dupes are directed toward selected targets. In this process a "left" (and matching "right") is developed, which has adopted a set of issues, goals and targeting formulas for opponents. This is fed among the "radicals" as such by New Left and similar "underground" media. Credibility is provided for the issues used in the Chomskyan belief-structure by complicit liberal media, which offer a "toned-down" version of the "radical" ideology.

Within the broadest layers of liberal and radical dupes, a small portion is distinguished from the others by its emphasis upon an "action orientation." These are the hooligans, the immediate social environment and ideological bridging-element to the terrorists as such.

Exemplary of the way in which terrorism operates is the phenomenon of "lists." Now, normally, a professional black operations team does not publish advance lists of its selected assassination targets. Think! Why does terrorism require this business of prepared lists?

The list is issued in two directions. One direction is government or (more often) press agencies, receiving a list and warning through the mail or by telephone, plus the standard "confession" following each killing. This has two functions. The first, obvious function is to terrorize the indicated victims. However, this has another function. In order to maintain the belief-structure of the terrorists and their political sympathizers, it is essential that a significant number of those murdered by terrorists should have had their names or classifications as targets published earlier.

The second usage of the lists is to condition the terrorists and their political sympathizers. The terrorists and their political sympathizers need to be whipped up into focusing a motivation to kill against selected targets.

There are all kinds of lists. There are lists issued for purposes of psychological conditioning, the usual lists found or issued. There are more secret lists held only by controllers of terrorist operation. However, the two kinds of lists must generally overlap; the names listed on the secret, operational listings must include names (or target classifications) which have been circulated in the propaganda listings. This overlap is integral to the maintenance of the belief-structure of the terrorists and their sympathizers.

It is the larger population of liberals and radicals who support or make involuted moralizing excuses for the terrorists who must be regarded as the main element of the terrorist network as a whole. It is they who maintain the belief-structure of the environmentalist hooligans and terrorists as such, and without whom the terrorist operation could not function. It is that aspect of the terrorist network which must be cleaned up, and thus identified publicly for this purpose.

The heart of the international terrorist network properly defined is the networks associated with the "mother" organization known as the Washington, D.C. Institute for Policy Studies, and complicit elements associated with Bertrand Russell and which abuse the cover of the Socialist International and associated social-democratic groups. This network could not function without such auxiliaries as the Trotskyist and Maoist organizations and such complicit Communist organizations as the leadership of the Communist Party USA.

The deployment of terrorists in the Federal Republic of Germany illustrates the way in which certain Anglo-American and certain elements of British intelligence intersect in deploying terrorism in that country — with aid of some complicit circles in Switzerland.

The concentrations of terrorists and supporting Maoist and Trotskyist organizations are Stuttgart-Heidelberg (principally American linked), Hannover (Anglo-American), Hamburg (British), and Bremen (Anglo-American). The principal political base of support for terrorism currently is the Frankfurt area. The British elements involved are those elements of British intelligence which run the IRA Provos and the financial circles for which those sections work. The American network has undergone many evolutions since Major Henry Kissinger was involved in developing it during the post-war occupation period, but it is ultimately linked to the old Kissinger networks, as well as to the U.S.-linked West-Berlin Ostbüro nodal point. The Frankfurt School is the ideological center around which the development of the terrorist belief-structure is orchestrated, with the Peter von Oertzen-patronized elements of complicit professors and Maoist gangs at Hannover University another key element.

The funding of the Institute for Policy Studies network involves an active role by members of David Rockefeller's family as well as funding conduits and Fabian connections linked to the Kennedy Administration's intelligence community and to the same New York financial circles tied to the presently manifest alliance with Henry Kissinger in the managed Cartergating operation.

## Lance Scandals:

# Noose Tightens Around Carter's Neck

Already this noose is being tightened by Henry Kissinger's longtime friend, Illinois Senator Charles Percy. Percy, the ranking minority member of the Senate Governmental Affairs Committee, which will hold hearings on the Comptrollers report September 7-8, declared Aug. 18 that "the report does not address several significant aspects of Mr. Lance's financial activities and questions of improprieties are raised in the report." Percy is demanding investigation into Lance's banking activities in regard to Calhoun National Bank.

The Comptroller of the Currency released his report on the banking practices of Office of Management and Budget Director Bert Lance Aug. 18, clearing Lance of illegal banking actions but raising numerous questions about the propriety of his activities. For example, the report suggests that a compensating balance from Lance's National Bank of Georgia was a condition of a loan Lance received from Manufacturers Hanover Trust, but the report appears to take at face value denials of this arrangement by Lance and the bank's officials. The report also notes 50 instances in which Lance failed to file any of the federally required statements with the bank's directors on his personal outside loans.

Both the *Washington Post* and the *New York Times*, allied with Wall Street, highlight the many unresolved questions raised by the report. The *New York Times* implicates Carter in the Lance affair with a second lead Aug. 19 on Carter's acceptance of plane rides from Lance's bank, noting that if the bank was not paid back the "free ride" would constitute an illegal campaign contribution.

The Comptroller's report is clearly being used by Henry Kissinger and Vice-President Walter Mondale to tighten a noose around President Carter, in light of the behind-the-scenes agreement worked out by these two representatives of different Wall Street groupings. Carter is being warned — he must go along with this deal, including especially the replacing of Brzezinski's diplomacy with the more pragmatic Kissinger's, or the attacks on the Administration will be unleashed full scale. The lead editorial in the Aug. 19 *Washington Post* makes this very clear. "There's nothing in the Comptroller's report, or in Mr. Lance's finances that is serious enough to force him to resign. Nevertheless, if Mr. Lance stays in Washington, it will be at a certain price. Part of that price will be paid by Mr. Carter, who will have to avoid for a while all references to new moralities, fresh winds blowing and similar uplifting topics," said the *Post*.

But the attempt by these Wall Street factions to use the Lance scandal in a controlled way against the Administration is threatening to go totally out of control. There is widespread sentiment throughout the USA for a com-

plete investigation into all aspects of the affair and all members of the Administration. Senator Robert Dole (R-Kan) said the "report raises more questions while answering few. It is hard to conclude that Mr. Lance acted properly in all situations." The St. Louis *Globe Democrat* editorialized Aug. 19 that the report is "a whitewash of Lance...the Justice Department has shown favoritism and the confidence of the nation is shaken as it was during Watergate." The Comptroller's Office and the IRS are continuing to investigate, and the Senate Banking Committee and House Banking Subcommittee are expected to hold hearings on the Comptroller's report, along with the Senate Governmental Affairs Committee. As the *Chicago Tribune* put it in its Aug. 19 editorial, the scandal has "taken on a life of its own." The matter may well turn into a watering of the entire Carter Administration.

Here are excerpts from last week's most important press commentary on the Lance affair.

*New York Times*, Aug. 13, front page, by Nicholas M. Horrock:

The Comptroller of the Currency has widened his investigation of Bert Lance's financial dealings to include loans that may have indirectly benefited him and is searching bank records for about 20 loans that may have been extended to his wife, other members of the family and business entities, sources familiar with the investigation said today.

In addition to an investigation of transactions by Mr. Lance, the director of the Office of Management and Budget, with the Manufacturers Hanover Trust Company of New York City and the First National Bank of Chicago, Federal investigators are concentrating on Mr. Lance's relationship with Jake Butcher, a Tennessee banker, and Mr. Butcher's United American Bank of Knoxville, the sources said. They are also searching the records of the United American Bank of Nashville, in which Mr. Butcher has an interest.

Meanwhile, Representative John B. Anderson of Illinois, the third-ranking Republican in the House, called tonight for Mr. Lance's resignation. It was the first such demand by a major Congressional figure.

The Comptroller's Office is preparing a 100-page report on its investigation that may be ready for President Carter's scrutiny by late next week, but the sources said the report would not close all the avenues of the Comptroller's investigation.

John Heimann, the Comptroller, is known to be reviewing records of the following loans, among others:

\*Two loans extended to Mr. Lance's 1974 gubernator-

ial campaign by the Northwest Georgia Bank in Ringgold, Ga., for a total of \$140,000. The loans were reported in Mr. Lance's campaign filings in June 1974.

\*A \$240,000 loan in 1974 from the Roswell Bank of Georgia, which was reportedly used to pay off an earlier loan at the Atlanta-based Fulton National Bank...

\*A \$651,000 loan from the Georgia Railroad Banking and Trust Company of Augusta...

\*A \$185,000 loan from the C. and S. National Bank of Georgia. C. and S. officials did not respond to questions about this transaction. The bank is listed as a correspondent bank for the National Bank of Georgia, according to recent bank directories.

\*Continuing overdrafts in the account of LaBelle Lance at the National Bank of Georgia, which her husband headed...

*New York Times*, Aug. 13, page 12, by Wayne King, "Southern Newspapers Have Diverse Views on Lance":

"Mr. Lance's most outspoken defense has issued from the *Atlanta Constitution*, the South's most ardent champion of the Carter Administration. Its board chairman is Ann Cox Chambers, Mr. Carter's Ambassador to Belgium...By contrast, the Charleston S.C. *News and Courier*, in an Aug. 10 editorial headlined "Goodbye Good Ol' Boy" said: "Bert Lance, director of OMB should resign. Disclosure of his personal financial dealings is proving to be an embarrassment to an Administration that came to office with little more than a professed dedication to integrity..."

*New York Times*, Aug. 14, front page by Judith Miller:

One day before it was publicly disclosed that Bert Lance was to be nominated to head the Office of Management and Budget, the Atlanta regional director for the Comptroller of the Currency rescinded a potentially embarrassing agreement between the Comptroller and a bank Mr. Lance then headed.

...At about the same time, a criminal investigation into Mr. Lance's activities at the Calhoun bank, a case that had languished for 11 months, was terminated by the United States Attorney in Atlanta...

Taken together, the two moves enabled the Acting Comptroller of the Currency to give Mr. Lance a clean bill of health on his management of the Calhoun bank, thereby removing the issue of possible mismanagement as a topic for consideration at Mr. Lance's confirmation hearing in January."

*Baltimore Sun*, Aug. 15, editorial, "A President Lanced":

The Bert Lance affair is one of those personnel problems all presidents hope to avoid and most confront, sooner or later. President Carter is being unusually cautious about commenting publicly on his fellow Georgian's troubles...Yet he implicitly acknowledged that Mr. Lance may have committed "improprieties" and said in effect that he should resign if he has done so...

Mr. Lance is an old and close friend of the President. It is a friendship that suggests he would not want to do anything to harm or hinder the President. It may be that re-

signation would be Bert Lance's most useful service to his old friend.

*Washington Post*, Aug. 15, front page by John F. Berry, "Probers Wanted to Block Lance":

After President-elect Jimmy Carter announced that his friend Bert Lance would head the Office of Management and Budget, reportedly a number of officials in the Comptroller's Office openly discussed ways to block the appointment...

They were troubled by both legal and ethical questions.

There was a debate about what to reveal about Lance, recalls a source inside the comptroller's office. "We were trying to figure out how to stop him..."

*Christian Science Monitor*, Aug. 15, front page by Godfrey Sperling, Jr., "Carter's Quandary: keep or drop Lance; 'Mr. Clean' image in Jeopardy":

Presidential watchers here are divided, roughly, on how Mr. Carter will deal with Bert Lance, his director of the Office of Management and Budget.

Some say it now is inevitable that the President will have to get rid of him.

Others say that barring a finding by the comptroller of the currency that Mr. Lance has broken a law in his previous banking and private borrowing operations, Mr. Carter will seek to ride out the storm and keep his valued friend and adviser at his side.

And still others say that it is likely Mr. Lance will step down voluntarily in the wake of recent pressure...

What to do about the 'appearances' of wheeling and dealing on the part of Mr. Lance?...

...some veteran observers here are saying that Mr. Carter will find it difficult to keep Mr. Lance around even if the comptroller clears him of any illegality. Says one who has closely watched and measured the conduct of several presidents:

"This President, more than anyone I can remember, must avoid the appearance of wrongdoing — in himself and his administration — as well as avoiding wrongdoing itself."

Because of Watergate, presidents now are expected to keep especially high standards of conduct for themselves and for those around them — standards that are above reproach...

Before the recent disclosures, Mr. Lance was rated as one of the President's top personal assets, as well as one of the most powerful and influential figures in the administration.

Mr. Lance may be able to hold on and find a way back to his influential role at the side of the President. But at this point the prospect seems rather dim.

*Chicago Daily News*, editorial, Aug. 16, "Lance Should Get the Point":

The Senate hearing was itself strange, since only Lance was heard, and it resembled a love feast more than an inquiry. The senators fell all over themselves to praise Lance and accuse the press of "smearing" him. But it is hardly a smear to ask for a complete disclosure of the financial maneuverings of the man entrusted with

managing the budget of the entire nation. Judging from the testimony that came out early, Lance has managed his own finances somewhat in the manner of a riverboat gambler. That could hardly be expected to sit well with a public that demands, at the very least, prudence in the management of public funds. Even if the probes produce no evidence of wrongdoing, Lance's capacity to induce public trust has been damaged. If he is as wise as President Carter has proclaimed him to be, he should consider stepping out of OMB, and saving his friend in the White House further embarrassment.

*Chicago Sun Times*, Aug. 16, by Loye Miller Jr., "All in the Family: Carter Smiling Less?"

Life around Jimmy Carter's White House these days sounds like an episode out of *Mary Hartman, Mary Hartman*.

Dad's in trouble at the office with questions about Bert Lance, the frustrations of Cy Vance and all those mean old senators who want to squash his shiny new treaty on the Panama Canal. Son Chip's moving out on his pretty little brunet wife, Caron, leaving her with their month old son. And down in Georgia, brother Bill...well..you know about brother Bill...

Jimmy Carter loves Bert Lance, as they say, almost like a brother. It clearly hurts him personally as well as politically to see Lance twisting in the wind while the comptroller of the currency puts all his old bank deals under a microscope and the smell from the laboratory turns sour. As much as a Lance resignation forced by scandal would shake Carter, who has self-righteously proclaimed his administration will be clean as a hound's tooth, the troubles brewing on the President's foreign affairs flank are even far more grave. To begin with, Carter's brash efforts to shape up the Russians by lecturing them on human rights and getting tough with them on strategic arms limitation have strained relations between the superpowers to the worst in years. Sobered by the vehemence of the Soviet reaction, Carter is now cooling it, but it may take a long time to repair the diplomatic china cracked by his freewheeling first months.

As Vance returned from his latest Middle East swing Sunday, the tenuous-Mideast truce was more fragile than it has been in years. On the proposed Panama Canal treaty, defeat in the Senate — which would be a disaster for the President domestically and lead to rioting and bloodshed internationally — is a very real threat. Throughout the first months of the Carter Administration, many wise old heads around town have been saying that while Carter has done pretty well so far, you can't really tell what kind of a President he's going to be until he gets into his first real crisis. Those President-watchers just may be on the verge of being able to make that judgment now.

Are things going to get better for Dad...and Lance ...and Vance? Or are we going to have the first blockbuster scandal of the Carter presidency, not to mention a Mideast war?

*New York Times*, Aug. 15, by Hedrick Smith, "Lance Inquiry: A Carter Test — President Seen Facing Acute Political Problems":

The persistent investigation of the personal financial problems of Bert Lance, the director of the Office of Management and Budget, and the nagging publicity that has accompanied it pose a severe test and an acute political dilemma for President Carter...

"I believe that if anything should be proven concerning Bert Lance that is either improper or illegal, that Bert would immediately take the initiative to either resign or step aside," Mr. Carter said in a television interview broadcast yesterday.

Yet the longer the issue remains unresolved, the greater the risk that it will injure Mr. Lance's future effectiveness and that the charges of Mr. Lance's financial imprudence will cast a shadow on the whole Administration.

Every day is working against Lance and the Administration, one high Administration official said. He said that he thought it was embarrassing for the President, particularly because of the "Simon-pure" attitude the President has taken about his appointments.

Some of Mr. Lance's backers privately contend that he is the victim of an internal struggle within the Administration. They suspect that the investigation of his affairs is being deliberately prolonged and expanded by the Treasury Secretary Michael Blumenthal, and John G. Heimann, the new Comptroller of the Currency whom Mr. Blumenthal promoted for the job over Mr. Lance's opposition.

#### *Blumenthal Camp Replies*

Friends of Mr. Lance argue that Mr. Blumenthal is the senior Administration official who stands the most to gain power and influence if the President is forced to let go his gregarious, back-slapping budget director.

In some elements of the financial community, especially among Republicans and political conservatives, Mr. Lance is more popular than Mr. Blumenthal is because he is known as an advocate of balanced budgets, tight money and controls on Federal spending. His aggressive business style appeals to some of them more than do Mr. Blumenthal's more unorthodox approach and intellectual bent.

James T. Lynn, Mr. Lance's predecessor as budget director in the Ford Administration, commented to a friend the other day that he thought Mr. Lance was doing a good job and hoped that he would stay on. Businessmen have remarked to Arthur F. Burns, the conservative-minded chairman of the Federal Reserve Board, that they would feel the loss of Mr. Lance's conservative influence on Administration policy.

#### *Counterpressures Cited*

But there are counterpressures on the Administration as well.

One investment service, *Liberty Street Review*, said that the Administration was suffering from "a leadership vacuum" in its economic policy-making.

More fundamentally, however, some influential New York bankers and financiers suspect that whatever the outcome of the current investigation, Mr. Lance will be a liability to the Carter Administration, and the President will reluctantly have to let him go.

*Chicago Tribune*, Aug. 19 "Not All Questions on Lance Resolved" by Aldo Beckman, Washington D.C. bureau chief:

The whole Bert Lance exercise on Thursday was orchestrated by the White House on the theory that a presidential declaration of finality can end anything.

It was reminiscent of the day a few years ago when another President released a series of taped conversations and declared that the Watergate investigation had ended. Lance Thursday declared himself cleared of allegations of impropriety after reading the report from the comptroller of the currency. The White House, grabbing the conclusion that there was no evidence that warranted criminal prosecution, chose to ignore other points that questioned Lance's judgment as a banker, left unresolved the questions of whether he had obtained personal loans through illegal use of his bank's funds, and noted that the investigation was not over.

The White House recognized that this was perhaps its last big chance to put the inquiry and the controversy to rest, and all the stops were pulled. The President flew to the White House from Camp David, Maryland, returning to the cool of the Catoctin mountains after his public endorsement of his long time friend and personal banker.

"As far as I'm concerned, the intense investigation has answered questions that were raised against Bert Lance," said Carter.

Sen Abraham Ribicoff (D-Conn) already embarrassed by his earlier embrace of Lance, wasn't so sure and immediately scheduled public hearings.

The questions raised in the comptroller's report will fuel Ribicoff's probe and could still lead to Lance's resignation or dismissal.

If the hearings, now set to begin in early September, drag into the fall and become a television extravaganza, Thursday's frenzied activities will be nothing more than a footnote to the controversy, much as the release of the Nixon tapes has become.

The controversy is far from over, despite White House efforts.

It has taken on a life of its own, and there is little anybody, including the president of the United States, can do about it until it runs its course and Senate hearings are completed.

## Lance Scandal:

# All Roads Lead To Carter's Whitehouse

Investigations into the financial affairs of Bert Lance are opening a new can of worms: Lance's banking relationship with Jake Butcher, a man who has been described variously as a "very shady banker" and "the Tennessean with the most influence in the Carter Administration." If the investigation by the Comptroller of the Currency John Heimann is not distorted by the fact that Heimann is in Nelson Rockefeller's pocket, it will show not only illegal campaign support by both Butcher and Lance to Senator James Sasser (D-Tenn), but that all of the dirty financial roads lead to Carter. Lance and Butcher were two of Carter's main fundraisers; Butcher doubled as Senator Sasser's principal money man.

The Federal Election Commission (FEC) has already stonewalled an investigation into a \$100,000 loan received by Sasser which was likely conducted by Jake Butcher. The loan was from the First National Bank of Tracy City and came at a time when big money was needed for Sasser to survive the primary election last year. It is strongly suspected that Jake Butcher used the bank as a conduit, concealing the source of the loan in violation of FEC regulations. This small rural bank primarily extends home mortgages, personal, and car loans, and its total deposits are only about \$8 million. Bank policy is to limit loans to 10 percent of the \$500,000 net worth of the bank, but in Sasser's case the bank ignored the \$50,000 loan limit.

In fact, the loan was applied for, issued, and then taken over by another institution or individual all in one day, bypassing the normal procedures and the majority of the bank's directors. Three former directors of the bank said that they could not tell who had taken over the loan because it was taken off the Tracy City Bank's records. Two directors said that they had first heard of the loan "in an article in the Nashville Tennessean" and that "the Board of Directors was very upset."

The loan was issued by the bank's chairman, Charley Bill Boswell, and president Nick Turner, who are rumored to have bought their majority share in the bank using a loan they got from Jake Butcher. Sasser, in the meantime, demanded in the Senate's Government Affairs Committee that all investigation of Lance's strange financial dealings be dropped and then organized the vote to kill the investigation.

Lance also got loans similar to the one Sasser received when he was running for Governor of Georgia. Butcher loaned him \$450,000 in 1974, most of it still outstanding. Lance also got \$140,000 from the Northwest Georgia Bank in the tiny town of Ringgold. Lance is a stockholder in this bank and Tom Mitchell, who is currently the trustee for Lance's holdings, was then a director of the bank. There are other loans totaling another \$210,000 to the Bert Lance for Governor Campaign Committee, and no public record that any of these loans have been repaid.

### *Butcher Collects*

In April Jimmy Carter made a call to the Bureau of International Expositions promising \$20 million in federal funds for a pavillion at a proposed 1982 Knoxville Energy Exposition. Within 12 hours of that call, 1982

Knoxville Energy Expo Corporation Chairman Jake Butcher had a license for the Expo in his dirty little fist.

### *The Carter Connection*

Carter himself is smack in the middle of the underhanded money deals. The White House now admits that in June 1975 Carter was personally on hand with Bert Lance at Manufacturers Hanover when Lance secured a \$2.6 million personal loan. Shortly thereafter, Lance extended to Carter a \$4.2 million National Bank of Georgia loan, ostensibly for improvements on his peanut farm. The National Bank of Georgia has a history of "political loans." In 1975 it was investigated for \$65,000 in illegal contributions going back seven years. Carter himself has openly acknowledged some political loan chicanery. He got \$250,000 seed money for his 1970 gubernatorial campaign from personal loans taken out by supporters; Carter later assumed responsibility for these notes.

An analysis of the Carter 1976 Presidential campaign finance reports show numerous entries demanding investigation. For example: on page 909 of his Oct. 22 to Nov. 22 report listed under "operating expenditures" the following entry appears:

Trust Co. Bank FIT  
W-H DEPOS — Get out the vote Oct. 27 \$228,800.00

Colony Square  
Peachtree St.  
Atlanta, Ga. — Get out the vote Oct. 28 \$ 10,000.00

When called, the bank's public relations officer told this reporter that "It was probably a cash withdrawal" but refused to confirm it in writing. If so, the Carter campaign committed gross violations of the Federal Election code. The report shows almost a half million in neat \$100 to \$500 sums for "get out the vote" — given in places which correspond to the areas where massive vote frauds occurred.

The next question involves the influence of the Coca-Cola Corporation throughout Carter's career. It is a well-known political secret in Georgia that Coca-Cola conducted large sums to the Carter primary campaign by listing gate receipts at Greg Allman rock-drug concerts as contributions. These funds were then matched by federal tax-dollars. Carter has already acted on behalf of J. Paul Austin by giving favorable government subsidies to U.S. sugar cane growers as a direct benefit to Coca Cola which uses 20 percent of U.S. sugar production.

Investigations into the financial dealings of Bert Lance can only lead to Jimmy Carter, whose bought-and-paid-for political career is very vulnerable to Watergating. As for Lance, his National Bank of Georgia canceled this quarter's dividend. Lyndon LaRouche, U.S. Labor Party candidate for President in 1976, has suggested to the Comptroller of the Currency, and the Lance bank, that to keep the bank solvent the \$4.5 million loan to Jimmy Carter's "peanut business" be called in.



# FEC Drives Labor Party To Verge Of Bankruptcy

*The following editorial was published in the Aug. 19 issue of the U.S. Labor Party's newspaper New Solidarity.*

Even as the stench of "Cartergate" rises from the White House, the Carter-Mondale Administration, operating through its political "plumber's unit," the Federal Election Commission, has nearly succeeded in its top domestic political priority — forcing the U.S. Labor Party out of business.

Following Labor Party chairman Lyndon H. LaRouche, Jr.'s nationwide half-hour television broadcast on Nov. 1, 1976, high-level Washington sources informed the party leadership that the Carter campaign apparatus had put the USLP at the top of its "enemies list" and was initiating an all-out campaign to "get the Labor Party." LaRouche's televised announcement that the Carter-Mondale team was preparing massive vote fraud, and if installed in the White House would pursue a policy of global fascist austerity leading to general thermonuclear war during 1977, made him a "marked man," the sources said.

During the transition period and first months of the Carter-Mondale Administration, the USLP received additional warnings from sources in the U.S. intelligence community that direct harassment against the party itself having proved insufficient, the Administration was pursuing a policy of "financial warfare" against the USLP, coordinated through National Security Advisor Zbigniew Brzezinski and the Federal Election Commission. An April target date had been set for bankrupting the Committee to Elect LaRouche, the USLP, its parent organization the National Caucus of Labor Committees, and its intelligence gathering and news agency, *New Solidarity International Press Service*.

## *How 'Financial Warfare' Works*

As the "financial warfare" operation unfolded, three basic components were revealed.

First, the Federal Election Commission illegally withheld \$110,000 in federal matching funds owed to the Committee to Elect LaRouche; threatened criminal indictments against CTEL officials for alleged unlawful campaign financing practices; conducted extensive, open intimidations against CTEL contributors, and potential contributors, including pre-dawn visits by FEC "investigators." Meanwhile, massive Carter campaign financing irregularities apparent from a cursory inspection of its own reports were blithely ignored by the FEC.

Second, operating through the FBI and such notorious private intelligence channels as the Institute for Policy Studies terrorist-running networks, a massive, semi-clandestine campaign of slander, threats, illegal arrests and harassment was mounted against party members,

supporters and financial contributors. The aim was to "contain" and then quickly contract the financial base of the party's organizing. This has been a multi-million dollar operation; in New Jersey, for example, an estimated 60 percent of *New Solidarity* subscribers have been subjected to some form of intimidation.

Third, the FEC zeroed in on debts owed to vendors of communications, printing and other services by the USLP, NSIPS, CTEL, etc. Although the aggregate of those debts was not large relative to income if measured by normal business standards, and was positively miniscule compared to the millions of dollars owed for years by various Democratic Party campaign organizations, the FEC told vendors that debt owed to them by the Labor Party and CTEL constituted "illegal campaign contributions" for which the vendors themselves could be prosecuted, effectively ordering the vendors to collect all back debt forthwith or face government reprisals.

Through a continuous "Valley Forge" political mobilization during the spring and summer months, the party was able to hold the line against the bankruptcy scenario, although suffering severe attrition of its immediate operation capabilities. In early August as Europe appeared on the edge of open revolt against Carter, high-level intelligence sources confirmed earlier warnings that the Administration had targeted LaRouche and USLP executive committee members in the USA and Europe for political assassination, and outlined a "September Scenario" of physical assaults, arrests, murder, and stepped up financial warfare culminating with the crushing of the party.

## *'Operation Shutdown'*

Now, with the political demise of Carter in view as the press writes openly of "Lancegate"; with major national newspapers and broadcasting outlets fully informed about Carter's plumbers at the FEC and the massive fraud of the 1976 elections; with the coming together of the American Whig coalition for scientific and industrial progress and global economic development, most dramatically illustrated by the Washington Post's front-page 3,000 word coverage this week of the USLP's enormous impact on U.S. conservative circles; now, the Carter Administration's "Get the Labor Party" freakout has precipitated a make or break situation for the party and the U.S. population.

Since Carter came into office, Administration "containment" operations against USLP organizing have forced an estimated 40 percent cut in volume of political intelligence materials available to the party, a 50 percent cut in available party manpower, and an approximate 35 percent cut in overall evaluative capability. Meanwhile the FEC is succeeding in contracting the party's financial base; during a recent three week period, sales

of party publications including New Solidarity have declined sharply, in contrast with the previous months' steady rise in sales.

As a result of this "financial warfare," the information infrastructure on which the party depends is now being dismantled piece by piece by frightened creditors escalating their demands for payment on back debt.

The following services are shut down or in the process of being shut down:

\*The teletype machines which link twelve North American cities with NSIPS's New York headquarters are being removed from all NSIPS offices, after a breakdown in negotiations with the leasing company. The company has rejected a comprehensive offer including reduction of service and payment of all back debt.

\*The two major bus companies handling New Solidarity east coast and midwest shipments now refuse to ship either on credit or collect. Credit shipments were terminated without notification early this month. Party officials suspect government collusion in view of the fact that these couriers are regulated by government agencies.

\*The landlord of the USLP's Philadelphia headquarters has filed for eviction after rejecting an offer to pay all outstanding bills, totalling one month's rent and two months' utilities. In a Chicago eviction case against the party in 1975, the FBI has now admitted in official government documents that it had contacted the Chicago landlord prior to eviction.

\*The phones of the USLP's mayoralty candidate in Seattle, William Wertz, have been cut with one month's bill outstanding. The disconnection came immediately following threats on Wertz's life from an IPS-connected network.

The following services are now threatened with shutdown:

\*The vendor which maintains 24-hour communication links between NSIPS's New York and Wiesbaden, West Germany headquarters has demanded \$24,000 be paid by August 26 or service would be terminated. When the company was called to negotiate payments, NSIPS was informed that the representative who normally handles the account was "on vacation."

\*The landlord of the USLP's New York headquarters sued for eviction in June, one day after records of his dealings with CTEL and the NCLC were subpoenaed by

the FEC. The NCLC then agreed to pay \$6000 per month, 50 percent more than the current rent, or face immediate eviction.

\*Michigan Bell Telephone agreed to maintain service only after a USLP member posted bond of \$5000 and signed a legal agreement to pay \$800 per week for the next ten weeks.

#### *Counterattack For Your Future*

Labor Party officials have announced an immediate legal counterattack against Carter-Mondale and the FEC. Plumbers unit chief Thomas Harris of the FEC will be sued personally for \$5 million in damages, as part of legal action against the FEC already filed in federal court by contributors to the LaRouche campaign. In addition, an immediate court injunction will be sought against the FEC itself to stop its use of the campaign financing laws for unconstitutional harassment of the party's political organizing.

These actions are necessary but not in themselves sufficient. What is required is an immediate outpouring of open political and financial support for the Labor Party — from institutions and individuals — by trade unionists, business and industry, public officials and all political circles independent of the Carter-Mondale conspiracy against the United States. A "show of force" by American Whigs openly rallying behind the USLP is the quickest road to complete the job of Cartergate. All the evidence is in the hands of press and the relevant public officials — now the nation must express its political will.

Speaking from West Germany tonight, Labor Party chairman Lyndon LaRouche declared, "Everyone who regards himself as a member of the human race has a fundamental interest in maintaining the Labor Party as an effective political instrument. Those in the corridors of power in the United States and Western Europe know well that I and my associates are indispensable to prevent the outbreak of general thermonuclear war — indeed we have been informed that nuclear war would already have occurred were it not for our efforts. The millions of Americans who heard my election-eve address in the USA know that the dangers of which I forewarned were not exaggerated in the slightest detail. Now they must act on that knowledge if humanity is to survive."

# A Chronology Of Gestapo Terror

*The Carter Administration has ordered full-scale physical disruptions of U.S. Labor Party organizing and electoral campaigning using a wide variety of federal and state agencies and "left-right" terrorist networks. This gestapo deployment, documented below, is currently coordinated out of the U.S. Department of Justice and, in particular, the Federal Bureau of Investigation (FBI) and the Law Enforcement Assistance Administration (LEAA). State Police units in several states have been identified as the "enforcers" of this illegal campaign, and individual office-holders in these state bureaucracies are directly implicated.*

*The following grid will provide the reader with a sampling of the past three week's events. The grid is broken down into two categories:*

**CATEGORY I: Police Deployments** includes all incidents against the U.S. Labor Party by police agencies operating under Justice Department orders.

**CATEGORY II: Terrorist Deployments** comprises incidents against the USLP by Institute for Policy Studies or Buckley family-controlled "left" or "right" terrorist networks.

## CATEGORY I: POLICE DEPLOYMENTS

**Michigan:** The Michigan State Police, operating under the political control of Governor William Milliken and State Attorney General Frank Kelly and in conjunction with the FBI, have directed a massive illegal harassment campaign against the Labor Party of over 150 incidents of arrests, summons and detainments. A Michigan State Police "secret memo" currently circulating orders local law enforcement agencies to stop all U.S. Labor Party campaign workers, check organizers for identification and arrest or detain these individuals on any available pretext. The State Police's LEAA computer system is used to provide up-to-the-minute "case" information on all Labor Party representatives, and local police officials are being hounded by State Police personnel to enter all Labor Party "offenses" into the computer.

- \*\* July 28 — Joe D'Urso, former USLP congressional candidate from Detroit, and Rick Merloti, a student, were arrested in Detroit on "soliciting without a permit" and held for three hours on \$50 bond each. An LEAA computer check produced erroneous data that was used to hold D'Urso for an additional 13 hours in jail on demand for an additional \$400 bail.
- \*\* July 29 — Judge Silverman of Detroit Records Court set bail at \$150 for D'Urso during his arraignment. Later, a police officer admitted to the USLP that Judge Silverman has personally committed himself to convicting all Labor Party cases brought before him.
- \*\* Aug. 2 — In Troy, Michigan Labor Party organizers Laura Komm and Robert Perry were arrested for

"soliciting without a permit" and held on \$50 bond each. Computer checks produced past "interfering with traffic offenses" summons on both organizers used to raise the amount of bail and hold both organizers in jail for eight hours.

- \*\* Aug. 2 — Joe D'Urso fined \$50 by Judge Probert of the Municipal Court in Wyoming. Judge Probert later revealed he had been the target of an FBI dirty trick — an FBI informant, claiming to be a Labor Party representative, wrote a "hate letter" to the Judge.
- \*\* Aug. 3 — Labor Party organizer John Rosendahl was arrested in Rockford Township, one hour after a warrant for "failure to appear" in court was issued. Rosendahl was held in jail for eight hours on \$100 bond.
- \*\* Aug. 6 — Greg Jenkins, a 26-year old black autoworker and Vietnam veteran, was checked by police for identification in Lincoln Park and arrested on an 18-month old Detroit \$15 parking ticket. It was later discovered that the warrant was one week old. A further computer check on Jenkins produced a back fine for "interfering with traffic" dating from a case that had been settled — yet Jenkins was transported to Dearborn Heights and held for eight hours.
- \*\* Aug. 10 — Detroit organizers Laura Komm, Larry Evans, and Greg Jenkins are ticketed by Detroit Police for "interfering with traffic." When this was not enough to force organizers off the distribution site, minutes after the ticketing the organizers were assaulted by a man on a motorcycle and another man in a truck.
- \*\* Aug. 15 — In Farmington Hills, Ivy D'Urso, 28 year-old full-time campaign coordinator for the U.S. Labor Party Detroit mayoralty campaign of Mel Brown, was arrested by State Police on soliciting charges before an onlooking crowd, frisked, handcuffed behind the back, tossed into a waiting State Police patrol car and driven to a State Police station 30 miles away where she was abusively "strip searched" and held for two hours in a cell stained with fresh blood. She was later released 30 miles from her home without transportation.
- \*\* Aug. 15 — In Detroit, Greg Jenkins was again arrested, this time without charges. He was told by police, "Boy, don't show your face around here again." Jenkins had been frisked, handcuffed and fingerprinted.  
This arrest was a direct violation of an "order of stay" issued Aug. 8 by Judge Canham of the Wayne County Circuit Court. Judge Canham ordered there be no further arrests of Labor Party representatives for past traffic violations until his court issues a final ruling on the inordinate number of incidents against the Labor Party.

## AROUND THE COUNTRY

- \*\* Aug. 4 — Two organizers were detained in southern New Jersey for two hours while computer checks were run on them.

- \*\* *Aug. 10* — In Milwaukee, Wisconsin a Labor Party organizer was checked for identification and then arrested for a past minor traffic violation.
- \*\* *Aug. 16* — Milwaukee police summons two Labor Party organizers despite written permission for Labor Party campaign activities from the Milwaukee District Attorney.
- \*\* *Aug. 17* — New Jersey Labor Party gubernatorial candidate Leif Johnson is surveilled for twenty minutes by Irvington Police, while campaigning. After stepping into a roadway, Johnson was ticketed for "blocking traffic."
- \*\* *Aug. 16-17* — In three separate incidents USLP organizers in Rochester, New York are stopped by New York State Police and checked for identification.
- \*\* *Aug. 18* — In Milwaukee, Labor Party organizers on a tour throughout Wisconsin are stopped by State Police every twenty minutes for identification checks.

## CATEGORY II: TERRORIST DEPLOYMENTS

In several U.S. cities Institute for Policy Studies-controlled "left" and Buckley family-controlled "right" terrorist networks are programmed for physical attacks and assassinations against U.S. Labor Party candidates and representatives. The "left" side of the deployment is being geared up around the slander that the Labor Party is "fascist," and "police agents" while the "right" side is using the slander that the Labor Party is "Communist and KGB." Most of the incidents below are still under police investigation.

- \*\* *Aug. 6* — A Labor Party supporter in Baltimore, who had been planning to make a large financial contribution, found his house deliberately set on fire. The house was completely destroyed.
- \*\* *Aug. 11* — Baltimore Labor Party organizer Nancy Warm was physically assaulted by three would-be

kidnappers who identified themselves as member of the October League, a Maoist terror network led by a Larry Miller who Baltimore police had previously held in connection with assassination threats against Lyndon H. LaRouche, U.S. Labor Party Chairman. The three assailants attempted to drag Mrs. Warm into their vehicle.

- \*\* *Aug. 13* — Three New York City Labor Party organizers narrowly avoided a serious auto accident when a large rock thrown from a highway overpass missed their moving car by inches. A few months ago, the driver of that vehicle had her car windshield smashed in a similar incident.
- \*\* *Aug. 15* — In Vancouver, British Columbia, a member of the Hare Krishna physically assaulted a Labor Party organizer.
- \*\* *Aug. 15* — U.S. Labor Party Maryland gubernatorial candidate William Salisbury received a death threat while campaigning at a Baltimore traffic intersection. Salisbury, a black postal worker and decorated Vietnam veteran, was threatened by a white male shouting, "Commie, I'm going to be back here in three hours and blow your head off."
- \*\* *Aug. 15* — In Seattle, Washington, Labor Party campaigners were approached by an individual threatening, "You people are playing with fire. Something is going to happen to your office one of these days." The day before, a Labor Party spokesman was approached in a car by another individual who said, "Your paper is shit," and handed him xerox copies of two George Jackson Brigade bombing "communiques."
- \*\* *Aug. 16* — Mel Brown, USLP Detroit mayoralty candidate, was physically attacked by a female member of the Moon cult. The disturbance was used by police to terminate the Labor Party campaign rally.
- \*\* *Aug. 16* — In Detroit, U.S. Labor Party organizer Greg Jenkins received a death threat from a white middle-aged male, who pointed a gun at Jenkins saying, "This is what I have for Communists."

# Washington Post Covers U.S. Labor Party Organizing For Whig Coalition

*Under the headline "When Left Reaches Right" the Aug. 16 Washington Post reports on the alliance the National Caucus of Labor Committees and the U.S. Labor Party is building with conservatives and political independents. The two thousand word article by Paul Valentine, which notes the USLP's support for an "industrial capitalist republic," jumps to page eight where it is joined by a second article on U.S. Labor Party Virginia gubernatorial candidate Alan Ogden, "Ogden Hopes to be Spoiler in Va. Race". Excerpts from both articles appear below.*

## When Left Reaches Right

This is a story about the shadow world of American extremist politics...

Begin with the National Caucus of Labor Committees, an obscure New York-based organization.

One of the most volatile and militant groups in the country, NCLC has until recently preached that it was on the verge of leading America to socialist revolution and smashing the "Rockefeller-Carter-CIA-controlled proto-fascist state."

In an abrupt switch late last year, it began to mute the talk of revolution and said it must now push instead for creation of an "industrial capitalist republic" under a "Whig" government with a 19th-century Hamiltonian banking system. The socialist state will apparently come later.

Meanwhile, NCLC is actively forging alliances with its erstwhile natural enemy — the American right. To wit:

\* Liberty Lobby, an ultraconservative group based in Washington, has advertised and sold copies of a 129-page report by NCLC describing what NCLC says is a "terrorist" apparatus of government agencies, private research groups and political organizations coordinated by the Carter Administration, the Central Intelligence Agency and Rockefeller interests to "deindustrialize" America and go to war with the Soviet Union by 1978.

\* *Spotlight*, Liberty Lobby's newspaper, praised NCLC as "probably the only 'honest' Marxist group in the U.S. because it is not supported by Rockefeller money, as are all similar groups."

\* Lyndon H. LaRouche, 54, NCLC's leader and 1976 presidential candidate, has hired as his personal security adviser Mitchell L. WerBell III, an Atlanta-based firearms manufacturer and fervid anti-Communist who assisted Cuban strongman Fulgencio Batista until Fidel Castro's takeover in 1959. La Rouche claims he is an assassination target of the Maoist "Baader-Meinhof" organization in West Germany and needs protection.

\* NCLC's political arm, the U.S. Labor Party, has joined several conservative groups and individuals including right-wing Republicans in court suits alleging

1976 presidential election irregularities in Wisconsin, Ohio, Pennsylvania and New York. The court actions have been largely unsuccessful so far.

\* The Federal Election Commission has called NCLC and Liberty Lobby on the carpet. It is checking the validity of NCLC's campaign contributors list and questioning Liberty Lobby about a *Spotlight* article suggesting that Jimmy Carter's campaign coffers were replenished by a Georgia-based drug-rock music promotion scheme. The two groups have publicly taken solace in their joint plight, accusing the FEC of Gestapo tactics to inhibit political activity outside the mainstream Democratic and Republican parties.

\* NCLC has been harshly critical of the "liberal" conservation and energy-saving policies of the Carter Administration, blasting them as "antitechnology" austerity schemes calculated to return Western civilization to feudal serfdom.

\* Earlier this month, NCLC sent national committee member Jerry Rose to Memphis to sell its Hamiltonian national bank proposal to a conference of independent conservatives convened by a faction of the old segregationist American Independent Party of Alabama Gov. George C. Wallace. Conference leaders agreed to study the proposal.

\* NCLC, which claims to have its own elaborate intelligence-gathering network, has intensified its practice of criticizing other leftist organizations and on occasion has "briefed" local police departments and the FBI on planned leftist activity. It has also briefed aides to Rep. Larry McDonald (D-Ga.), a John Birch Society member who frequently publishes critical reports in the Congressional Record about what he says are violence-prone leftist groups, including NCLC.

\* In April, NCLC representatives met with the New Hampshire State Police to warn them that the anti-nuclear Clamshell Alliance demonstration planned at the Seabrook nuclear power plant site was a terrorist action concocted by the Rockefeller forces to foment violence. (No violence occurred during the May protest at which some 1,400 demonstrators were arrested.) An NCLC spokesman said at a press conference later that NCLC had relied in part for its assessment of the demonstration on an intelligence report called *Information Digest*, published by John H. Rees. Rees is a former D.C. police informant who now provides research assistance to McDonald on Capitol Hill.

NCLC's new alignment and rhetoric have left law enforcement authorities scratching their heads and fueled speculation among NCLC's conspiracy-minded competitors on the left — the Socialist Workers Party and the Communist Party, for example — that NCLC is aiding the police, the far right, big business — or all three.

Among right-wing activists who have been courted by NCLC, there is generally a cynical acceptance, a

suspicion that NCLC is out to help itself and full knowledge of its origins in the Marxist-oriented Students for a Democratic Society...

The FBI, which maintains extensive files on NCLC, including excerpts from Rees' *Information Digest*, describes NCLC in a memorandum as a "clandestinely oriented group of political schizophrenics who have a paranoid preoccupation with Nelson Rockefeller and the CIA." Another FBI memorandum obtained by *the Washington Post* calls NCLC a "violence-oriented Marxist revolutionary organization."

The New York-based group, estimated by various law enforcement agencies to have 700 to 1,000 hard-core members nationwide, is known for its militancy, authoritarian internal structure and the almost messianic zeal of its followers.

With unrelenting urgency, NCLC members preach two somewhat varying Rockefeller-CIA master plots: one, to destabilize society and trigger civil unrest by instigating labor strikes, hijackings, power blackouts and race riots to justify a police-state crackdown; the other, to deindustrialize society and convert workers into passive drones willing to do rote work by permissive use of marijuana and other drugs.

Officials of NCLC acknowledge their newly formed nexus with the right wing but say there is nothing mysterious or contradictory about it.

The right wing shares NCLC's suspicion of a Rockefeller-big money conspiracy, they say, as well as NCLC's opposition to decriminalization of marijuana and other "liberal" drug politics.

Paul Goldstein, NCLC's security and counterintelligence chief, said NCLC asked Liberty Lobby to plug NCLC's Carter "terrorism" report "because we wanted to get the word out as widely as possible."

The conventional daily press "was not going to do it," he said, "because, of course, they're controlled by the Rockefeller forces."

Willis Carto, treasurer of Liberty Lobby, said the lobby sold about 200 copies of the report and an accompanying index for \$5 each during the 1976 presidential campaign. The Lobby's *Spotlight* newspaper gave the report a favorable review in its Oct. 11, 1976, issue, warning only against "occasional distortions and omissions to be found in any Marxist-leaning polemic."

"It's not a matter of the right and the left getting together," said Goldstein. "Of course, there are basic differences, but in the framework of the anti-Carter, anti-Rockefeller, pro-nuclear technology issues, we're in agreement."

"We see eye to eye with them on that," echoed Carto.

WerBell, the tough-talking gun manufacturer and security adviser to NCLC's LaRouche, says NCLC hired him when it learned the radical Baader-Meinhof, or "Red Morning," organization planned to assassinate LaRouche during his current visit to West Germany. Persons identifying themselves as members of the Red Morning group claimed responsibility for the July 30 terrorist murder of prominent West German bank executive Juergen Ponto.

"Yeah, I know," said WerBell in a telephone interview from his suburban Atlanta home, "a lot of people say they (NCLC) are a bunch of Commies. I don't know what in the hell they are."

A former guerrilla operative for the Office of Strategic Services in World War II, WerBell said he agreed to take the LaRouche job irrespective of NCLC's politics because "if a guy's in danger, I bark like a Doberman. That's my job."

Of NCLC, WerBell said, "Sometimes they're to the right of Genghis Khan."

...Asked where NCLC fits into the political spectrum, Costas Axios, NCLC's chief of staff in New York, said:

"We are socialist, but first we must establish an industrial capitalist republic and rid this country of Rockefeller anti-industrial, antitechnology, monetarist dictatorship of today."

Once the capitalist republic is established, Axios said, concurrent global economic development will occur, "and we will enter into a period of the highest prosperity the world has ever known."

With society expanding and material progress being made, "you win over people's minds, he said, and under an advanced technology including fusion power, there "will be a trend" toward government of a socialist state.

## Ogden Hopes To Be Spoiler In Va. Race

RICHMOND — Alan Robert Ogden rocks back on his thin metal chair and, for a moment or two, seems to be another of those young, earnest conservatives that this city, the capital of the Confederacy, is known for producing.

Virginia's economic troubles can be largely traced back to the Civil War and the way the South was treated during Reconstruction, he says. There are few political themes more popular here, except, perhaps, money, and Ogden quickly touches that.

The dollar is in bad shape, because, he says, it is no longer backed by gold. Worst of all to Ogden's way of thinking is the fact that no one, including the Democratic and Republican candidates for governor this year, seem to realize how much good Virginia Electric and Power Co., the state's big utility, has done. "Vepeco," Ogden snaps, "has got to be defended."

For all these reasons, the mellow-voiced Ogden, 31, a University of Virginia honors graduate, should be just the candidate to sweep local voters off their feet in the Nov. 8 state elections.

The only trouble is: Ogden is a socialist, a Marxist, firmly committed to the belief that the world is on the edge of a nuclear holocaust ("There could be nuclear war any day," he insists.) and that he — not Democrat Henry E. Howell or Republican John N. Dalton — is the man Virginians will elect as their next governor.

Although no major state politician shares Ogden's confidence, there are some who fear that Ogden and his 50-member Virginia Labor Party may be able to capture enough votes this fall to affect the outcome of the expected close race between Howell and Dalton. Ogden, who has gathered from 10.4 percent to 12.8 percent of the vote in his three previous political races in Virginia, makes no secret that he would like to do just that.

"I hope I ruin Henry Howell's chance of getting the office," Ogden said the other day as he sat in the 10-by-12-foot cubicle in a small office building in south Richmond

that serves as headquarters for both his campaign and the Virginia Labor Party.

A curved wooden pipe in one hand, jet black hair closely cropped, dressed in a button-down white shirt, tan slacks and worn Hush Puppies shoes, the 6 feet 4, 200-pound Ogden resembles a Marine home on leave rather than a radical politician. To most Virginia politicians, Ogden has clearly become an enigma that most wish would disappear.

"I just don't know how to regard Ogden's candidacy," said Howell campaign manager William Rosendahl. "Your guess is as good as mine." Thus far both Howell and Dalton have chosen to ignore Ogden — a task one Dalton aide said isn't easy when groups like the Richmond Metropolitan Chamber of Commerce place him at the head table along with the two major candidates.

Dalton press secretary Richard Lobb said he doubts that Ogden can be as effective in this campaign as he was running in a head-to-head race against U.S. Rep. David Satterfield (D-Va.), one of the Richmond area's most conservative politicians. Allowing for an anti-Satterfield "protest" vote, Lobb described the one out of every 10 votes that Ogden got in those two races as an "incredible" and "huge" percentage.

"Lood, I don't think Henry Howell would be a good governor, but knowing what I know about this group, I'd rather people vote for Howell," said Lobb. He isn't alone in his misgivings about the Labor Party.

The FBI, fearing the Labor Party was part of a national group bent on taking control of the nation's government, by force if necessary, conducted widespread surveillance of the Virginia party and its members for years. According to copies of FBI field reports the U.S. Labor Party obtained under the Freedom of Information Act, Ogden and his now estranged wife were being watched from the time they began organizing efforts in the Hampton Roads area in 1972 until 1976.

Claiming that the documents are "the tip of the iceberg," Ogden and the party's 26-year-old Virginia chairman, John Asher, sued FBI Director Clarence Kelley and a half-dozen Richmond and state officials charging them with circulating "a false picture of Alan Ogden as a violence-prone revolutionary terrorist." Ogden charged that a result of the FBI investigation has been "an ongoing conspiracy" against him and the party by Virginia police since 1974.

In that period, there have been at least 24 arrests of party members on various charges growing out of their political activities, the suit alleged. Ogden himself was arrested nine times, convicted twice and acquitted seven times, the suit said.

Surprisingly, Ogden's allegations have won sympathy here from an unlikely source, U.S. District Court Judge D. Dortch Warriner. Last month the conservative

Republican jurist halted a state judge from ordering Ogden off to prison and called Ogden's conspiracy allegation "a grave and a serious charge" that merited further study.

"Though it is difficult to believe that in this 201st year of our nation such a charge could be true, it is not wholly incredible and the undenied facts permit an inference consonant with the charge," he said.

Richmond officials, in their response to the suit, have said their attempt to imprison Ogden was a "routine procedure" that they began this spring after Ogden lost a lengthy appeals battle over a 1976 trespass conviction. Normally, final court action in such a case should trigger action to revoke a 12-month suspended sentence Ogden received in 1974 and make him serve that sentence also, the city officials said.

"Like other convicted individuals (Ogden) cannot use campaigns for political office to keep (himself) out of jail if he has broken the law," Richmond Deputy Commonwealth's Attorney Stacy F. Garrett argued. Citing Maryland Gov. Marvin Mandel, he added in a court brief filed with Warriner, "even politicians in office may be prosecuted."

Since Warriner has not set a trial date for Ogden's suit, that leaves him free to continue his unorthodox campaigning around the state...

At times seemingly arrogant (he calls himself "absolutely and self-evidently more qualified" than Howell or Dalton), Ogden has neither political buttons or bumper stickers. He depends on copies of the Labor Party's national publications and foreign socialists he brings into the state, such as a defeated Swedish candidate for prime minister he plans to take to Danville next week, to carry his message...

On the political stump, Ogden's own rhetoric can be as calm as his praise for Vepco for pushing nuclear energy plants, a position that won him a laudatory editorial in a conservative Lynchburg newspaper. Or it can be as strident as his comments about Howell, who has long had the support of organized labor in the state. "Henry Howell is nothing but a Carter agent; a filthy Carter agent," Ogden sniffed the other day.

Ogden is more charitable toward Republican Dalton, although he accuses Dalton of having "foolishly chosen to amplify Howell's treacherous policies" by recently questioning Vepco's atomic power plant construction costs. Vepco's commitment to atomic power is the reason Ogden said he firmly supports the controversial utility.

Dalton's campaign worker Lobb, for one, wasn't surprised that Ogden and his small band managed to get the needed 15,000 signatures to put Ogden's name on the ballot this fall as an independent. "In this state, you can get people to sign petitions against bad weather," he said.

# National Coalition Of Independents On Issues



Chairman

Colonel Thomas A. McCrary  
975 Green Street Circle  
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*(This report on the recent Conference of Independent Conservatives was written by Colonel McCrary for national distribution among the whole array of Whig forces — including “political leaders of all makes,” conservative and liberal Congressmen and officials, and a wide range of publications. — Ed.)*

## A Vital Message To All American Independents

Aug. 10, 1977

A milestone in American History was reached and passed on Aug. 5-7, 1977, at Memphis, Tenn. Thanks to the determined efforts and financial sacrifices of lawyer Bill Dyke, former Republican mayor of Madison, Wisc. and a close contender for the governorship of the state in 1974, an all-encompassing Conference of Independent Conservatives and just plain independents was held at Memphis. In his organizing for the conference, Dyke was ably assisted by various conservative and independent-party leaders through the U.S.

The conference included representatives from the American Independent Party, the American Independence Party (a split-off from the old American Party), the American Party, the Independent Party of Georgia (and other states), the Conservative Party of New York and Alabama, the Constitutional Party of Pennsylvania, the Independent Americans of Utah, other state parties, and the U.S. Labor Party, along with individual independents, some from the Democratic and Republican Parties. Lectures were given by Bill Dyke, Otis Carey (AIP), Paul Helm (American Party), Howard Phillips (Conservative Caucus), Hon. John Rarick (former Congressman from Louisiana), Hon. Larry McDonald (Democratic U.S. Representative from Georgia), Charles Wolf (president of the American Economics Foundation), Dr. John Grady (GOP candidate for U.S. Senate from Florida), Mike Triggs (of the California legislature), Don Rosenberg (national chairman of the National Traditionalist Caucus), Janine Hanson (candidate for Congress, Nevada), Edward Thompson (executive director, Premium Basin Petroleum Association), Dr. Edward Popp, DDS (author of the Money Game), Dr. Herold Ross (professor, DePaul University, Indiana), Hon. Hanna Carlson (Arizona House of Representatives), Hon. Frank Dunkle (Montana State Senate), Jerry Russell (president, Campaign Consultants), Ty Ragland (Message Factors Inc.), Vincent Drosik III (press secretary, congressional campaign, Virginia), Hon. Donna Carlson, John Armour (general counsel to Sen. Eugene McCarthy and chairman, Committee for Fair Ballot Access), John Couture (national committeeman, AIP), Leon Griffith (member of Congress, GOP gubernatorial candidate in Arkansas, 1976), Howard Ruff (economist), and Dr. David Noebel (president, American Christian College, Tulsa, Okla.). There was also a performance by Jack Connors, nationally known concert performer and outstanding American patriot.

### **The Purpose of the Conference**

“The future of our Republic demands that our people be given a genuine choice in determining the policies and programs as well as the leadership for our nation. This meeting is convened in a spirit of unity for the purpose of bringing about cooperation and unification of purpose among conservatives.” As Count Alexis de Toqueville, the great French historian, stated after a visit to America in the 1830s, “America’s greatness is due to its goodness, and if America ever loses its goodness it will lose its greatness.”

At the conference’s committee meetings, held on Aug. 4, the following topics were considered:

“How do we bring conservatives and independents together?”



“What are the key issues for conservatives?”

“How do we become financially strong enough to win?”

“What shall be the form of organization?”

“Developing candidates and issues for 1978 and laying the groundwork for 1988.”

“What statements of issue and purpose do we support?”

Resolutions presented to the floor at the end of the session and accepted by majority vote included the following:

(1) That an Ad Hoc Committee be appointed and approved to establish an umbrella political party to encompass all conservatives and independents, regardless of present party affiliation, into one unified group. The recommended party constitution and bylaws, along with resolutions on issues to which all current independent and conservative parties agree, will be forwarded to the various state independent parties for acceptance or recommended changes. Final ratification is to be accomplished by Nov. 30, 1977. Suggested names, such as “American Conservative Party,” “Independent Majority Party,” etc., will be considered and determined by a consensus of the states. Party names formerly or presently in use will not be considered.

(2) The National Coalition of Independents on Issues, organized and directed by Colonel Thomas A. McCrary of Gainesville, Ga., will continue as a movement with the blessing, support, and participation of all members of the newly formed umbrella party.

(3) Other resolutions recommended by the various committees will be considered by the Ad Hoc Committee and submitted to the various party leaders and state party leaders for consideration.

The conference ended with a most favorable climate for the achievement of the purpose enunciated at the beginning of this report.

Colonel McCrary is very active in carrying on the purposes and goals of the Coalition Movement. His primary theme and motto is, “Majority Rule vs. Special Interest Domination.” Inasmuch as almost all national polls indicate that the majority’s wishes on a large number of important national issues are ignored and-or circumvented by Congress, the federal Administration, and the courts, there is a need for all independents to close ranks on these issues, set up representative committees, and fight for the majority position.

A National Committee for Honest and Fair Elections was established early in May 1977. Colonel McCrary, as its chairman, appeared before the Senate Rules Committee together with a representative of the U.S. Labor Party who had factual, documentary evidence of massive fraud in the last general election in New York state, Ohio, and Wisconsin, to protest instant registration, taxpayer-financed support of congressional candidates, and other undesirable features of the Carter Administration’s so-called Election Reform Bill. A tightening up of voting laws was suggested, such as voter identification requirements including name, place of abode and the name under which the abode is rented or owned, place of work (or name on welfare check), driver’s license, social security number and a signature, as well as a thumb print. Election officials should be selected from jury lists and be paid like jurors. Punishment for violation of election laws should be severe, particularly for perpetrators of election fraud. A person’s vote should be held sacred and must be protected.

The recent success of conservative and independent Senators in thwarting federal financing of congressional candidates, and Carter’s temporary withdrawal of his instant registration legislation by Carter indicate a little of what a unified effort by independents can do.

An Energy Research and Development Committee has also been established under the chairmanship of Hal Short in Washington, D.C., with the assistance of industrial leaders, experts, and scientists in all of the various fields of energy. A Balanced Energy Program has been developed and is now ready for final completion and issue. It is planned to mobilize support from leaders in industry, science, power and utilities, labor, and finance for this project and, later, to generate backing from state governors and legislatures. Only in this way can we influence our national political leaders to adopt a reasonable, viable, balanced energy program which will result in progress, and the reestablishment of America as the forerunner in production, financial stability, and world leadership. This program will ensure jobs for all.

#### Other Committees

Other committees on issue which we will establish soon will be as follows:

(1) **On the Problem of the Monetary Crisis:** U.S. Labor Party chairman Lyndon LaRouche’s solution for the prevention or containment of a complete national financial collapse lies in the establishment of a National Bank to gradually replace the Federal Reserve System, in order to ensure hard currency and dependable hard commodity credits with proper control of money supply — all based upon the immediate gearing up of our industrial-agricultural production machinery to “full speed ahead.” This will guarantee full employment and

the optimum individual production achievement by all the citizens of this country. LaRouche's idea of an International Development Bank, where credits are extended only where it counts, in increased production by other nations, will ensure consistent prosperity in all nations. The Committee will be constituted by dedicated conservative financial experts who will address themselves to LaRouche's solution along with other ideas for fiscal, monetary, and financial reform.

**(2) On the Problem of Political Harassment,** pressures, and in some instances of terrorism by political leaders in power against all political opposition. A Committee will be established to find means to thwart these un-American, unfair, and extralegal measures. Also, tie-ins with monetarist-controlled institutions, foundations, political bodies, and terrorist or mafia-like organizations will be exposed. Demands will be made on Congress to make proper investigations, such as those carried out on the "Watergate operations" of the last Administration.

**(3) On the Problem of Bureaucratic Despotism:** This Committee will examine the overindulgence of the environmentalists, the unnecessary harassment of OSHA, the criminal anti-freedom-of-choice actions of the federal Food and Drug Administration, the vicious attacks by the Internal Revenue Service and in some instances by the Justice Department, the failure and arbitrary actions of the Immigration Department, the interference of the Agriculture Department and others in the constitutional right of freedom of choice in the free enterprise system, plus many other infringements of individual rights governed by the Constitution. The truth will be exposed to Congress and the public. Our liberty is at stake here.

**(4) On the Problem of Crime and Drugs:** Committee will determine the causes of the out-of-hand situation on crime and drugs and expose the culprits who foster it and why. Recommended remedial action will be thrust upon Congress and the courts, and universal demands for reform will be made.

**(5) On Foreign Affairs:** A study will be made on the manner in which the United States can be guided back to our original successful policy of staying out of other people's business, keeping other people's noses out of ours, and insuring the safety and well-being of all American citizens, throughout the world. In negotiations, we must take a new approach in all our dealings. Instead of the State Department and such policy makers accepting deals to compromise American interests, or actually to give away American property, products, taxpayers' money, and U.S. influence in return for nothing but animosity, we shall hereafter negotiate all foreign deals to the advantage of the U.S., with due consideration for the welfare of all of mankind.

**(6) On National Security:** A committee representing the military, the intelligence community, industry, labor, financial interests, technological and political science, the diplomatic community, and national security civilian institutions will be established to examine our current and future military posture vis-a-vis that of other countries. Mistakes in past security matters, solutions to future security problems, and recommended overall policy and action in the security field will come within the purview of this committee.

**(7) On Labor and Industry:** Representatives from the rank and file of labor (or local, properly elected representatives), leaders of small business, representatives of larger corporations, acceptable labor-relations lawyers, professors in labor relations and industrial management, and experts in free enterprise and the profit motive will comprise this committee. The framework for this discussion will be a labor-industry alliance for productive investment and technological development — the exact opposite of the make-work programs put forward by the Humphrey-Hawkins bill and the Initiatives Committee for National Economic Planning (ICNEP). Their projects will include the examination and analysis of the trade-union movement, the efficacy of labor-management relations, a common sense approach to the spiral effect of the ever-increasing rise in wages and prices, the need for labor to recognize the need for reasonable profit, how to promote small business enterprise through tax relief where the business is expanded or upgraded for more production and jobs, programs to motivate all workers to achieve higher skills and achieve more qualitative as well as quantitative production, measures to be taken against those who obstruct such progress — in short, to return to the work ethic that made America great.

These additional programs will be instituted on issues generally agreed upon by the majority. Let it be remembered that the self-described independents constitute a majority of Americans — somewhere between 65 and 80 percent of the voting populace, according to most polls.

As the instigator and current director of this Coalition Movement, I welcome all Americans who are disillusioned, disgusted, or at odds with the dominance of the various special interest groups — from the financial money-manipulating monetarists to the rip-off welfare groups whose greedy and shortsighted interests are

killing the goose to get the golden egg. While we are concerned for our own immediate means of livelihood and influence as a group in the body politic, we must not overlook the ultimate program which is designed for the common good. America itself is on the skids to rapid decline. Let independents close rank and return America to the traditional American system of moral goodness, technological development and progress, and full production — and force the diabolical, greedy backers of special interests and decay to die on the vine.

We must put up a fight for ourselves and our children.

**From Colonel Thomas A. McCrary  
Chairman, National Coalition of Independents on Issues  
Independent Party of Georgia**

# New Alternatives For South Africa

## The Last Interview Of Juergen Ponto

### SPECIAL REPORT

Just days before his murder at the hands of terrorists controlled by the Carter Administration, Jürgen Ponto, the president of West Germany's Dresdner Bank, told the South African-linked magazine *To The Point International* how South Africa can be transformed from a manipulated hotspot into an arena for international trade and development.

Ponto's "Last Words," as *To The Point* labeled them (reprinted below), correspond to the thinking of an increasing number of banking and industry figures in and around the Vorster government of South Africa who are desperately looking toward cooperation with Western Europe, conservatives in the USA, and even the Soviet Union as an alternative to the bankruptcy and war Wall Street is maneuvering their nation into.

Under the guise of "anti-apartheid pressure," Chase Manhattan has cut off credit to South Africa in expectation that the Vorster government will be forced into full-scale war against its black-ruled neighbors, in a "break-away ally" mode similar to that Israel has assumed.

The Vorster government's Afrikaaner banking and industrial base has begun to move toward adoption of the development policy outlined by Ponto below as their only alternative. As Ponto made clear, a development policy is the key to solving the problem of the "apartheid" system which is the core of South Africa's current labor policy.

The motion toward a development policy is still largely underground in South Africa's political and business circles. Nevertheless, the networks Ponto had organized in South Africa together with French industrialists and Protestant bankers are moving toward the creation of a gold-backed, hard-commodity credit based new monetary system. Nicholas Diederichs, South African State President and former Finance Minister, well-known for his sharp attacks against the U.S. pressures to demonetize gold, is reportedly negotiating with French and West German officials on that perspective. Also tied to the Ponto-Diederichs group is Anton Rupert, the head of the largest Afrikaaner financial-industrial group, the Rembrandt group.

This is the proper context to view French Foreign Minister Guiringaud's talks this week with the "front-line" states of Zambia, Mozambique, and Tanzania as well as the Patriotic Front forces fighting in Rhodesia. The French are aiming to cool down the southern Africa situation, capitalizing on the strong French position both in South Africa and in the developing black nations.

#### *U.S. Connection, Soviet Approaches*

The U.S. connection to the South African industrial forces is former Treasury Secretary and new Citibank board member William Simon. Simon was the featured speaker at a June 21-22 seminar on U.S. investments in South Africa held in Rye, N.Y., sponsored by the South African government and coordinated by Allegheny Ludlum and Union Carbide officials.

Reliable sources reported that behind the conference is the fact that leading South African policymakers such as Interior Minister Mulder are organizing a raw materials cartel with Rhodesia and proposing that the Soviet Union join. The heads of the South African steel industry, along with think-tankers at the Rand University, are also major proponents of the Soviet-South African cartel. Such a cartel would control most of the world's mineral supply:

platinum .....	99 percent
manganese .....	98 percent
vanadium .....	96 percent
chromium .....	96 percent
diamonds.....	87 percent
gold .....	70 percent
fluorspar (asbestos) .....	50 percent
uranium .....	40 percent

In itself, such a cartel would be an economic dead-end, but it implies a definite if cautious commitment to break the back of the Rockefeller and Rothschild-tied interests.

Similar rumors emerged from a South African Foreign Affairs Association Seminar held in Hamburg in the first week of June. The Association's journal was the first press organ to mention Soviet-South African contacts. Despite a wave of attacks against the South African government throughout the Soviet press these last two weeks, Soviet-South African diplomatic approaches have been confirmed to have taken place.

Another major development has intervened within the framework of the International Monetary Fund. The London *Sunday Telegraph* indicates that the Netherlands, in order to keep its seat on the IMF board, which IMF General Secretary Witteveen wants to offer to a Saudi government, is seeking South African support. The Dutch have reportedly proposed to the South Africans to be part of their country group coalition, which also includes Israel, Cyprus, Yugoslavia, and Romania — a coalition beyond the usually accepted political parameters. This comes precisely at a point when the Dutch government has given only token participation to the IMF special fund set up by Witteveen to bail out the New York banks.

Said the head of the South African desk at a leading New York commercial bank on the South African nexus:

"The Europeans are more amenable than we are to negotiate with the South Africans... They are successfully developing relationships with groups of diverse philosophies (Soviets and South Africans —ed.)... Russia, South Africa and Western Europe have common interests and I agree that gold and nuclear energy are key points of convergence. It could very well be a workable association, much better than what the Carter Administration is doing or can do...The present Administration has no credibility vis-à-vis the Soviets, no credibility vis-à-vis the Africans...Bill Simon is absolutely right. The corporate world in the U.S. agrees with the approach of the Western Europeans and disagrees with Andrew Young (who projects a posture of intransigence to provoke the South Africans into war —ed.)."

#### *Citibank*

The U.S. locus of western positive interest in South Africa is Citibank. Citibank has close associations with European interests, notably the Citibank-Lloyds common control of the British-based National and Grindlays Bank Limited. National and Grindlays has 206 commercial banking offices mainly in Britain, South Asia, the Middle East and Africa. Lord Aldington, Chairman of National and Grindlays, also sits on the board of Citibank. A close political partner of Lloyds, Barclays Bank is known for its important interests in South Africa — and Citibank itself is the New York bank with the relatively best implantation in South Africa. This gives a better idea of why Citibank has recently picked

up William Simon, who is positively regarded in South Africa, on its board.

Conservative elements in Citibank have imposed on the Rockefeller-related forces a set of agreements with West European governments in various regions of Africa, such as Algeria and Zaire. Citibank is thus pursuing a stabilizing effort, negotiated in particular with French, Belgian, and British bankers by Citibank Senior Vice-President Irving Friedman during his recent European tour.

Faced with such developments, forces tied to Chase Manhattan have reacted with bitter unhappiness. The *New York Times*, for example, has vigorously attacked a decision by the South African government to prevent the Oppenheimer interests — a David Rockefeller-related group — from taking over the South African manganese production now controlled by the state steel industry, a major proponent of the Soviet-South African minerals cartel.

The U.S. State Department reportedly is circulating a memo for a gentler approach toward South Africa, implying U.S. aid for an uranium-enrichment program and dumping of the Carter human rights crusade in return for a South African commitment to nuclear non-proliferation.

The problem Rockefeller faces in South Africa was sharply summed up by a qualified observer in the following terms: "If the Carter Administration keeps pushing, the Afrikaners, who are just like the Texans, will break."

## Ponto's 'Last Words'

*Printed below is the report of an interview with Jürgen Ponto, West German banker, with To The Point International, the day before he was murdered by the Baader-Meinhof gang. ToThePoint International is a weekly news magazine published in Belgium and linked to South African business and political circles.*

Only days before his death, Ponto was interviewed by *To The Point International*. He spoke about the role of Europe in the Third World, as a balance to the machinations of the Soviet Union and the United States.

"Some African leaders readily admit they are more inclined to cooperation with European organisations like the EEC, than to be dependent on Washington or Moscow," Ponto said. "Europe is their nearest neighbour, with the longest experience of Africa."

Ponto said that in order to help the Third World, the rich nations had to climb out of the economic crisis of the Seventies. "If the stronger are to help

the weaker, as they must, then they must first get their own economic house in order. Priority must be given to creating a more stable currency system. If one small yet economically powerful part of the world like the EEC could start the ball rolling by ending its own currency chaos, we should be well on the way to achieving something."

He said that Europe should encourage closer economic ties between the richer African countries, like South Africa, Ivory Coast and Algeria, so they could assist the poorer countries. "They could generate enough food, employment and education for the whole continent, provided certain obstacles can be removed.

"Racial discrimination in south Africa should be dismantled, while on the other hand the militant pan-African agitators should stop calling us Europeans capitalist exploiters and slave drivers. That is a back-to-front approach. We must not preoccupy ourselves with past wrongs, but with the enormous possibilities of the future."

# Chase Manhattan Bank Is On Its Way Down And Out

Leading Wall Street banking and political figures reported this week that the "lifeboat economics" warfare between Citibank and Chase Manhattan bank will bankrupt Chase, the nation's third largest bank, in a month.

First, high level banking sources confirmed this week that the bailout arrangement between the Saudi Arabian Monetary Agency (SAMA) and David Rockefeller's Chase broke down. Under this arrangement, the Saudis were delivering monthly deposits to the tune of several hundred millions of dollars in the form of 2 year certificates of deposit, which bore interest at one percent lower than the going rate. After peaking at \$1 billion in July, there has been no August delivery; instead, the Saudi's placed six-month maturity deposits in London and elsewhere. Mideast specialists at Bank America and the American Enterprise Institute report that the consensus of the banking community now is that there will henceforth be diversification of Arab funds.

Second, Federal Reserve Board chairman Arthur Burns, heeding the attacks on him by Citibank's recent monthly *Economic Digest*, and by business magazines such as *Business Week*, stopped the Federal Reserve's easy money policy that had made cheap and abundant funds available during June and July to Chase and other basket cases for the refinancing of their over extended debt portfolios. On Aug. 14, the Federal Open Market Committee (FOMC) raised the federal funds rate — the rate at which bank's borrow short-term funds from each other — by .125 to 6.125, the highest level in years and 45 basis points above the previous week's close. With the prime lending rate fixed at 7 and bank interest commission at .5 interest spread is now about 1.375 (7.5 — 6.125), barely the breakeven level for its administration

costs. Thus, Chase must turn to auto-cannibalism and cut back its operations — a move already begun which will push Chase, overhung with uncuttable bad assets, into bankruptcy settlement court.

How well Chase can survive this pincers move against it can be readily inferred from its net income last year, which before retrenchment, had fallen a third from \$173.7 million in 1975, to \$116.4 million in 1976. Chase's net income, the bank's measure of profit, was already down another 5 percent for the first six months of 1977.

## *Backroom Wheeling and Dealing*

Chase's demise has become the leading backroom talk on Wall Street which is smelling blood. According to a senior analyst at Kidder, Peabody, the rate war among international banks will start to take its toll of "second and third tier banks," including Chase, within the next month. A Merrill, Lynch banking counselor added that "All the banks are carrying bad paper, but if you look at the quality of Chase's paper, you can only say, 'My God'."

Moreover, a Bank of America economist has bluntly stated that "if it comes to a crash, we and Citibank will make it, and Chase won't."

That this judgment is not exaggerated is borne out upon examination of Chase's internal structure, revealed principally in its own annual reports. As for the quality of Chase's paper, leaving foreign lending aside for the moment, Chase's own figure for bad domestic real estate loans is half of the total of all such loans or of \$3.44 billion, which is almost equal to Chase's entire capital.

On the foreign side, Chase's portfolio is stocked with many higher risk loans, especially because of its late entry into the international market relative to such inter-

## Mexico Press On The IMF 'Experts In Ruin'

*The following are excerpts from a caustic column by Manuel Buendia published in the Mexican daily El Sol Aug. 14 on the subject of the international Monetary Fund:*

"Do you want to ruin yourself more rapidly than you are doing now? Consult us. We are experts. International Monetary Fund."

This imaginary ad could well be a fixed ad in the Latin American newspapers. Currently the IMF has the best of recipes for ruining a country's economy and cancelling that country's aspirations of independence, as is demonstrated by the experiences of Brazil, Peru, Uruguay, Argentina, Chile, and Bolivia. Colombia and Venezuela saved themselves because they had other types of currencies with which to pay their debts: the former coffee, the latter oil.

...The recipe is surprisingly simple and clear, so

as not to give room for mistakes. It is made up of seven essential movements, which do not necessarily take place successively. Sometimes everything happens at once.

a) freeze wages; b) free prices; c) reduce or eliminate subsidies; d) reduce money supply; e) reduce indebtedness; f) curb public investment; g) pay, with fanatic religiosity, what is owed to foreign banks.

The IMF experts guarantee the result under oath: a country's complete ruin in the shortest possible period, not to exceed ten years under any circumstances.

At the end of this time, the plans of an independent country — indeed with a lot of problems but nevertheless independent — will have been bought by a foreign imperialist power, and the democratic government will have been replaced with a civilian or military dictatorship of the new owner and his bankers.

national lenders as Citibank and Morgan. For example, in 1970, when foreign loans made up 30.7 percent of Citibank's lending, they made up only 14.9 percent of Chase's. Consequently, Chase picked up riskier foreign real estate and government loans, and less stable foreign corporate lending. Between 1975 and 1976 Chase increased its Western Hemispheric non-U.S. assets, including lending, from \$4.7 billion in 1975 to \$6.2 billion in 1976, a staggering leap of a third, accounting for almost the entire increase in Chase's growth in foreign assets between these years. However, Chase's income before security transactions in the Western Hemisphere, dropped from a scanty \$18 million in 1975, to \$9 million in 1976, a fall of 100 percent. Adding its weight to this drop was a huge failure in Chase's venture into Puerto Rican real estate which because of the continuing poor market there Chase will still have to carry on its books for several years, writing off losses against it each year.

The overall situation demonstrating Chase's bad loan situation can be read off of Graph I. As that graph in-

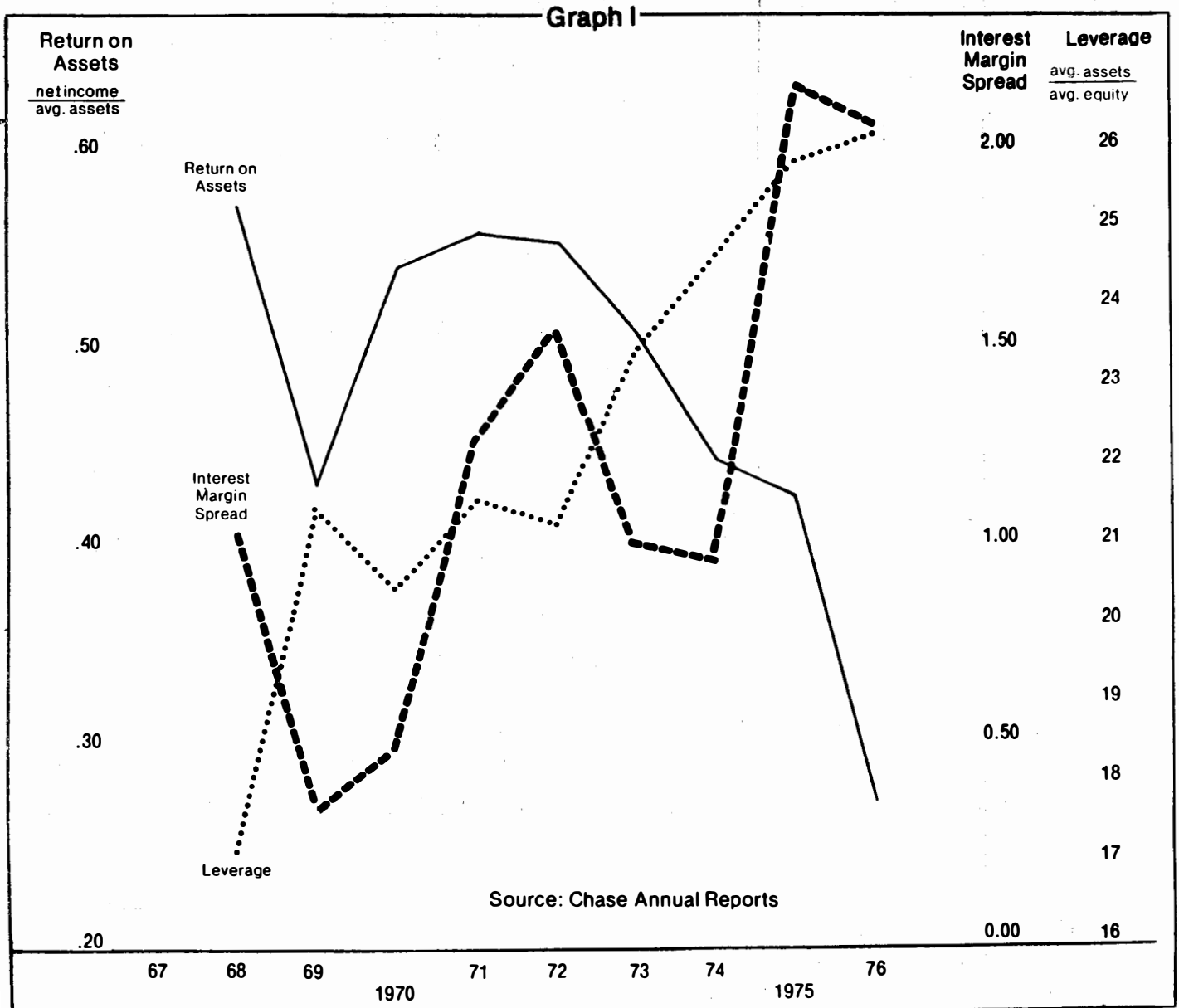
dicates, for the period 1968-76, there has been a steep drop in Chase's return on assets (the ratio of net income to average assets), despite the fact that more of other people's money is being put to work (indicated by the leverage ratio), at increasingly favorable interest margin spreads.

Such a remarkably poor income performance coming from such favorable earning conditions can have but one explanation: Chase is involved in a huge refinancing operation for salvaging non-accruing loans.

This refinancing earns repayment of interest only, while swelling the loan account volume on Chase's asset ledger.

The moment Chase finds itself unable to refinance countries which are technically in default, a balance of several billion dollars of non-accruing Eurodollar loans will immediately appear on Chase's books.

Other key parameters, which banks scan with hawk-eyed attention, point up Chase's road to ruin. Since 1972, Chase's profit margin, its net income to operating in-



come, has followed the following path:

1972.....	10.20%
1973.....	6.91%
1974.....	4.92%
1975.....	5.38%
1976.....	3.86%

It is almost difficult to imagine that in 1962, Chase's profit margin was 27.74 percent, eight times what it is today.

#### *The Banker's War*

In the case of comparison of Chase to its chief adversary, Citibank (Citicorp), Chase's marginal deficiencies — the sort that wipe a bank out in a banking war — stand out as enormous.

By 1976, 48 percent of Citibank's lending was conducted in local currency loans, as opposed to only 21 percent for Chase. Local currency loans, which are transacted in the local currency of the borrowing party's country, and *not in dollars*, do not require the debtor or the debtor's country to make repayment in dollars, obviating a major foreign payments problem. Hence, such loans are far more attractive to the borrower. For this reason, local currency loans can command higher rates of interest, accounting in part for the fact that during 1975-76, Citibank's interest spread was a critically decisive 1.25 percentage point above Chase's: 3.48 percent for Citibank during these years, to 2.11 percent for Chase.

Citibank's ability to conduct a greater volume of local currency loans has, in turn, stemmed from its far more extensive network of branch banks (wholly owned subsidiaries), as opposed to Chase's greater reliance on affiliate relationships.

Whereas, Chase has only a representative in Riyadh, Citibank has two fully staffed branch offices there.

Citibank has also integrated itself into an "old boys" banker's network, which ties it closely to several leading

conservative British *commercial* banks, as well as conservative banks stretching across the continent from Germany to Italy and on down to South Africa, where Citibank has 8 branch banks. This includes Citibank's interlock with Lloyd's, Britain's second largest commercial bank, through their jointly owned National Grindlay's Bank, which has 206 branch offices in Britain, the Middle East, Africa, and Asia. And while Citibank and the German and Swiss banks have been gobbling up larger shares of the Eurodollar market, and the Bank of America along with the British and Japanese have been dominating the Far East, Chase's Orion consortium has been increasingly squeezed out by stiffer competition.

In "lifeboat economics", just as in the oil industry, increasing one's market share to increase one's deposit base in order to cover one's bad loans is the name of the game.

The fall of Chase's asset base, both domestic and foreign, by \$2 billion between January and August of this year according to New York Clearing House Association figures, and Citibank's increase by a \$3.5 billion, for a net advantage of \$5.5 billion, indicates how well the respective players are playing.

Citibank has been able to increase its proportion of assets which are in cash and interest-bearing deposits at other banks from 17.7 percent in 1972 to 21.9 percent in 1976. Chase, on the other hand, has seen a decrease from 26.5 percent in 1972, to 22.0 percent in 1976, and lower still in Aug. 1977.

This, of course, has cut heavily into Chase's cash flow, forcing it to rely on SAMA and federal funds money. But these two sources of funds are drying up or have already ended.

With no other source of funds unless, of course, Senator Jake Javits's (R.—N.Y.) March call for Congress to provide a \$50 billion bailout of the New York banks is heeded, Chase faces the prospect of cutting back rapidly, with no added source of income in sight. This is the cold hard reality of which bankruptcy stories are about.



The Buckley Family — Part 1:

# Wall Street Fabians In The Conservative Movement

*The following is the first part of a 12,000-word exposé of the Buckley family's operation by security specialist Scott Thompson. The report will be completed in the next issues of Executive Intelligence Review and will soon be available in full in pamphlet form.*

William F. Buckley and his family oversee one of the principle Fabian intelligence networks that has been used to manipulate U.S. conservative forces who stand in the anti-Fabian tradition of the Whigs and Lincoln Republicans. For the past 45 years, the Buckleys and their networks have aided Wall Street in rendering America's conservatives unable to resist a progressive Fabianization of U.S. policies and institutions, and in transforming conservatives into unwitting carriers of Wall Street's monetarist policies.

It is largely due to the Buckley family that the conservative movement has been torn between two contradictory traditions: one, the Whig tradition of the Federalist American System developed by Benjamin Franklin and Alexander Hamilton, and based on the conception of industrial progress as the key feature of the United States; the other, the knee-jerk abhorrence of change, often taking the form of counter-revolutionism and anti-communism. This second is a purely Fabian system whose actual principle is opposition to the humanist principles underlying the American System and their replacement with the heteronomic Tory "conservatism" of John Locke et al. based on the philosophy of man's alleged "individual greed", against which the American Revolution was fought.

Like their Tory predecessors, the Buckleys primary objective has been to subvert modern Whigs' commitment to the principles of humanism and scientific progress embodied by the Founding Fathers. To accomplish this goal, they have forced American conservatives on a diet of 500 years of pseudo-intellectual theories from the pens of monetarist scribblers deployed by the Fugger-Hapsburg "junta" against the Renaissance, and, especially, of those British Rothschild agents deployed to subvert the Federalists' revolutionary capitalist influence upon the American and French revolutions.

The key to the success of the Buckley's operation is that they are not merely "rightist"; they are part of a broader Fabian operation which includes equally synthetic "leftists." Working to infiltrate, co-opt and fragment Whig forces, the Buckleys are part of an intelligence and subversion capability which can be directly traced — in the case of William Buckley, Sr. — to the Rothschilds and now the Rockefellers, which

works against those elements of both the left and the labor movement and the right which have adopted the Founding Fathers' principle of progress. In fact, much of what many conservatives find hateful in the socialist and labor movements is the product of Rockefeller-Fabian infiltration and perversion of those movements.

The Rockefellers' goal, both at home and abroad, on the other hand, is looting, the destruction of industry and labor power to prop up their collapsing banks and financial interests. They use their "left-right" agents internationally to sabotage opposing policies. Such monetarist "surrogate warfare" pitting manipulated Papists versus manipulated anti-Papists, British Utilitarians versus the followers of Edmund Burke, and, today, the Institute for Policy Studies and allied Social Democratic factions versus the Buckleys, has been the principle counter-revolutionary device used by monetarist banking forces to contain the development of humanism and maintain their empires.

It was precisely this ersatz "left" versus "right" capability which was used by the Rothschilds, for example, to sidetrack American Federalism into the proto-fascist populism of Andrew Jackson while destroying America's national credit. In France, as part of the same operation, Marat and Danton, driven on by William Pitt "the Younger", Jeremy Bentham et al., sent the Federalists' compatriots to the guillotine while Edmund Burke piously denounced the Reign of Terror as the lawful outcome of Republicanism.

The Buckley operation, which began as a Rothschild franchise in the days of William F. Buckley, Sr., includes in fact many operatives who cut their teeth in the 1920s and 1930s efforts to subvert the Comintern — the Communist Third International — with the object of wrecking industrial cooperation between the Soviet government and the eminently conservative German industrialist community!

While William Buckley has been personally discredited through his involvement in a sordid chain of Rockefeller "dirty tricks," his open membership in such Atlanticist groups as the Council on Foreign Relations, Bilderberg Society, etc., most conservatives are still unaware of the *modus operandi* of the Buckley operation. When they identify the blatant Rockefeller links to various "leftists" — such as the Communist Party USA — as evidence of Rockefeller's "communism" they are blind to the fact that they themselves are being manipulated by the very same networks.

Yet it is precisely through such orchestrated "left" - "right" Rockefeller set-ups that conservatives have followed the Buckleys into such policy blunders as:

\* support of Rockefeller's "preventive war" policy in Korea;

\* support of the Atlanticist "American Century" scheme for Wall Street world domination, once it was cloaked under the "anti-communist" Truman Doctrine;

\* genocide in U.S. cities, through the "conservative" "benign neglect" policies of flap-jawed former UN Ambassador Daniel P. Moynihan, Edward Banfield, et al.;

\* support for the Kennedy Administration war adventures, including the Bay of Pigs blunder and U.S. involvement in Vietnam, allowing Wall Street to tar conservatives with the sobriquet "hawks" for supporting wars which Wall Street started;

\* support for Robert McNamara's introduction of "systems analysis" into U.S. defense planning, which has gravely compromised basic U.S. preparedness, along with the incompetent scheme which resulted in today's lumpen, "all volunteer" army;

\* support for formation of the terrorist Institute for Policy Studies in Washington, D.C., which now controls a worldwide network of "leftist" terrorists, drug zombies, etc., because, the Buckley's said, it would irritate Moscow;

\* support for dangerous drug decriminalization and similar aspects of the "counterculture" which have undermined the moral fibre and commitment to science and useful labor among an alarming proportion of the nation's youth in the guise of "libertarianism."

The untreated growth of the Buckley's cancerous *National Review* grouping has already reached a point where it demands major surgery to eradicate it. Around an initiating core of top, left-Fabian agents such as Max Eastman, James Burnham, Frank Meyer, and others who received their training in attempts to penetrate and take over sections of the Comintern in the 1920s-30s, malignant tenacles of the group have since extended into: (1) top Wall Street financed think-tanks such as the Hoover Institution on War, Revolution and Peace, the Center for Strategic and International Studies at Georgetown, and the Foreign Policy Institute and law firms such as Coudert Brothers, Shearman and Sterling, etc.; (2) mainstream GOP forces through elements grouped around former Secretary of State Henry Kissinger in the Ford-Rumsfeld bloc, and Rockefeller agents of influence such as Bruce Eberle, et al., in Gov. Reagan's Citizens for the Republic; (3) the so-called "neoconservative" layers centered upon the Social Democrats USA, the American Jewish Committee, Committee on the Present Danger, Freedom House, etc., through such "right-wing" Fabian agents as Sidney Hook, Seymour Martin Lipset, Eugene Rostow, Ray Cline, Lane Kirkland; (4) the major media outlets open to "conservatives" including the Ford Foundation-financed Public Broadcasting Corporation which carries Buckley's "Firing Line" show and such news syndicates as King Features, the "Washington Star," Copley News Service, etc., which carry the columns of numerous Buckleyites; (5) an array of "Old Guard" *National Review* group-founded front organizations, including the American Conservative Union, Young Americans for Freedom, Intercollegiate Studies Institute, and, through agents of influence, the layers grouped around the John Birch Society; (6) Richard Viguerie's synthetic, "populist"

New Right (a term coined by the "Washington Post" for that right-cover, Plumbers Unit operation); and, (7) gutter-level Interpol coordinated Nazi and Institute for Policy Studies drug-running and terrorist networks, including, in the U.S., such fringe groups as the National Socialist White People's Party, Knights of the Ku Klux Klan and Minutemen network which are jointly controlled by Buckleyite operatives, the FBI, the Treasury Department's Alcohol Tobacco and Firearms Division, and the Anti-Defamation League of B'nai B'rith.

Many aspects of the Buckley family's *National Review* network as it merges with upper Wall Street policymaking levels are beyond the immediate scope of this brief. However, it is most important that conservatives understand that while the Buckley's have ensnared many potential leaders of an emergent Whig coalition with their call for "respectable" — i.e., impotent — conservatism and their illusory ability to influence monetarist policy along lines that appear more acceptable to conservatives, the family are by no means policymakers. Rather, they have merely been admitted to the periphery of Wall Street policymaking bodies for purposes of briefing them on their actual role — on the more sordid, wormy underside of current operations. Their function is as *Fabian manipulators* — "kneejerk" conservative issues to contain proto-Whig forces in a defensive, "reaction"-ary posture during a monetarist blitz — and as Rockefeller terrorist controllers of both left and right terror, conducting operations which range from conducting plumbers unit-type dirty tricks against those with the guts and intellectual foresight to break from this Wall Street controlled environment to the most sordid aspects of present-day Rockefeller terrorist operations.

The Buckley's themselves would not admit this fact. Like the Fabian British Labour Party careerist whose driving force in life is the desire to obtain a peerage and the Order of the Garter, the Buckley's have slavishly emulated such patrician Atlanticist dynasties as the Rockefeller's, Vanderbilts, etc. and the snobbish "Our Crowd" clans of the Warburgs, Schiffs, Loeb's, et al., and would probably like to think that by now they are on the verge of "making it."

Mimicking the Rockefeller brothers, the Rothschilds, and aristocratic feudal dynasties, the Buckley's have dutifully deployed their own more meagre resources such that *entire* family — contrary to many conservatives' belief — functions as Fabian agents for Wall Street.

John Buckley is the businessman, overseeing the family's Chase Manhattan and Standard Oil-dominated petroleum holdings, in whose cause the Buckley's gained their initial expertise in Banana Republic politics in Latin America. Former Senator James Buckley is the family's tweedy, pipe-smoking politician. Elected for one term after Nelson Rockefeller personally helped destroy the incumbent Republican, Buckley has spent his career ever since manipulating conservative opinion for Wall Street and covering up for William F. Buckley's worst Fabian blunders. Priscilla, F. Reid, and William F. have all been active on the seamier dirty tricks side of the family's enterprises. F. Reid and William, in particular, have directed the family's Interpol-coordinated, Nazi terrorist assets.

William F. Buckley, Jr., who also doubles as the main

liasion with the Eastern Establishment and left-Fabian networks, is the most painfully evident victim of the family's aristocratic fantasies. Known as the "Young Massah" within the family, he dons the affectations of an English squire, speaks with a parody of a British accent, and is inseparable from his pedigreed cocker spaniels. He feigns a taste for serious music and pretends to knowledge of philosophy by quoting "liberally" from the British East India Company's stable of Utilitarians. He joined with monarchist circles in Spain that conspired to place a Hapsburg upon the throne in North America and turn back the clock past the Industrial Revolution to reinstitute a federalist society. He married an Anglo-Saxon Protestant girl and writes "naughty" pornographic stories of British public school sodomy and Queens. Though his personal preferences run toward the fascist austerity models of Parson Malthus as implemented by Milton Friedman's jackbooted "shock therapy" measures, he will defend Keynesian corporatist policies over the protest of proto-Whig and industrialist forces whenever monetarist looting schemes call for a soft-sell "Fascism with a Human Face" approach.

It is in the service of this "patrician" fantasy life that Buckley has cultivated his "respectable conservative" image. More than a mere cover for his crimes, this image functions as a psychological prop hiding a very unpleasant truth: that we will never be admitted to the inner-circles of the monetarist aristocracy.

The fact is, that though the Buckley family's wealth was accumulated more than 50 years ago, they remain socially classed as "nouveau riche," perennial parvenus who are tolerated with bemusement by those "patrician" monetarist scions whom they imitate. Led by the Rockefellers and Rothschilds, paced by the offspring of the Morgans, Vanderbilts, Warburgs, Schiffs, Loeb's and others, would such proud Anglo-Saxon stock or the clannish "Our Crowd" group ever fully assimilate even the wealthiest representative of Irish Roman Catholicism? Even if he had William Buckley's pseudo-British accent and hair-do? Rejection by the patrician monetarist circles, in fact, is what keeps the Buckylys going; lying at the root of the Buckley psychology is what is properly described as an Irish Catholic "Bettleheim Syndrome," the "identification with the oppressor" which was described in the cases of Jewish Nazi concentration camp inmates who identified with their SS tormentors to the point of becoming Kapos and were even more dreaded than Nazis by their fellow prisoners for the pathological extremes of cruelty to which they were driven.

*From Rothschild to Rockefeller  
The Buckley Pedigree*

Those who believe that the Buckylys are traditional conservatives who only recently "went bad" are dangerously mistaken, as they will tend to misinterpret recent political events, especially those surrounding the creation of the *National Review* group in the 1950s to which we will return later. The current generation of Buckylys were groomed from birth for their career as right-cover Fabian agents by their father, William F. Buckley, Sr., who served since the turn of the century as a footman for both Rothschild and Rockefeller oil interests in Mexico before striking out as an international

camp follower of the Rockefeller's Standard Oil Company. From 1908 until he was booted out of Mexico as a "pernicious foreigner" in 1921, Buckley, Sr. directed an assortment of legal, banking and real estate services for the international oil firms that stampeded to the Tampico, Mexico, oil bonanza. From the beginning, these businesses, which remain at the center of this generation's Fabian enterprises, served largely as a front for Buckleyite private intelligence operations to be sold to whatever monetarist faction was most powerful.

As an advisor to the Rothschilds' Royal Dutch Shell puppet, Mexican dictator Adolfo de la Huerta, Buckley was originally tied to many shady operations in support of the British Empire, including the assassination of Huerta's predecessor, Francisco I. Madero, for which Buckley's close associate, Ambassador Henry Lane Wilson, was recalled by the U.S. government. Despite Buckley's public denunciations at President Woodrow Wilson for his ostensible support of such "dangerous radicals" as Venustino Carranza and Alvaro Obregon instead of the British puppet Huerta, Buckley was already involved in duplicitous maneuvers with the Wilson Administration.

Not only was Buckley, Sr., offered the post of Civil Governor of Vera Cruz when President Wilson ordered a U.S. invasion of Tampico in 1914 in a vain attempt to slow the Mexican Revolution and assert U.S. hegemony, but Buckley was also Secretary of State William Jennings Bryan's (the foreign policy frontman of Anglo-American agent Col. House) "closest advisor on Mexican affairs..." Still in this capacity Buckley accepted the post of chief counsel for the Huerta delegation to the A.B.C. Conference in Niagara, N.Y., which was called to mediate between the U.S. and Mexico shortly after the invasion. With Buckley placed as an "inside man," Wilson's representatives sought first to create a maleable coalition government, but when it became apparent that they were dealing with real revolutionaries and reformers and that Carranza was "by far the stronger," Wilson hypocritically decided that "we must play these men as we find them" and supported the replacement of Huerta with Carranza.

Buckley was also chief liaison for both the Royal Dutch Shell and Standard Oil subsidiaries in Mexico to General Manuel Pelaez. Gen. Pelaez was armed through the Rockefellers' Hausteca Co. as a counterforce to the Carranza forces when the latter slapped a modest, 10 percent export tax on oil in 1917 to fund Mexico's development. In 1920, when Alvaro Obregon replaced Carranza, Buckley used Pelaez to stage a coup attempt that was aborted just as a Pelaez representative presented his "government's" credentials to the State Department.

After this putsch failed, Buckley formed the "right-wing" American Association of Mexico (AAM) that was explicitly used by Thomas Lamont of Morgan Guaranty to make their lobbying efforts against U.S. recognition of Obregon appear "moderate." Buckley's AAM was closely linked to those Monterrey Group forces today who in collaboration with former Interior Minister Moya Palencia and the Catholic fascist Opus Dei group are responsible for running both "right-" and "left-cover" terrorist groups like the 23rd of September League and for much of the drug-trafficking in Mexico.

In 1924, Buckley, Sr., shifted his Pantepec Co. oil oper-

ations to Venezuela where he gained control over the country's oil deposits as a junior partner of Standard Oil and Chase Manhattan (with secondary tie-ins to Atlantic Richfield and the Compagnie Francaise des Petroles). After engineering the downfall of a hostile government Minister who lost his job with the aid of *The New York Times*, Buckley functioned as a virtual controller of Venezuelan dictator Juan Vincente Gomez and his successors.

One of the chief instruments ensuring Rockefeller-Buckley control in Venezuela and much of the Caribbean was Standard's subsidiary, Creole Petroleum, whose intelligence capability dwarfed that of the CIA, upon whom its revolving door policy of alternating "right" and "left" governments has been blamed. Creole's first major coup in Venezuela used the networks of Buckley, Sr.'s close associate, Argentine dictator Juan Peron and of Spanish corporatist dictator Francisco Franco, in order to overthrow the Betancourt government in 1948 when it imposed heavy oil taxes. Later, the Rockefeller-Creole group worked through social democratic networks to return a chastened Betancourt to power.

At Buckley, Sr.'s death in 1958, it was estimated that he

had amassed a fortune of \$110 million as a dirty tricks agent for the Rockefeller-Rothschild oil giants. Today, via their Catawba Corporation holding company, the Buckley's Pantepec and allied run concessions in Australia, Greece, the Phillipines, Guatemala, Florida and Wyoming, Libya, and Israel. This family business remains plugged into Standard Oil and its private intelligence networks, providing William F. Buckley, Jr., with a cover for his travels as a top Rockefeller controller of Interpol-Nazi and Institute for Policy Studied terrorist operations.

The Buckleys' central role in developing Israeli oil, for example, provides one of many contact points with those right-wing Zionist intelligence circles which control the fascist Lebanese Falange and also ersatz terrorist units of the "Palestine Liberation Organization" whose attacks upon Israeli citizens have been used to whip-up war hysteria. Similarly, when the Libyans sought to nationalize a large part of the Buckleys' and Seven Sisters' holdings, William F. Buckley worked closely with former Secretary of State Henry Kissinger to develop a U.S. invasion option.

...To Be Continued

# LaRouche: Why My Assassination Was Ordered From Manhattan

*The following statement was issued on Aug. 15 by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential Candidate.*

It is now time that I informed all relevant leading circles in West Germany of certain facts most probably known through other channels to all heads of state in Europe — both OECD and CMEA. These are facts concerning me and my political associates, facts which will help you to understand a variety of otherwise mysterious things, including the reason my name is currently at the top of the list for Baader-Meinhof assassination.

Those of you who are privileged to know things of the sort which do not always reach the pages of the press or the floor of the Bundestag have either seen a 24-name Baader-Meinhof list with my name listed second, or have been informed of this fact. A copy of that list circulating in certain BRD circles has come into the hands of my associates in the United States. However, since most of you who have seen that list or know of its contents are also the victims of false, second-hand information concerning me and my associates, you are astonished; "How is this possible? I cannot believe that he is so important!" On the contrary, if you knew the facts, I have an extremely important role, sufficiently important that USA White House and lower Manhattan circles are, according to inside White House and banking sources, most extremely afraid of the potential I represent.

## *"CIA" and "Conservative" Connections*

For some years, since the New York City teachers strike of 1968, in which my associates and I aided the social-democratic led New York teachers' union against Maoists and other types, the so-called left in the United States and Western Europe has circulated the wild tale to the effect that the Labor Committees and Labor Parties are both "CIA"-connected and "agents of conservative circles." This was totally false. The Labor Parties are exactly what they present themselves to be and nothing else.

However, irony of ironies, since the events of Nov. 1-3, 1976, I and my associates have had increasing contact with leading conservative as well as trade-union forces within the USA, and partially through that contact, active discussions with elements of the military and intelligence communities of the USA.

I shall not name names and so forth, not because I wish to hide anything, but because I am not at liberty to name others. Insofar as I and my organization are concerned, there is nothing to hide in this connection.

There were two key developments which began this process.

The first was a half-hour nation wide television broadcast I made on election eve, November 1, 1976. This broadcast shocked certain leading circles in the USA because, according to their report at that time, they saw my strategic analysis of the war-danger under Carter was correct. Those circles decided at that point that I and my party would most probably be a growing force in USA policymaking during the emerging period.

The second was my party's activity in (unsuccessfully) mobilizing forces throughout the nation during the night of Nov. 2-3 to persuade President Gerald Ford to oppose the massive vote fraud of Nov. 2, and my own and my party's continuing role in opposing the massive vote fraud during the following weeks.

This discussion between Labor Party and other forces progressed as those who deprecated our warnings of the dangers a Carter-Mondale Administration represented came to the view that our forewarnings had been correct. In this process both conservative and trade-unionist forces (representing a number of key national trade unions) came into close cooperation with the U.S. Labor Party in support of the Labor Party's energy program, to the effect that the Labor Party has performed a key role in the opposition to the Carter-Mondale-Schlesinger "energy" program to date.

With conservatives, and with military and intelligence circles with whom we have disagreed on various other issues, we have maintained a collaboration discussion around three principal areas of agreement.

1) Preventing a Carter-provoked thermonuclear war with the Warsaw Pact, with the included goal of publicizing alternative options for war-avoidance in the mutual fundamental interests of the OECD and Warsaw Pact nations.

2) Aiding governments and regular law enforcement agencies in containing and uprooting the Interpol-neo-fabian-centered international terrorist networks based in the United States.

3) Preventing the Carter-Mondale Administration from wrecking the industrial and related strengths of North America, Western Europe, and Japan through combined "energy" and monetarist austerity policies.

Despite our mutually-differing appreciations of the CMEA countries as socialist states and our differences on such topics as "Soviet aggression," we agreed in particular, that the political and military strategies of the Carter-Mondale Administration and NATO-Brussels

were politically and militarily incompetent to the point of lunacy. We agreed that the Carter-Mondale Administration had totally misestimated the Soviet leadership in plotting dangerous provocations of confrontation, and that if NATO were plunged into war by such lunatic political-strategic adventures, the United States would be destroyed and Western Europe overrun, on the basis of considerations including the strategic incompetence and policies of the NATO command.

It was also reported to us that certain USA agencies in direct contact with Soviet military intelligence representatives had gone through a period of accusing one another of being the agency behind the Labor Committees. After some exhaustive examination of the matter, the various forces concurred that the Labor Committees belonged to no one but themselves. Their sense of the matter, as reported to us, was that it was mutually advantageous that a "third factor" of the Labor Committees' special strategic-analytical competence continue its independent role of public criticism of errors and so forth of policies of both the OECD and CMEA countries.

Accordingly, specialists from several nations (in particular) have arranged to "feed us" certain problems for public evaluation through our press — from which everyone concerned could thus discretely receive the information concerning our evaluations with appropriate anonymity. In short, we have been functioning as an independent strategic "think tank" in that way.

#### *The "American Whig" Principle*

Parallel to this and intersecting it, the U.S. Labor Party has been building the base for an industry-labor political alliance in the USA, along the same lines the European Labor Party (ELP) proposed to certain of the Italian Christian Democrats, Socialist, and Communist Parties in Italy beginning January 1976, which the EAP has proposed to Gaullist, industrialist and CGT trade-union forces in France, and which is the EAP's policy for the BRD. At the same time, we have worked through all available channels to communicate an understanding of the nature of an industry-labor alliance in the OECD countries to the leaderships of the parties and governments of the CMEA countries. On the problems and importance of the understanding of this in CMEA countries, I shall include some comment below.

The problem most Europeans face in this connection is typified by the textbooks on American history used in West German public schools and universities. Those texts are pure bunk.

The America of the American Revolution was the most literate country in the world, of a higher level of general culture than the population of England, for example. Benjamin Franklin, the "father of electricity" and a close associate of the humanist heirs of Descartes, Leibniz, and so forth in England, France, Germany, Italy, and Scandinavia, worked closely with European humanists for the purpose of bringing forth on the North American shores a humanist republic dedicated to scientific and industrial progress, whose establishment would be used for advancing the same principles of government first in Europe and then throughout the world.

As a result of the establishment of the Holy Alliance, the American Revolution was subverted in a London-linked counterrevolution of 1828, with the result that the advanced but small American republic, then the most advanced culturally in the world, was thrown forcibly into bankruptcy and relative backwardness from 1828 until the period of the Civil War. During and immediately following the American Revolution, cities such as Aachen, Köln, Bonn, Neuwied, Koblenz, Trier, Mainz, and Weimar were "hotbeds" of the influence of Franklin, as was the University at Göttingen. Herder and Forster were leading spokesmen for Franklin's republican humanist conceptions during that period.

Despite the 1828 counterrevolution of Van Buren and his puppet, President Jackson, and despite the rise of monetarism in the USA from 1880 onwards, the foundations laid by Franklin, Washington, Hamilton, and reaffirmed by Lincoln and Henry Carey, persisted as an organic current of USA life, giving that nation its peculiar commitment to industrial progress, the basis for the USA's economic power in this century.

It is those humanist republican values and traditions which are now monstrously threatened by the Carter-Mondale Administration's program of deindustrialization and lunatic hyperinflationary austerity. Since the U.S. Labor Party not only represents those values, but has a specially-developed consciousness of their history and implications, the typical American trade unionist, industrialist, and conservative tends to find himself in principled agreement with the Labor Party's analysis and programmatic proposals.

The result is that the gap between the pro-capitalist conservative and the Marxist has been bridged in the United States on this basis — at least in respect to the U.S. Labor Party. Naturally, there are subjective and related difficulties in progressing from collaboration on issues to more organic forms of alliance. Without underestimating frictional difficulties of that sort, the Labor Party's slanderers are half-right in alleging that the U.S. Labor Party is allied with what the slanderers describe as "right-wing" political forces, just as EAPers are regarded as friendly toward humanist Christian Democratic forces in Italy, and Gaullist and certain humanist Christian Democratic forces in France and the BRD, respectively.

The key to the matter is that the traditional "left-right" division in political categories has always been a monstrous fraud since that division was invented during the course and aftermath of the French Revolution. The real, fundamental political division in European civilization over 700 years has been between humanists on the one side and nominalists on the other. The humanists included the Hohenstaufen court — the city-builders of the 12th and 13th century Germany, the court of the Hohenstaufen-related and allied Alfonso the Wise of Toledo. The enemies of humanism have been the Welfen and their successors in nominalist irrationalism and monetarism.

Humanism means dedication to a form of society which is in agreement with man's nature, man's distinction from the lower beasts. That distinction is man's power to create, assimilate, transmit, and apply new scientific knowledge to the advancement of general

practice. The importance of that is not merely that it increases man's power over nature, but that a society which so emphasizes the creative powers of mind is the only form of society in which the individual's self-consciousness and regard for his fellow-man is premised on those powers of mind which distinguish man from a mere lower beast. It was for this purpose that the neoplatonic humanists, following the lead of Dante Aligheri and the great Cardinal Nicholas of Cusa, created industrial capitalism in Tudor England as the form of society in agreement with man's essential nature as a creative being. Despite the essential differences between industrial capitalism and socialism, concerning private ownership of the means of production and distribution, industrial capitalism and socialism are both in principled agreement as humanist forms of organization of society.

Nominalism, or monetarism or "Maoism" typify the principled enemies of humanism. Monetarism, as exemplified by Malthusianism or "environmentalism," denies the primary necessity of technological progress, and thus proposes a form of society in which human nature is degraded to a likeness with that of the lower beasts. Nominalism is represented on the one side by the financiers who deindustrialize societies, or impose technological backwardness on colonies and semi-colonies, for the sake of building the financial bubbles which lead into periodic monetary collapses such as the present one. Nominalism is represented by the "leftist" followers of Hobbes, Rousseau, Bakunin, and Charles Maurras, the Rousseauvians who guillotined the great Lavoisier with the ugly words, "The Revolution has no need of men of science."

The issue before the world now, the fundamental issue, is whether the world will follow Carter-Mondale into a deindustrialized "Middle Ages" or whether we shall have a humanist policy. A humanist policy means nuclear and fusion energy development, both to enable man to continue his mastery of nature, but, more essentially, to build the world on the basis of developing and advancing the creative potentialities of the individual through the experience and benefits of technological progress.

"Right" and "left" become lunatic's gibberish, especially now when most of the self-certified "left" are committed to returning society to the condition of the Thirty Years War and the 14th century Black Death. There are those dedicated or receptive to the humanist principles of progress and those whose policies are antithetical to the most fundamental interests of our species.

Because the United States is a powerful nation — unlike Western European nations, which tend to gauge everything against fear of losing the USA "nuclear umbrella," because the United States has never been conquered, and because our American Revolution's humanist traditions are still embedded in much of our population, the emerging alliance on issues between the U.S. Labor Party and important sections of conservatives portends the development of a powerful industrialist-labor political alliance.

Most Western Europeans do not, unfortunately, know the real United States. Europeans know their contacts in Manhattan, Washington, and Chicago, and mistake

*Newsweek*, the *New York Times*, the *Washington Post*, and such sources for the real United States. Moreover, from 1828 to about 1860, and from 1880 onwards, Manhattan has kept a tight lid on much of the real United States, so that Europeans for the most part are sincerely astonished whenever the real United States breaks through and asserts itself on this or that issue. Nonetheless, the real United States is a powerful political force, *on condition that major portions of industrialists and labor are united.*

That is the goal of the U.S. Labor Party's work at this juncture. That according to inside White House gossip, is why the Carter-Mondale Administration itself is in such a state of panic concerning me and the U.S. Labor Party.

#### *Some Examples*

Some of you have direct, independent evidence of the importance Henry Kissinger attributed to me, and the increased importance presently attributed to me by the Carter-Mondale Administration. Some of you know the direct and indirect interventions of the U.S. embassies in Bonn, Rome, Paris, and elsewhere. Some of you are involved in agencies and firms which have been pressed either directly from U.S. official and financial agencies or through intermediaries in the BRD to cooperate in financial warfare and other containment operations against the EAP because of that party's association with my name. Does not a certain party almost monthly issue fresh slanders against the EAP in its internal releases and official gossip? What has been done to the EAP on such account makes the much-celebrated Abhör-Affäre seem relatively quite trivial.

There is no point in pretending that this is not so. We are informed from USA sources what certain USA agencies are doing on this matter in Western Europe. We also know the names of some of the channels and personnel responsible for conducting similar pressures into the top layers of the Soviet leadership. Certain frightened friends of ours in Western Europe—top representatives of governments, industries, and political parties—have entrusted us with their confidences, which I shall not violate, on certain details of these pressures.

Also, do not pretend that the Baader-Meinhof gang is a native BRD "sociological problem." I know who gives the orders *from the USA*, and the names of the organizations which principally coordinate the European agencies directly involved in directing terrorist operations. One can speak of London and other places, but the ultimate control lies inside the USA. I can also tell you, but I will not here, the name of a famous USA figure who was directly involved in attempting to facilitate my assassination.

Some Western Europeans do not wish to even think of such things; the fear of losing the "American nuclear umbrella" constrains them from even thinking such things. The facts are nonetheless facts, and the problems will persist until the truth is recognized for practice.

Finally, some of you know that I have intense enmity from certain quarters in Manhattan and London. One of those Manhattan quarters was the first known source of the specific estimate that I was "more dangerous than Hitler," the slogan used to indoctrinate the various BRD and USA terrorist gangs waiting to assassinate me. I

shall not give you the name of that source, but I know it precisely. Manhattan is enraged because I threaten their particular game in terms of those forces to which my party is closest in the USA and other countries. One London phrase to us is, "Our networks will never cooperate with your networks."

#### *The Ugly Truth*

There are some ugly truths you ought to face.

The United States is a powerful nation. If its government embarks on a lunatic course toward early total war, that war will occur. The United States will be destroyed and Western Europe will then be overrun by Warsaw Pact forces. The only way the BRD could avoid being overrun under such circumstances would be to sabotage NATO, which too few BRD leaders would have the courage to do—hence, you would be overrun after the United States had first been destroyed by an in-depth attack on its population and logistical centers.

Your only hope, since you have not mustered the organic capabilities of a Gaullist alternative, is that the Carter-Mondale Administration is remedied. That boil on the USA political process is probably in the process of being "Lanced" at this juncture. Unfortunately, the tearful, self-righteous resignation of a shamed Carter does not eliminate the problem. Carter is a menace because of what he is not; Mondale would be a menace because of what he is.

Unless the forces which I represent are effective in the current impeachment scrambles inside the USA, the BRD is doomed to war, probably by the end of this year.

Some leading Europeans have said that I am analytically correct on the strategic and economic-monetary issues, but "too tough." Those who imagine that I am too tough obviously fail to understand either the United States in general or the real nature of the Carter-Mondale Administration in particular. If you vacillate once too often before what you call the "Carter problem," if you wait too long, too cautiously, to accomplish certain preventive measures, you are doomed—unless my allies and I can act quickly enough and effectively enough to make Europe's world safer for you.

My first principal job now, my special task in this effort is to hold myself in readiness to establish the regulated new gold-reserve market-place to replace the bankrupt IMF system. Manhattan forces behind the Carter Administration know that special role of mine, and they are in deadly fear I will succeed

#### *The Soviet Danger*

The danger from the Soviet side is that the Soviet leadership will prove itself so confused concerning the international political processes of the OECD countries that it will overlook a number of crucial war-avoidance strategic maneuvers, or pursue those maneuvers in a

crude fashion in respect of form and timing. Any miscalculation by the Soviets on this account could most probably prove the margin which turns potential war-avoidance into total war.

If you blame the Soviets, as "aggressors" or something of that sort for the war-danger, you are behaving very foolishly. The Soviets will fight a total war if forced to it, but they have no need or desire to risk upwards of 30 millions Soviet lives otherwise. The danger is that the Soviets will prove naive, insufficiently clever in their war-avoidance efforts.

Those of you who follow the Soviet press closely can quickly recognize the principal source of danger.

There is a very stupid faction within the Soviet leadership, a faction strongly influenced by USA-based private intelligence networks, including the Dartmouth-Conference conduit and the intelligence unit controlled by certain USA agencies which control the so-called "KGB" section in the leadership of the Communist Party USA. I speak of those miserable Moscow creatures akin of Georgii Arbatov. (I concede that USA-controlled elements of the Socialist International and other conduits are quite significant in the same overall picture, but the USA end is most crucial and ultimately controlling.) This mixture of fools and agents-of-influence in and around the Soviet leadership is characterized by the doctrine that the "military-industrial complex" in the USA and "BRD industrialist revanchists" are the chief enemy of peace. That is deadly nonsense, but even certain Soviet circles which are not corrupted like Arbatov are so insular in their world-outlook, so ignorant of the "outside world" that they are too easily taken in by such foolish talk.

I stress, therefore, that it is of the utmost urgency that responsible press and others ridicule such nonsense from Soviet sources whenever it appears, making clear to those misguided Soviet layers that it is those German industrialists and trade unionists who wish economic cooperation who typify the real force for world peace in all the OECD and developing nations.

Otherwise, if a prevailing majority of the Soviet leadership does not get the "American Whig" conception and its Western European equivalent into Soviet policymaking perceptions, the Soviets can be lured by Manhattan and certain allied Socialist International forces into failing to push those measures of economic cooperation which secure peace. In that case, unless we in the United States quickly correct the Carter-Mondale problem, most of you in Western Europe are already as good as either dead or conquered.

Obviously, those of you who are afraid of being detected in contact with EAP members, who can be intimidated into complicity with USA-inspired harassment of the EAP, prove by such lack of courage that you must indeed lack the courage to deal with the other problems, including the uprooting of the terrorism launched against both you and me.



# Stage Nazi Scare To Intimidate West German Government

The entire spectrum of political terrorism networks in West Germany — ranging from the hard-core “Baader-Meinhof Gang” to Social Democratic Chairman Willy Brandt — has been activated in order to put a temporary lid on the government’s plan to finalize their break with the Carter Administration. The most serious result of this effort so far has been the postponement of a scheduled meeting between West Germany’s Chancellor Helmut Schmidt and his Italian counterpart Giulio Andreotti.

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## WEST GERMANY

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The Schmidt-Andreotti talks, centering around economic issues, were ostensibly postponed because of an uproar following the escape of Herbert Kappler, a Nazi war criminal, from Italy into West Germany. The 70-year-old former SS colonel had only recently been transferred from prison to a hospital with a diagnosis of terminal cancer, and was reportedly spirited away by his wife, a physical therapist residing in the north German town of Lüneburg.

The affair is diplomatically ticklish because according to West German constitutional law, the government cannot honor any other country’s extradition requests. The Italian government has nonetheless applied for extradition, while a West German government spokesman has cited a “certain disquiet” in Italy as the grounds for the postponement.

Although details of the case are still unclear, the escape was obviously timed to coincide with a drive by terrorist-linked networks to portray West Germany and Italy as “fascist.” Widely-circulated “liberal” public media have been using a variety of distortions to hammer at this point. The weekly *Die Zeit* lavishly publicized the arrest in West Berlin of two persons displaying Nazi uniforms in public. More insidiously, *Der Spiegel* magazine cited a recent study of West German schoolchildren, ostensibly proving that a large proportion of the younger generation believes that Adolf Hitler meant well for the German people.

A similar charade is taking place in Italy, including symbolic firings of the officials responsible for the guarding of Kappler and demonstrations outside the mass grave of the 335 Italian resistance fighters murdered by Kappler’s SS squad in 1944. *Repubblica*, a daily generally representative of Fiat’s Gianni Agnelli, printed an article by the leader of the pro-terrorist left grouplet Avanguardia Operaia, Silverio Corvisieri, on the significance of the Kappler affair. “There is a Stalinist-fascist alliance in Italy,” he wrote. “What is occurring is a pact comparable to one between Brezhnev and Pinochet.”

Two other events coincided with the Kappler escape.

First, the imprisoned members of the “Baader-Meinhof” terrorist gang announced a hunger strike, demanding more lenient treatment in prison. When the authorities did not comply, Otto Shily, lawyer for terrorist Gudrun Ensslin, with a representative of Amnesty International accused Federal Prosecutor Rebmann — successor to the murdered Siegfried Buback — of “cold-bloodedly planning the murder of prisoners.” Outside of Rebmann’s office appeared leaflets written by the “Initiative Against the Extermination of Political Prisoners,” justifying the murder of the banker Jürgen Ponto because of Ponto’s ties with “looters of the Third World and with Schmidt, South African Premier John Vorster and the Shah of Iran.”

A small bomb exploded outside the Stuttgart legal office of Baader-Meinhof counsel Klaus Croissant, himself a fugitive from justice now in hiding in France. Two lawyers who had been working in the office, one of whom is married to a wanted Baader-Meinhof criminal, likewise accused Rebmann of creating the conditions for this “rightwing” attack. The “liberal” weekly *Die Zeit* helpfully predicted that an international incident involving Croissant will serve to worsen West Germany’s relations with its European neighbors.

### *Conservatives Lead Countermeasures*

The Schmidt government is maintaining a policy of strict silence concerning its intentions, both in security and in economic policy. This “prudent” posture commenced immediately following the July 29 assassination of banker Jürgen Ponto, who counted among Schmidt’s closest advisers. It has therefore been left up to conservative spokesmen to counter the deteriorating atmosphere with some approximations of the truth. The *Frankfurter Allgemeine Zeitung*, a leading national daily, tried to preempt the synthetic “anti-fascist” propaganda by predicting “it will only take a few days for the Jean-Paul Sartres to accuse the Germans of never having changed their ways.” In fact, no one is interested in the aging Kappler, the paper writes, “but some groups think this is their chance to bypass the constitution.” The conservative daily *Die Welt* is more blunt: “If people are trying to create the impression that the Federal Republic of Germany is fascist, they are doing so either because they are ignorant or because they are conscious sowers of panic.”

At a press conference, Christian Democratic opposition leader Helmut Kohl called for a concerted campaign not only against the individual terrorists, but also against those who create the political and social atmosphere in which terrorism can thrive. This is a reference to the extended network of lawyers, university professors and protestant pastors who are in fact the controllers of the terrorist scene. The *Bayernkurier*, organ of the Bavarian Christian Social Union, rightly pointed out that most of today’s West German terrorists

previously enjoyed close relations with some of the country's leading Social Democrats. Last week a leading Christian Democrat pointed directly at the Marburg University law professor Wolfgang Abendroth as a key manipulator of the terrorists' belief structure.

It is possible that Social Democratic Chancellor Schmidt remains silent because of pressure from terrorist control networks within his own party. According to a recent *Frankfurter Allgemeine Zeitung* article, SPD

Chairman Willy Brandt is currently holding consultations with a group of SPD leftists including Jochen Steffen, former SDS leader Rudi Dutschke, and Lower Saxony SPD head Peter von Oertzen. This group of known intelligence agency operatives has been maneuvering to found an "independent" left alternative to the SPD. Brandt may well be using them in order to threaten Schmidt's conservative wing with a party crisis.

## West German Law Professors 'Debate Terrorism'

*Below are extracts of an interview by the West German magazine Der Spiegel with three university professors of law questioning whether they are supporters or sympathizers of terrorist groups. The three are among some 40 professors who forced publication of a book containing the text of a pamphlet distributed at the Göttingen University shortly after the assassination of Federal Prosecutor Siegfried Buback.*

*This leaflet, authored under the pseudonym "Mescalero," is purposefully ambiguous on terrorist violence, and was designed to open a public discussion similar to the "violence debate" of the late 1960s, a crucial factor in the consolidation of today's terrorist operations. The extracts reveal that one of the professors, namely Ulrich K. Preuss, is a "witting" intelligence agent manipulating the other two. Until 1976, Preuss was a lawyer for terrorists Ulrike Meinhof and Astrid Proll.*

*Spiegel:* ...let's try to use one statement in order to determine what separates you from "Mescalero" and what unites you. The statement accuses (murdered Federal Prosecutor) Buback of "torturing leftists." Did Buback indeed order torture to be used, and are the people this refers to — Andreas Baader, Gudrun Ensslin, Jan-Carl Raspe, for example — leftists?"

*Preuss:* The concept "torturing leftists," taken as such, is extremely liable to misinterpretation. There does exist the idea that certain prison conditions — especially isolation and the resultant sensory deprivation, to use the medical term — must, under the present conditions, be described as a new form of torture.

*Spiegel:* Is that just some idea, or is that *your* idea?

*Preuss:* I have discussed this with Ulrike Meinhof and with Astrid Proll, whom I personally counseled, as well as with others who have described the same feelings about their own cases, and I said to these people: It is possible for people to say that this is a modern form of torture.

*Spiegel:* We're not interested in what people say, but only in what *you* say.

*Preuss:* I myself have made no secret of my rejection of this sort of prison treatment, but I have not described it as torture, since I know this would bring up many false associations, and that things would keep having to be explained afterwards. For me, therefore, torture means physical abuse in the classical sense of inflicting pain.

*Spiegel:* concerning the second part of our question: In your view and in that of "Mescalero," are the terrorists sitting in Stammheim prison and elsewhere leftists?

*Preuss:* Ulrike Meinhof, Horst Mahler and whoever else, all came out of the left culture of the student movement, and therefore we, as leftists who mostly come from there too, have a relationship with them. I, for example, have a very close personal relationship with Horst Mahler.

I can't pin each of them down, and so I regard all of them as members of this left family who have, however, taken completely different paths, ones which we disapprove of. They belong to the left current, even though the consequences they have drawn from this are rejected by us and by the overwhelming majority of the left.

*Spiegel:* If...

*Gerstenberger:* I'd rather say it somewhat differently. For us leftists it is much more problematic to say that the prisoners are no longer leftists, since this would make our disputes with them too simplistic.

*Spiegel:* Now, if...

*Knieper:* May I also answer your question? It's much more difficult for me to say: What is left? Up to what point does that go? Have the violent criminals catapulted themselves out of the left camp? This might lie in the fact that I did not come out of the student movement. This is probably the reason why I don't have any set opinion on this.

*(To Preuss):* I have the impression that you're also not absolutely sure about it, as I noted by your hesitation a while ago.

*Preuss:* No, I'm not uncertain here. They have taken a different path from ours. But how can they be classified if they don't stay a part of the left?

*Knieper:* Permit to strongly disagree with you: We do know, for example, that Mussolini came from the Italian left, but no one can seriously count him as a member of the left for his whole life.

*Preuss:* You have to make distinctions. Whenever I talk about prisoners, I am actually thinking about particular people. I'm thinking about Ulrike Meinhof, or about Mahler. I don't think, for example, about Baader, whom I did not know beforehand ... But now, if you want to have it in terms of political classification, then I don't have any problem with saying that, for example, terrorist groups who are responsible for the murders of Buback and Ponto...

*Spiegel:* According to the Bundeskriminalamt this is the group around the former lawyer Siegfried Haag.

*Preuss:* ...are not leftists. There is absolutely nothing political about them; they're desperados...

*Spiegel:* You'll have to watch out that you don't make "Mescalero" look like another Martin Luther King.

*Preuss:* Unless you have bad intentions, you can't conclude from the fact that he says that socialists are not holy men, that he is therefore declaring justified murders to be his program.

But just so that you don't misunderstand me: It is realistic to say that during social revolutions, both technical and political, things happen exactly like they do in street traffic.

*Gerstenberger:* No, Ulrich, don't say that.

*Preuss:* Why not, if it's true? Every revolution brings risks and claims victims, but the difference is whether you can't prevent it, or whether you declare it to be a means which is justified by the ends. And the latter is what "Mescalero" rejects.

## Racial Violence Erupts In Britain

Bloody clashes which erupted last weekend between rival extremist groups and police in the south London slum of Lewisham — largely populated by West Indian immigrants — have set off a wave of self-feeding racial violence in Britain the main target of which is the Callaghan government. The direct initiators of the violence are on the "left" the Socialist Workers Party, the British affiliate of the Fourth International "International Socialist" group of long-time NATO agent Ernest Mandel, and on the "right" the National Front, whose origins are in the British Union of Fascists of the 1930s.

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### BRITAIN

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The Socialist Workers Party, professing to act under the banner of "ant-fascism" recruited up to 3,000 supporters, including street thugs armed with home-made weapons for a pitched battle against police who were trying to protect a 500-strong National Front march on Aug. 13. A total of 113 police officers were injured in the Lewisham riot, and a few days later another broke out in a depressed working-class area of Birmingham. Scores of civilians were hurt and dozens of rioters arrested. Authorities fear that another violent outbreak will take place next week at the annual Notting Hill carnival — a community cultural event which was the site of race riots last year.

The Socialist Workers Party is also planning to challenge a march by the National Front scheduled for early fall, promising that they will not allow "nazis" to walk the streets of Britain, while the Front has vowed to "defend British free speech from red terrorism."

The race riot scenario has so far conformed to a script outlined in the summer 1976 issue of *Race and Class*, the

official journal of the Transnational Institute, European sister organization of the Washington-based Institute for Policy Studies. The publication editorially "predicted" outbreaks of explicit racialism in Britain, equating this with "creeping fascism."

Pressures for more energetic action against the deliberately provoked violence have been mounting, especially from Conservative circles, but the Government has been reluctant to ban "political" marches for fear of being accused of repressing free speech and possibly alienating Labour Party supporters in the trade unions, where so-called left-wing groups have high credibility.

Labour Cabinet Minister Roy Hattersley, in a television interview following a Parliamentary bye-election this week in which the National Front increased its percentage of the vote from 2.9 to 3.0 percent, said that the Front's gains represented a "great horror" and that it was time to stop ignoring the group and start exposing it. However, no action has been announced against the activities of the Institute for Policy Studies-controlled left.

Meanwhile, the press is feeding the violence-ridden atmosphere with analyses of the psychology of extremism and its attraction for "struggling working-class people" who are fed up with economic collapse and joblessness. Setting the stage for future confrontations, the *Sunday Telegraph* noted: "Liverpool and Leicester, Bradford and Birmingham (all large factory towns — ed.) are cities all equally vulnerable." The U.S.'s *Journal of Commerce* reported that the fascist National Front is the "fastest growing political party in Britain," and CIA conduit Bernard Nossiter in the *Washington Post* gave increased credibility to the Socialist Workers Party who he claimed are "bent on revolutionary change."

# Palme Launches Terror Blitz To Counter Industrialist Faction In Sweden's Gov't.

Swedish Social Democratic networks closely linked to West German Rockefeller agent Willy Brandt and Brandt's crony, former Swedish Prime Minister Olof Palme, have over the past week erupted with claims that the pro-industrial coalition government which ousted Palme from office last year, like the Helmut Schmidt government of West Germany, is a repressive, "fascist" regime against which terrorism is justified.

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## SWEDEN

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Coming at a time when the Swedish government has been working to build behind-the-scenes links with Schmidt to hold together the European currency snake bloc and nuclear industry against attack from Wall Street, the new Social-Democratic line is an indication that a wave of Interpol-run terrorism similar to that now underway against West German industrialist and financial leaders is being prepared for Sweden.

Within days of one another, feature articles have appeared in the Palme-controlled Social Democratic papers *Arbetet* and *Aftonbladet*, the "independent liberal" *Dagens Nyheter*, and even the family magazine *Vi*, chorusing that "Sweden resembles Orwell's 1984," and "terrorists are legitimately protesting against a sick society and ought to be incorporated into the political mainstream."

*Dagens Nyheter* editor Olle Alse'n, a leading promoter of both terrorism and zero-growth, writes that West Germany is effectively a police state because of its "repression" of the legal rights of Baader-Meinhof terrorists. Alse'n has also played a major role in propagating the claim that terrorists will blow up nuclear plants, in an attempt to sabotage Sweden's extensive nuclear and related high technology industry.

Palme has dropped the pro-industry facade he maintained for the benefit of the skilled, trade union base of his Social Democratic Party. This past weekend, the pro-zero-growth, "sensitivity training"-infested youth organization of his party, the SSU, for this first time adopt-

ed an anti-nuclear energy platform, copied directly from Rockefeller's Ford Foundation-Natural Resources Defense Council program for scrapping European energy and industrial development.

But by far the most lurid comes from the latest issue of the weekly Social Democrat magazine *Vi*, a "family housewife's" magazine normally filled with the latest food recipes and other domestic banalities, which is entirely devoted to a defense of terrorism. The issue contains a four-page piece by internationally known "peace" researcher Johan Galtung, who together with Henry Kissinger and Brandt set up the Stockholm International Peace Research Institute (SIPRI) as a conduit for agent operations against the Soviet Union in the 1960s. Galtung drops his peace facade and says that terrorism today — i.e. the sabotaging of the pro-industry governments of Sweden and West Germany — is "the same as the anti-nazi resistance."

In a similar vein, a Baader-Meinhof attorney stated in a recent interview that since the change of government, Sweden has become a "severely repressive right-wing state," pointing to cooperation between German and Swedish policy in cracking down on international terrorism as proof.

But Sweden's social democratic terrorists have drawn a sharp response from the nation's industrialists and workers. *Svenska Dagbladet*, the leading paper of the industrialists in the Swedish government, has blasted Galtung in an editorial for defending "political violence fanatics, properly called the 'children of Hitler'." The same paper, which is strongly pro-nuclear power, exposed Galtung's direct links with Italian terrorist controller and "sociologist" Danilo Dolci, who is meeting with Galtung in Sweden.

Three days earlier, the influential Malmoe paper, *Kvaellsposten*, like *Svenska Dagbladet* a Moderate Party paper, for the first time linked the terrorists to Interpol and its Swedish affiliate, Carl Persson's Rikspolis.

At the same time, the European Labor Party in Sweden has sparked a series of pro-nuclear energy demonstrations in major industrial centers, drawing as many as 400 to 500 workers to rallies that were publicized largely by word of mouth through labor union networks.

—W. Engdahl

# Israel Plays Soviet Card: For Peace?

Israeli Premier Menachem Begin announced this week that he had accepted an invitation from the Romanian government to visit that country "within the next 10 days." The visit is the first by any Israeli leader to an East Bloc country in five years.

According to sources in Jerusalem and New York, Begin's trip will include "beyond protocol" meetings with Romanian President Nicolai Ceausescu, some direct contacts with officials from the Soviet Union, and possibly a resumption of Soviet-Israeli diplomatic relations.

The Romanian invitation to Begin was prompted by the Soviets as part of their ongoing efforts with Middle East and anti-Wall Street Western European leaders to douse the war flames set by pyromaniacal Secretary of State Cyrus Vance. Vance just completed a 12-day swing throughout the Mideast implementing the Carter war policy.

If a noticeable thaw in Soviet-Israeli relations develops, it will be a devastating blow to the Carter Administration. The Administration has tried to use the giant Israeli military machine to blackmail the Arab oil-producing countries and to manipulate a diplomatically isolated Israel into launching a suicidal war against the Arab states.

Vance's sole aim in the Mideast was to make an Arab-Israeli war inevitable by forcing into sharp relief in the world press the policy differences between the Arab states and Israel. Less than one week after Vance's departure, dangerous situations have escalated in Lebanon and in the Israeli-occupied West Bank, and talk of a general Arab-Israeli confrontation is spreading rapidly through the region.

## *U.S. Position Under Attack*

Soviet commentaries appearing this weekend in the Communist Party paper, *Pravda*, and in the Soviet news agency, *Tass*, labeled the Vance mission "futile, pointless, and fruitless." "Not one single question was resolved" and tensions have therefore risen, *Pravda* added.

These commentaries were accompanied by wide-ranging East bloc diplomatic overtures in the Mideast. In addition to the upcoming Ceausescu-Begin talks, the Soviets are planning to go ahead Sept. 1 with a long-delayed visit to Egypt by Soviet Foreign Minister Andrei Gromyko, the Beirut-based *Al-Nahar* newspaper wrote.

The Soviets have "stepped up diplomatic contacts in the Mideast...after the failure of the Vance mission," *Al-Nahar* emphasized, reporting that the Soviet ambassador to Lebanon had just completed three meetings in four days with Palestine Liberation Organization chairman, Yasser Arafat, in preparation for a high-level Palestinian delegation to visit Moscow in September.

Working partially in conjunction with the Soviets, the

French government this week initiated efforts to win a consensus within the European Economic Community to support a change in the wording of United Nations Security Council Resolution 242 that would include a "recognition of Palestinian national rights." Such a shift, which the Carter Administration adamantly opposes, would smooth the path for PLO recognition of Israel, thereby removing one of the main impediments to achieving an overall Arab-Israeli peace.

According to a Paris source, the French decided to have the "242 amendment" question discussed "in depth" at an upcoming meeting of political advisors of the EEC later this month. Such a move, France informed its EEC partners, would be an important European peace move toward the Mideast independent of the United States.

The Soviet and French initiatives are bound to reverberate in the Arab world. Earlier this week, Syria's President Hafez Assad denounced a plan concocted by Vance and Egypt's opportunistic President Anwar Sadat for the establishment of U.S.-run "working groups" — excluding the Soviets and the PLO — to oversee further Mideast talks.

The usual stalwart U.S. lackey, Jordan's King Hussein, commented in an Aug. 13 interview that the Arabs "are at a loss with the American side." Earlier this month, Jordanian foreign ministry officials held special briefings with European diplomats in Jordan to plead for stronger European diplomatic overtures toward the Mideast. Hussein is scheduled to soon begin a swing through Europe and will call for a wider Soviet and European role in Mideast peace talks.

The post-Vance mood in the Arab world is increasingly boxing in Sadat, the prime Arab advocate of a Carter "Pax Americana" in the Mideast. According to an Arab League source, both Syria and Egypt now "may play the Soviet card" to the hilt.

## *Begin, Soviets Explore New Options*

Both the Soviets and the Israelis, who have not had diplomatic relations since the 1967 Arab-Israeli war, are probing at ways to avoid Carter's warmongering — moves taken in a context circumscribed by the threat of war and the collapse of Wall Street credibility in the Middle East.

According to an East bloc diplomatic source, Romania, the only socialist sector country with diplomatic relations with Israel, will offer "alternative offices to those of Mr. Vance" to Begin to "counteract Israel's dangerous international diplomatic isolation." The source emphasized that Romania will "give Begin openings to get in touch with the Arab states and the PLO" and explore "new alternatives for Israeli acceptance of a Palestinian state on the West Bank." He further noted that Ceausescu's personal involvement in

the talks in addition to Prime Minister Manescu's participation, underscored the importance Romania accords to the visit.

Along similar lines, the Yugoslav weekly *Nin* reported Aug. 8 that in the wake of the Vance trip the Soviets would methodically seek to restore relations with Israel. *Nin* reported favorably on Begin's inauguration speech statement two months ago in which he stressed that the new administration would give priority to seeking "closer ties" with the Soviet Union.

In the U.S., a State Department official today recalled the same inaugural speech and speculated that Begin

may be "using the Romanians as intermediaries" to send "conciliatory" messages to the Soviets since he "recognizes that the Soviets *do* have a larger role to play" in the Mideast.

Similarly, West Germany's conservative *Die Welt* newspaper yesterday commented that until now for Israel "a bad Dr. Kissinger was better than the best Gromyko," but this is no longer true. Begin has therefore taken up the invitation from Romania — "the postman between Israel and the Soviet Union" — to demonstrate that Israel too "can play the Soviet card."

— Mark Burdman

## Sadat Imposes New Austerity Regimen, Cuts Ties To USSR

The semi-official Egyptian daily, *Al Ahrām*, reported Aug. 18 that the planning ministry intends to cut back massively on subsidies to food prices and other key items in order to comply with recommendations of the International Monetary Fund. The government also plans a propaganda campaign around the cuts. After similar cutbacks were announced by Egyptian President Sadat in January 1977, a mass uprising swept dozens of Egyptian cities, and there were 100 people killed by police and thousands arrested.

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### EGYPT

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The austerity measures coincide with Sadat's moves this week to cut Egypt's remaining links to the Soviet economy. Both developments guarantee that Sadat will face major domestic resistance led by the Nasserite factions in the working class, the middle class, and the military.

"Diplomatic quarters fear that a new struggle over food prices might be more violent than the last one," the *New York Times* reported Aug. 19. "The government has learned a lesson from the January riots and intends to prepare public opinion for the subsidy cuts and the resulting rise in food prices. But officials and foreigners wonder how the large low-income group will react having seen that it can block government action by street action."

Asked for comment, a World Bank official said that there is no way that he can see that Sadat can avoid a "social explosion" if he attempts to push through subsidy cuts again.

#### *The Debt*

The prime reason for Egypt's austerity measures is the estimated \$15 to \$20 billion debt owed to the large Western banks, chiefly Chase Manhattan and Citibank.

Two weeks ago, J. Paul Austin, the chairman of Coca

Cola and a top Trilateral Commission backer of Jimmy Carter, met secretly with President Sadat just before Secretary of State Cyrus Vance arrived in Cairo. Along with Exxon's Senator Jacob Javits (R-NY), Austin and Vance are the chief enforcers guaranteeing payments on Chase's debt. Last January Austin met with Sadat in Cairo to plan the initial austerity measures.

There are indications that the Egyptian merchant and business classes are increasingly opposed to Sadat's plan to pay the debt and disillusioned with his empty promises of growth. The Soviet daily *Pravda* reported recently that *Al Akhbar*, a right-wing Cairo daily that speaks for the traditionalist capitalists, attacked Egypt's pyramiding debt as well as Sadat's so-called open door policy.

*Al Akhbar* stressed that Egypt was too dependent on foreign credits, a direct result of the 1973 "open door" dollar policy that gave carte blanche looting rights to the IMF and Chase Manhattan. "The open door policy cannot solve the question of lowering the standard of living," the daily wrote.

Egypt also announced that Deputy Prime Minister Abdel Moneim Kaissouny will travel to Washington next month for talks with the IMF. According to the French press, the talks will be designed to implement the austerity but avoid "another January."

#### *Break with the USSR*

The Egyptian government announced Aug. 14 that it was halting the shipment of cotton exports to the Soviet Union, to retaliate for unspecified Soviet actions. Two days later, the government said that it was extending the halt in trade to every other sector, virtually a total break with the Soviet economy.

This is "a further attempt to liberate Egyptian trade and ... a prelude to the complete abrogation of trade agreements with the Communist bloc," a jubilant *New York Times* reported. Banking sources commented similarly that the break will "facilitate Egypt's trading in the free market" and help Cairo "abandon its traditional Eastern bloc barter trade arrangements." The

World Bank then announced a \$100 million loan to "reorganize" the cotton industry, along its labor-intensive lines.

Sadat is clearing away the commitment of Egypt's state-owned industrial sector to trade with the USSR in order to open up Egypt for further looting by the U.S. banks. According to the French daily *Le Monde*, the U.S. has pumped very little money into the industrialized sector, a fact that has made the Egyptian bourgeoisie squirm. "Today the banks are the sole branch of the American economy that have realized a real penetration in Egypt, with Chase Manhattan in the lead," *Le Monde* said.

The U.S. balance of payments deficit financing to Egypt more than doubled in 1977, reaching the astronomical figure of \$500 million, but only 20 percent of the U.S. aid, according to *Le Monde*, went to help Egypt industrialize; the rest went to the debt sinkhole. Since 1972, Rockefeller banks have been involved in squeezing both the Soviet Union and Europe out of Egyptian trade and forced Egypt into exporting to pay the debt instead of meeting domestic consumption needs. Today Egypt is almost totally dependent upon U.S. wheat supplies, with purchases climbing from \$72 million in 1972 to \$810 million in 1977.

#### *How Long a Vacation*

The news media internationally stress that Sadat is caught between Egypt's left and right political factions and under severe strain. Left-Nasserist elements in the army and bourgeois industrial layers may be getting ready to "close the door" on Sadat and his Chase Manhattan option.

In what the *Jerusalem Post* describes as "an unprecedented event," the President announced that he will take a month's vacation in the Ramadan period, an event that hasn't happened in Egypt since King Farouk's vacation when he was ousted by Gamal Abdel Nasser in 1952.

In the interim, Vice President and army strongman Mubarak will head up the government. According to the Beirut daily *An Nahar*, Egyptian policy is being "reassessed" in the wake of Vance's trip to the Mideast.

The reports on Sadat's situation have stressed the mounting tension in the army. "Private sources have made it known that there is mounting impatience in the Egyptian army. Many officers have been asking their superiors, in the event of war, how Egypt intends to win that war without Soviet arms and spare parts," the French daily *Le Figaro* reported.

A Washington-based banker warned, "You must watch the army. The young officer corps is anxiety-ridden. They know they would lose the next war."

## Crisis On West Bank

The interplay between the Carter Administration's Mideast diplomacy and the increased activity of Israel's expansionist extremists has become one of the gravest dangers to world peace. After Secretary of State Cyrus Vance's Mideast trip, a major crisis is shaping up over the disputed West Bank, a crisis with an in-built "uncontrollability" element that could within days set in motion a general Arab-Israeli war.

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### ISRAEL

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In Israel, the Gush Emunim, a fanatic, religious-nationalist sect, has made it clear that it desires to *provoke* just such a crisis. The *Baltimore Sun* reported Aug. 11 that the group has just announced its plan to expand illegal settlements across the West Bank, itself an insurrectionary step against the Begin government.

"If the new government takes the same attitude as the old" and tries to clamp down on illegal, unauthorized West Bank settlements, then "we will return to the grab-and-settle tactics, reclaiming the land for its people," a Gush spokesman warned. "We will not be stopped.... Settling the land and holding it against all the international pressures to give it up requires a massive effort, a campaign of the whole Jewish people.... Time is running, and no government, quite frankly, is going to stand in our way."

In its three and a half years of existence, Gush Emunim has been supported both by leading Israeli Atlanticist agents like current Foreign Minister Moshe Dayan and by nationalists like Begin.

In the past few weeks, the Begin government has authorized previously unauthorized settlements in the West Bank: has extended Israeli state services to West Bank residents, a move openly flaunted as preparatory to future annexation moves; and has announced plans for the creation of at least three new settlements in the area.

To excuse their provocations, Begin and Dayan can point to the Gush — several thousand strong with a mobilizable support base numbering between 20,000 and 30,000 — as a force hemming in the government's ability to relinquish the West Bank.

For Begin, a different course of action — i.e., a clampdown on the Gush Emunim's illegal West Bank settlement activities — has been preempted by the Carter Administration's public chastisement of Israeli government actions. A Begin move to rein in the Gush would seriously jeopardize his fragile majority coalition — which depends for its existence on the support of pro-Gush Emunim extremists — and would open up his government to charges of "caving in to U.S. pressure."

Under these conditions, ominous clouds of confrontation are beginning to hang over the West Bank. Responding to the Gush Emunim's new settlement campaign, a spokesman for the Arab-populated township of Nablus was quoted by the *Sun* as declaring, "If they

get closer to Nablus, there will be demonstrations far greater than before. The protests could easily turn very violent. The Army will not be able to keep this area quiet, or even protect the settlers.”

Various Palestinian groups have also pledged to mobilize the West Bank population against the “Zionist

occupiers.” Several bombs have this month exploded in populated Israeli urban centers, and Palestinian groups have publicly claimed responsibility. Observers in Beirut now claim that the Palestinian resistance movement will answer the Israeli government’s West Bank actions with “armed actions” within Israel itself.



# South Korea: The Fight To Industrialize

To those whose image of South Korea comes from the pages of the *New York Times*, that country seems, at best, to have achieved a certain amount of economic progress by means of a sweatshop-dominated industrial system exporting shoddy textiles, footwear, and the like — all of little benefit to the living standards of the Korean people. More recently, the country has been presented as an ultra-repressive armed camp whose main export is little white envelopes to the members of the U.S. Congress.

## SOUTH KOREA

For the *New York Times*, Trilateral Commission Congressman Donald Fraser (D-Minn) and their allies, the presentation of this image has been a necessary part of their campaign to undermine the regime of President Park Chung Hee and replace it with one more willing to cooperate with the geopolitical schemes of Zbigniew Brzezinski. Yet, those who see themselves as defenders of South Korea and the Park regime — such as U.S. conservative businessmen and politicians — actually agree with the image presented by the *Times*. They too attribute Korea's economic success to its alleged reliance on a low-wage labor-intensive system. They too see it as living proof of the economic potential of a country that makes its trains run on time.

The reality is quite different.

South Korea stands out as an example of the enormous potential that well-utilized advanced technology holds for Third World countries. In the past 16 years, following the 1961 military coup, Korean society has been virtually turned upside down, changing from an agriculture-based "beggar nation" totally dependent on the United States, into a "semi-industrialized" country with a clear vision toward the future. Development during this period from 1961 has been tremendous, to the point that Korea is now undergoing the shift from labor-intensive manufacturing to heavy industry that Japan underwent in the early 1960s.

The country remains thoroughly dominated by the drive to become a modern, industrialized nation, a drive that originated with and was built by the core group of sophisticated junior officers most responsible for the 1961 coup. At that time, faced with the prospect of big drops in aid from the U.S. and resulting economic degeneration and domestic turmoil, these officers determined that industrialization was Korea's only future. In large part, the Korean proponents of industrialization have looked to Japan as a model, and importing technology has been a chief goal. High growth rates of both imports and investment have been the engines behind Korea's development.

The response of the World Bank to this Korean commitment to industrialization has been to actively oppose any development of heavy industry. Time and again, the World Bank has attempted to sabotage ambitious plans for the development of heavy industry which would free the economy of its backward sectors. While it has largely failed in preventing Korean industrialization, much of the responsibility for the remaining low-wage, labor-intensive aspects of the economy lies firmly with the Bank and its entrenched allies within Korea.

As a virtually resourceless country, Korea gains technology through large-scale imports of capital goods, which are paid for by borrowing on the international money markets, and the export of manufacturing products. Unlike most Third World countries, where imports and foreign debt result in little or no increase in productivity, and therefore an increasing inability to meet repayments, Korea's foreign resources have been utilized very productively, enabling the country to maintain a high debt load as a percentage of the GNP. The plan has been to regularly increase the skill and capital content of production, a fact reflected in the emphasis changes in exports over the years: textiles in the mid-1960s; plywood in the late 1960s; electronics in the early 1970s; and now the increasing emphasis on heavy industry products.

Korea's ability to pursue these goals and resist the pressures of the World Bank has been made especially difficult because of the country's "deployment" on the "front lines of the Free World." The Bank and the IMF have gained much political leverage within the country and the most pro-development of the officers responsible for the coup, such as the founder and first director of the KCIA Kim Jong Pil, have suffered a corresponding decrease in their influence. The controversial President Park Chung Hee in large part mediates between the con-

### Structure of GNP

(% of GNP at 1970 prices)

Sector	1961	1966	1971	1976
Agriculture, Forestry and Fishing	44.1	38.9	26.5	20.3
Mining and Manufacturing	12.0	15.9	24.4	36.0
Social Overhead*	6.1	9.0	12.9	13.9
Other**	37.8	36.2	36.2	29.8

\* includes construction, transportation, storage, communication, electricity, etc.

\*\* includes trade, banking, insurance and other services.

flicting pro-World Bank "technocrat" layers and the pro-development interests within the country, often agreeing to World Bank-inspired policies regarding such things as investment and wage levels that conflict with the goals of industrialization. There is little doubt that some of the more repressive policies of the Park regime in recent years have been viewed favorably by the "technocratic" layers. Nevertheless, the vision of a modern Korea that sparked the coup and won its acceptance has endured to this day.

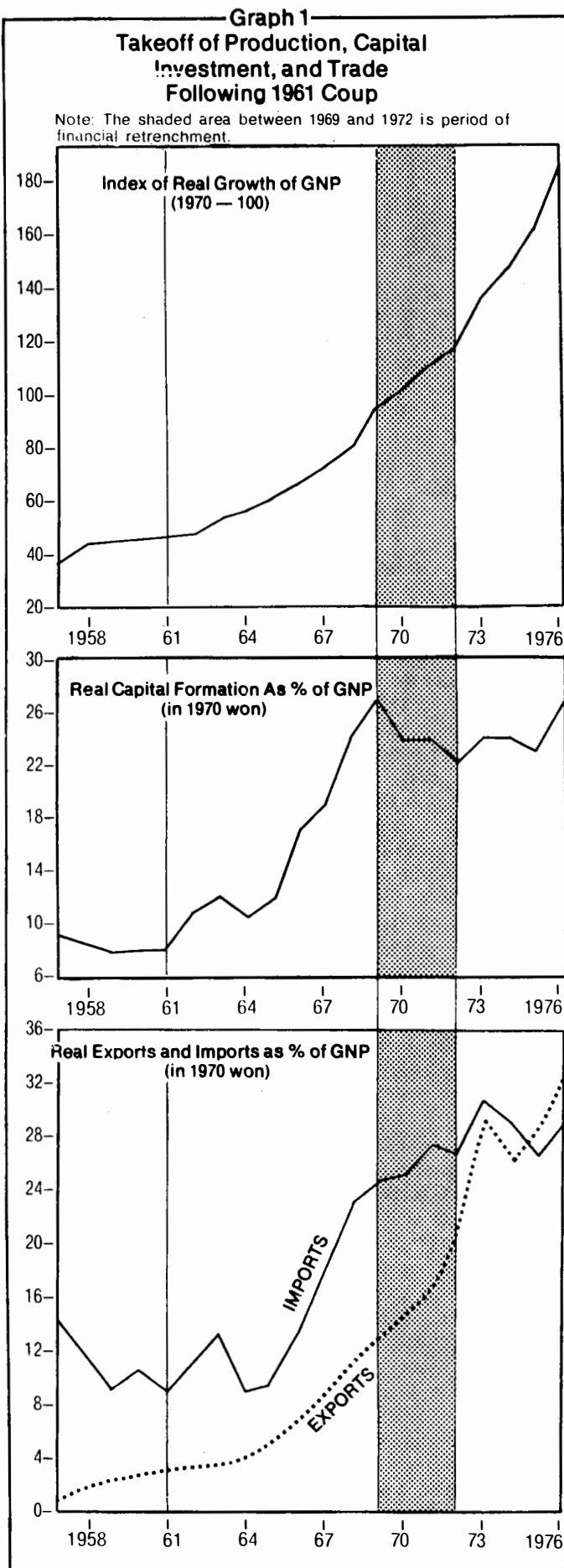
Many government officials reflect this vision, freely stating the hope to equal or surpass the achievements of the past during the next 15 years by building Korea into a net exporter of technology and loans to lesser developed countries — a remarkable goal for a country that, until 1961, was agriculturally based and almost totally dependent on the United States for grants to finance imports of desperately needed basic consumer goods.

The ambitiousness of Korea's development plans stem in large part from the confidence gained after many years of sustained high growth in the economy as a whole, and the manufacturing sector in particular. Since 1961, the country's GNP has averaged 10 percent annual growth, rising to over \$21 billion last year. During this period, manufacturing has risen to 36 percent of GNP, and when supporting infrastructural services such as electricity, construction and transportation are added, the combined total is a full 50 percent of GNP. Simultaneously, agriculture has declined from 44 to less than 20 percent of GNP.

This growth has led to a boom in urban areas, which now comprise 60 percent of the population, and a doubl-

Composition of Manufacturing Output				
(% of total)				
Sector	1961	1966	1971	1975
Textile, Clothing				
Footwear	28.5	23.9	25.6	32.1
Food, Beverage				
Tobacco	33.8	27.6	25.0	17.0
Other Light Industry				
Machinery and Equipment	7.9	10.2	9.3	14.6
Chemicals, Petroleum	7.1	11.6	15.5	12.0
Metal Products	5.8	7.0	6.1	6.7
Miscellaneous	1.5	1.9	2.5	2.5
TOTAL	100	100	100	100
Total Manufacturing Output*	393.5	789.3	2,041.7	4,290.9

\* (bln. 1970 won)  
Source: World Bank



ing of real consumption of the population (averaging 7 percent growth per year). Education, which was fairly high before the coup, has also expanded rapidly. More than 90 percent of the country's children continue school through their 11th birthday, and more than 32 percent of the population finish high school — the latter a higher rate than England.

Last year, more than 30 percent of all manufacturing output was made up of products such as machinery, steel and petrochemicals. Thus, while Korea's industrial output and exports are still predominantly comprised of labor-intensive products such as textiles, electronics and leather goods, the country is also producing and exporting whole textile, cement, and electric power-generating plants to lesser developed countries. It is building super-tankers to carry oil from the Middle East, and is becoming something of an international legend in construction and civil engineering.

The turning point in Korea's plans for heavy industry came in 1973 after the coming to power of K. Tanaka as Prime Minister of Japan. At that time, huge investment plans for Korea's heavy industry sector were drawn up with the cooperation of the pro-development Japanese Ministry for International Trade and Industry. Tanaka integrated Korea into his overall scheme for "energy independence" and "resource diplomacy" with the Arab and other oil-producing nations. Korea was to build up its petrochemical industry as part of this "resource diplomacy." The petrochemical buildup was to have been only part of a massive expansion of Korea's total heavy industry sector, including construction of shipyards, a new steel mill, metals processing centers, and more.

It is these plans that have now been reduced because of the combined "pincer" effect of the recession of 1974-75 and pressure from the World Bank. One Bank source said recently, "we didn't like the plans in the first place."

Korea's relations with the Arab countries have expanded rapidly following its participation in Tanaka's "resource diplomacy." These relations are sure to be of much value in the coming years. Korean construction firms have already won \$2.5 billion worth of construction contracts in the Middle East, and are negotiating for more. The deals are with Saudi Arabia, Bahrain, and even pro-Soviet Iraq — the latter an indication of the extent to which Korea's relations with Arab countries have developed. At this time, there are some 24,000 Korean workers in the Middle East. Other deals with Arab include construction of tankers for the Kuwait national fleet, and the construction of a joint oil refinery with Iran in Korea. In an effort to diversify markets for exports, the Koreans are also sending more of their products to the Arab countries.

It is interesting to note in this context the similarities between Korea and Japan. Aside from the fact that both countries lack natural resources, Korea's private sector is dominated by a dozen or so major industrial conglomerates similar to Japan's Zaibatsu. Moreover, coordination between the government and private sector — the government has the final say — is greater than even that of Japan, leading many people to speak of "Korea, Inc."

Despite its success however, the Korean economy remains extremely fragile, highly sensitive to international price and export market changes because of the high ratio of trade to GNP. The country's cycle of high imports and investment, paid for by exports has, at least for the foreseeable future, locked Korea inalterably into the need for high growth. Any large downturn on the export markets or big increase in import prices will, like 1974-75, set off a chain reactions through the economy, jeopardizing payments on an international debt and the whole domestic credit structure.

It is not exaggerated to say that whatever direction the current infighting around the international monetary crisis leads the world economy — in favor of resumed high growth or depression collapse — the Korean economy will arrive there first.

### The World Bank vs. Korean Development: The Five Year Plan

The current Fourth Five Year Plan (1977-81) is a mere skeleton of the long-term outlook for the economy drawn up in 1973. Under the combined pressures of the World Bank and the lingering effects of the recession of 1974-75 on their economy, the Koreans have reduced investment levels, especially for heavy industry, to the point that the possibility of speeding up the move away from labor-intensive light industry has been placed in doubt. While the Koreans have not abandoned this goal, they have changed the emphasis from capital-intensive to "skilled, labor-intensive heavy industry."

The World Bank is quite public about its role in forcing a reduction of Korea's original development plans. Last year, a Bank publication made the following "recommendations" concerning the need for reduced investment levels: "As a general principle, low priority should be given to projects which are extremely capital and energy intensive... A review along these lines will ensure that the heavy industry program does not preempt a disproportionate share of resources and squeeze the availability of funds for light industry... It is probably neither feasible nor desirable to reduce to any considerable extent the projected level of investment in light manufacture. Thus, the major burden of the adjustment will fall on the heavy and chemical industry program, which might have to be reduced by as much as 50 percent."

For their part, the South Koreans have seen little alternative but to oblige the Bank. Even with investment levels now some 20-25 percent below those planned in 1973, the country must still borrow about \$2.5 billion per year for the five years to meet the new targets. If the 1973 targets were maintained, borrowing needs might have run as high as \$4-5 billion per year, and it is unlikely this level could have been raised, especially with vocal opposition from the Bank.

Moreover, the plan places high priority on achieving both a trade and balance of payments surplus by 1981 by holding down import and investment levels. This is a response to the financial chaos caused in Korea by the world recession, when Korea's already hefty yearly current account deficit was bloated to \$4 billion for 1974-75 and the country was forced to borrow heavily on the short

term markets. This became a useful lever for the New York and World banks to politically pressure the Koreans who have traditionally been hostile to foreign investment and debt since the 35-year Japanese occupation. It is hoped that running a payments surplus will both partially insulate the economy should events similar to 1974-75 occur again, and enable the country to pay off much of the politically "hot", short-term debt.

Thus, the current plan is a "reconciliation" of various conflicting pressures and goals. The Korean government has decided to try to work within the "guidelines" for investment set by the World Bank and still achieve the shift to heavy industry by restricting the capital intensity of the heavy industries.

Those Koreans who prefer the original plan have rationalized their concession to the IMF-World Bank by saying that the retrenchment merely means a slower rate of development than they would like. One official, in discussions with *EIR*, went so far as to make a virtue of necessity by saying that achievement of a trade balance by 1980-81 would enable Korea to avoid the "foreign domination" that might result from a longer period of trade deficits and consequent higher debt levels.

In fact, failure to pursue the original plan will not mean a slower rate of development but will lock Korea into a box in which there will be no development at all, and eventually regression. The Korean economy has reached a juncture at which it must make the transformation from light to heavy industry. If it does not make that leap, development will grind to a halt.

The reasons — which were understood by the men who drew up the 1973 plan — are quite straightforward. Prospects for continued expansion of Korea's traditional export products such as textiles, footwear and apparel are doubtful because of the combined effects of protectionism in the advanced sector and growing competition from lesser developed countries. More fundamentally, the continuously growing level of exports needed to pay for the transformation can only be met by high-technology products. Exports are already 30 percent of GNP. Any attempt to devote still greater portions of the labor force to the production of low-technology consumer goods for export would result in a dangerous narrowing of the country's industrial structure, economic bottlenecks and a lowering of the standard of living of the population. Thus, capital-intensive industry and increases in productivity are crucial if required export levels are to be achieved.

### Planned Structural Changes In GNP

(% at 1975 prices)

Sector	1976	1981	Annual Growth
Agriculture, Forestry, Fishing	23.6	18.5	4.0
Mining, Manufacturing	32.7	40.9	14.2
Other Sectors	43.7	40.6	7.6

Source: World Bank

The heart of the plan will be a building up of three industries: electronics with emphasis on skill-intensive products such as semiconductors and computers; shipbuilding; and machinery products. These three industries will lead the economy, growing at an annual rate of 22 percent, and rising from 13 percent of manufacturing output to over 20 percent. This will be coupled with an emphasis on "technological innovation and improvements in efficiency," goals to be achieved through the importing of foreign technology and investment of about one percent of the GNP in basic research and development.

Overall, the plan is based on the assumption (or hope) that the world economy will grow at five percent per year during the five years. The Korean economy is projected to grow at about 9 percent a year, raising GNP in real terms from \$21 to \$33 billion by the end of 1981. As usual, the manufacturing sector will lead the way, growing at about 14 percent a year, and exports are expected to grow from \$10 billion in 1977 to over \$20 billion in 1981.

As can be seen from the present, fairly high, level of heavy industry to total manufacturing output, heavy industries have not been ignored in the past. However, the planned shift away from light industries has taken on a new, greater emphasis in the latest plan.

Investment in heavy industry will be about 65 percent of the total manufacturing investment. The most prominent of the projects planned are a huge machinery industry complex, the expansion of the country's nationalized integrated steel mill, petrochemical plants, cement plants and shipyards.

While light industry will receive only 35 percent of the total manufacturing investment, it should be noted that the textile industry will still comprise a full 25 percent of total manufacturing output, maintaining its position of Korea's single-most prominent industry.

The plan does not provide for the necessary rate of acceleration in investment levels in manufacturing and social development required for a shift toward heavy industry. Total investment for the plan will be about \$35 billion, or the same 26 percent of GNP the Koreans have maintained in the past. While the \$35 billion figure is a large absolute increase over previous plans, it is the *rate* of increase that is important.

The original 1973 plan provided for this needed acceleration in rates of investment, having projected investment to increase to 32 percent of GNP by 1981, and average 30 percent for the 1977-81 period. Now, besides the 20-25 percent reduction in total investment from the 1973 levels, investment for manufacturing has been reduced from 40 to 25 percent of the total, and the portion of manufacturing investment for heavy industry has been further reduced from 75 to 65 percent.

The first effect of the reductions in investment levels will be a drop in import growth rates from previous years, growth rates which provided the key engine for the country's economic growth. In the past, as imports grew 24 percent each year, the ratio of growth in imports to GNP was a full six percent, indicating the large "booster" effect of imports on economic growth. During the current plan, imports will grow by only 12 percent per year, and the ratio of growth to GNP will be only about three percent. Though the Korean economy is much more productive today and can produce some of the capi-

tal goods that previously had to be imported, such a large drop in import growth will undoubtedly cause troubles because of the loss of the "booster" effect. Vital capital goods imports are expected to grow by only 11 percent a year.

The manufacturing sector will bear the brunt of this policy. Investment in manufacture will be 25 percent of total investment, a distant second to the 36 percent spent on such areas as electric power generation (12 percent), transportation (14 percent) and communications. These necessary infrastructure investments, which were barely reduced from the levels planned in 1973, will be concentrated on the construction of the country's second nuclear power plant, continued modernization of the road system, and expansion of the port facilities. It is important to note that investments in these sectors in the past have successfully prevented the large bottlenecks that cripple so many developing countries. It would be

impossible to triage continued growth in these sectors now.

The remaining 25 percent for manufacturing is so low however, that Government plans state that the capital intensity for industry will not increase, despite a shift toward heavy industry. The incremental capital-output ratio (ICOR), a measure of the capital intensity for industry, will remain the same: 1.7 for manufacturing and 3.0 for the economy as a whole. Original 1973 plans called for the manufacturing ICOR to rise to at least 2.0, a significant increase. To keep the same ICOR ratio in industry despite a shift toward heavy industry is a seemingly impossible — not to mention undesirable — goal, even taking into account the fact that the industries favored in the plan, such as electronics, shipbuilding and machinery, can be made more labor intensive than other forms of heavy industry. Moreover, while heavy industry investments will increase by about 60 percent over the previous plan, heavy industry investments will actually fall towards the end of the plan from an annual \$1.3 billion during 1977-79, to only \$964 million per year 1980-81. A drop of this kind is diametrically opposite to the actual needs of the economy.

Finally, it is doubtful that Korea will produce enough skilled workers during the plan to run the new heavy industry, even with the large efforts made to expand technical and scientific education. The problem will lie in the lack of growth in consumption needed for skilled workers.

At present, wages among the various sector workers differ widely, with light industry wages averaging about \$1100 per year, steel and other metals averaging \$1500 per year, chemical workers about \$2200, and petroleum refiners about \$3300 per year. Further, the per worker income of rural workers is about half that of urban workers. One Korean government source has estimated that consumption will increase about six percent a year for the population, a rate that will likely prove insufficient to provide for upgrading of wages for the many workers planned to change sectors as well as for regular increases among the various sectors themselves. Insufficient housing will be the most glaring of the consumption problems. Despite a full 15 percent of investment going to housing construction throughout the plan, the ratio of housing units to households will increase from a low .75 to only .80.

It is likely that this shortfall in increases in consumption will lead to an increase in President Park's already regular Confucian-style appeals to the population to fulfill their "national duty" as part of the "Korean family" and to maintain an environment of austerity.

### Myth And Reality: The Real Story Of Korea's Debt Problem

Despite numerous predictions of "imminent" default by South Korea on its international debt payments last year, the country managed to squeeze through the world recession intact. Fears of default were well-founded, however, as one more year of prolonged stagnation in the world economy just might have sent the country over the brink.

### Investment Plan Allocation By Sector

(% of total)

	1972-76 (actual)	1977-81 (planned)
<b>Total Investment</b>	<b>100.0</b>	<b>100.0</b>
Farming,		
Forestry & Fishery .....	11.8	8.4
Mining .....	1.2	1.6
Manufacturing .....	24.6	26.7
Electricity .....	6.8	13.0
Transportation .....	16.3	12.2
Communication .....	3.0	3.9
Science & Technology .....	0.9	1.1
Other Services .....	17.8	9.0
Social Development .....	17.7	20.6

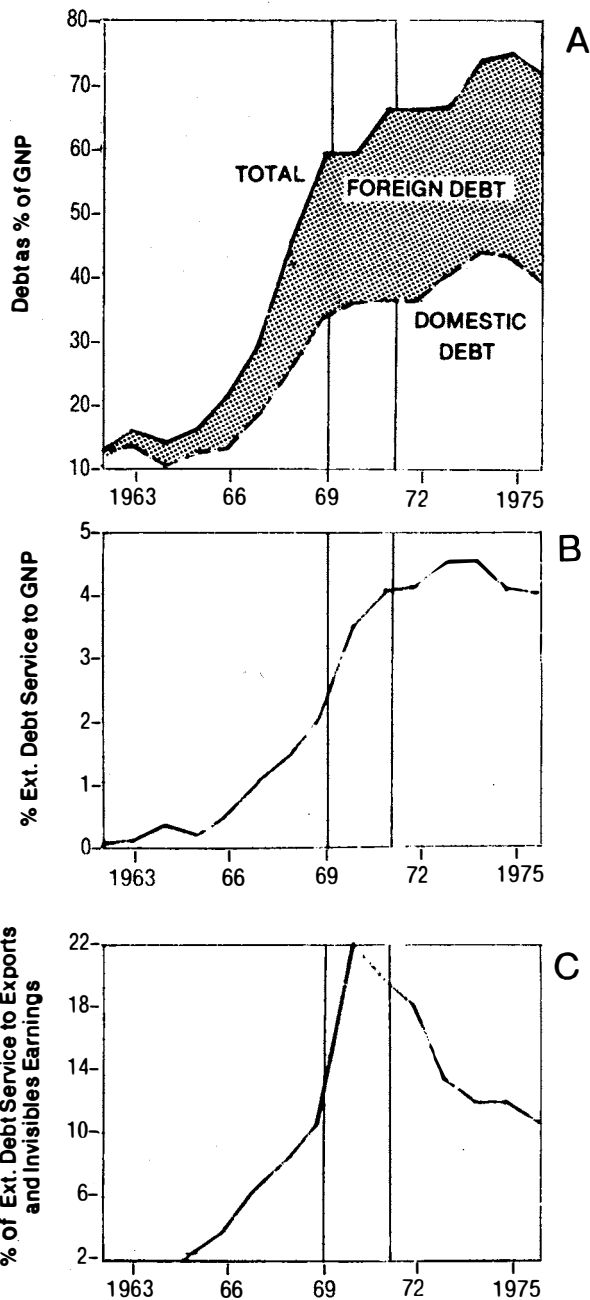
### Breakdown of Investment In Manufacturing

(% of total)

	1972-76 (actual)	1977-81 (planned)
<b>Total Manufacturing</b>	<b>100.0</b>	<b>100.0</b>
Heavy & Chemical .....	60.4	64.3
Iron & Steel .....	17.6	13.3
Nonferrous Metals .....	0.8	2.3
Machinery .....	9.9	17.6
Electronics .....	4.9	7.6
Chemicals .....	22.7	21.9
Light Industry .....	39.6	35.7
Textiles .....	23.0	20.8
Other .....	16.6	14.9

The 1974-75 recession drove home once again the point that the South Korean economy needs high growth, both domestically and internationally, just to survive. Even with current debt levels at \$10 billion and a planned borrowing of \$2.5 billion per year throughout the plan, Korea's debt is quite manageable in the context of high growth. However, with external trade already equal to 70 percent of GNP, the new world recession now emerging will unleash financial and economic chaos in Korea.

**Graph 2**  
**Growth of Internal and External Debt**



Note: area between 1969 and 1972 is period of financial retrenchment. The reason for drop in ratio of debt service to exports after 1970 is high inflation in export prices relative to past debt.

The Koreans are well aware of the vulnerability inherent in such high rates of trade to GNP (70 percent), and are actively trying to diversify their export markets away from high dependence on the U.S. and Japan — those two countries presently take 50 percent of exports — towards especially the Arab nations and the EEC. Vulnerability fears have also made them susceptible to the IMF arguments to seek a trade balance by 1980. But these sort of “insulation” measures have their obvious limits.

The development program launched by the regime immediately following the 1961 coup led to extremely rapid growth in both domestic and foreign debt, even in comparison to the rapidly growing GNP (see graph 2-A). This was unavoidable given the high rates of capital investment and imports that development required.

Debt service also grew quite rapidly (graph 2-B). Service on domestic debt was even more of a burden since the regime inherited a chaotic monetary system. Prior to the coup and due to decades of occupation and war, Korea lacked a modern banking system; most credit was provided by money-lenders at 30-50 percent rates of interest. In order to attract deposits, the new banking system had to raise official rates on interest to an incredible 27 percent in 1964.

The inflationary bias in the domestic credit system, combined with the unavoidable burden of foreign debt, put great strains on the financial stability of Korea and made it prone to inflation and subject to continuous devaluations of its currency, the won (from 130 per dollar at the time of the coup, to 256 by 1964 and gradually down to 484 by 1974).

Despite the strain, the debt problem remained manageable as long as high growth prevailed. The high ratio of debt to GNP can only be managed without added inflation if the growth in productivity and in GNP is significantly above the level of debt service, particularly above the level of debt service on foreign debt. Pursuing this high-growth policy, the regime was able to bring the domestic credit system under increasing control, steadily lowering interest rates to 12 percent by 1973.

In short, the high-growth policy inevitably produced high growth in debt which produced strains whose only answer was still more high growth. The IMF-World Bank, however, took exactly the opposite approach. Scared by a 60-80 percent money supply growth rate in 1966-68 as well as the rapid growth in foreign debt, these institutions pressured the government into adopting a financial retrenchment in 1969. The financial problem that existed were very real and very serious, but the policies used to meet them were catastrophic.

The aim of the World Bank policy was to shift “temporarily” from high growth to “stability.” The specific measures included a severe cut in money supply growth (almost two-thirds), severe restrictions on new foreign loans (see graph 2-A) and sharp cuts in import growth (see graph 3-A). The designers of the policy said it would only lower GNP and capital investment rates moderately. In fact, it was an all-out disaster as capital formation ground to a halt (graph 3-A), and the ratio of debt service to exports became even worse (graph 2-C). The same pattern can be seen in 1964 (graph 3), when similar policies were enforced.

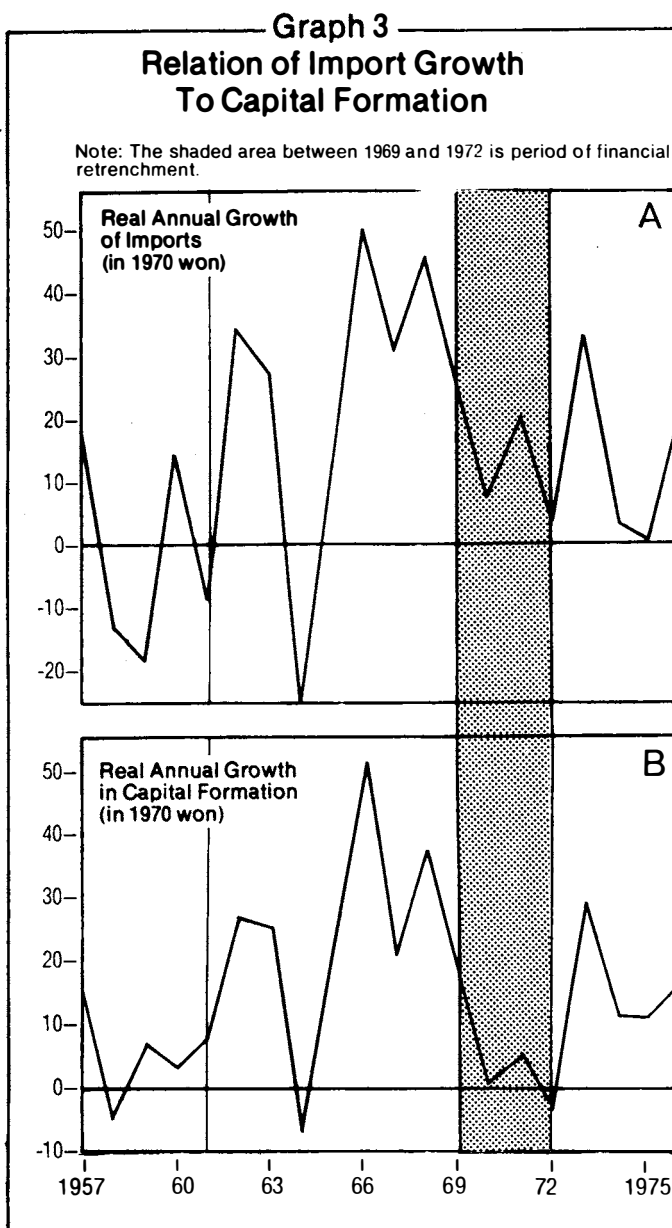
In addition, the retrenchment threw the country into financial disaster when businesses unable to get loans returned to the black market money-lenders (at up to 50 percent interest rates). By 1972, the amount of loans owed to the street usurers became as large as that owed the commercial banks. In late 1972, the regime put an end to this idiocy by returning to the high-growth policy. As part of this return, the government enforced a debt moratorium — mostly on the money-lenders but also on some commercial bank debt — covering 45 percent of manufacturers' debt. Large portions of the debt not covered by the moratorium were made subject to a mandatory stretchout of repayment schedules from one year to eight years. Rates of interest were sharply reduced. (International loans were not covered by these measures.) High growth resumed.

Only the oil crisis instigated by the New York banks-dominated oil companies and the resulting recession prevented the implementation of the 1973 growth program. And even during the bottom of the recession, the Korean government refused to let the capital-

formation growth rates drop to the level they had hit under the IMF regime.

Even now, outside of the problem of a new recession, Korea's debt problems remain manageable. At their height, the ratio of debt to foreign exchange earnings rose to 22 percent and have since declined. (This decline occurred only because the high rate of inflation in export prices relatively devalued fixed past debt.) If Korea obtained the full amount of foreign loans implied in its 1973 program, then this ratio would of course rise. It is undeniable that such a high rate of debt service would put financial strains — but manageable ones — on Korea's financial system. However, the alternative, which is the plan as it now stands, will end up reproducing the problems of the 1969-72 period. In fact, since January Korea has suffered a stagnation in production because of a mild application of tighter credit policies.

Only under conditions of new international recession are the debt problems unmanageable. In that case, the Korean economy becomes chaotic. But such a recession itself will only occur because the New York banks, the IMF and the World Bank apply to the world as a whole the disastrous economic policies they have applied to Korea — i.e., meeting financial strains with austerity rather than debt moratoria and industrial development.



### Profile of Korean Industry

**TEXTILES:** Textiles will remain South Korea's single most important industry. Divided into cotton, wool, synthetic fiber and garment sections, the industry still comprises some 30 percent of total manufacturing output, 30 percent of manufacturing employment, and 35 percent of all exports last year. Moreover, the industry will receive a full 21 percent of manufacturing investment during the plan, and will remain as Korea's biggest export item with 26 percent of the total in 1981. Careful efforts are being made to upgrade the industry's plant and equipment so as to maintain its international competitiveness in the face of lesser developing countries entering the market with lower domestic wage scales. The industry will remain extremely labor intensive however, and could face difficult times ahead because of protectionism in the advanced sector.

**MACHINERY:** The development of a modern machinery industry "will receive highest priority," according to the plan, with the aim of providing the domestic economy with locally produced advanced machinery, as well as developing export capability. The goal of developing a defense industry played no small part in giving machinery its number one status.

The heart of the machinery buildup plan is the construction of the Changwon machinery complex, which will house over 100 plants producing general, electrical, and precision machines, as well as appliances and plant manufacturing material. A total of \$2 billion will be spent on the complex, and it will account for over half the country's total machinery output by 1981. Seventy percent of the country's machinery needs will be met domestically by that time (up from the 30 percent of 1975).

The government plans to upgrade the existing machinery industry, which is scattered throughout the

country, mostly in shops of less than one hundred workers. Efforts will also be made to import advanced technology for the industry, and the government has initiated a subsidy program to companies for new product development.

A second goal is to expand the industry's ability to produce and export whole plants. Already, production of most light industry factories has been fully localized, and contracts have been signed for the export of textile, zinc refining, cement and other plants.

**STEEL:** The steel industry was Korea's first big effort at developing a heavy industry. Construction of the nationalized Pohang Iron and Steel Company (Posco) integrated plant began in 1969. Completed in 1973, Posco started with an annual capacity of one million tons, but subsequent expansions have brought capacity up to 2.6 million tons. A third expansion is already underway and completion in 1981 will bring the plant's capacity to 8.5 million tons. Total investment for the third expansion of the plan will be \$2 billion. Plans for the construction of another integrated plant with a capacity of five million tons fell victim to the investment reductions.

Korea's total steel production capacity is about 4.5 million tons last year, making the country self-sufficient in crude steel. The Korea Integrated Special Steel Company is in the process of building a new special-steel plant, which will meet the country's entire need for specialty steel by the end of 1979. From there, Korea hopes to rapidly expand exports of steel products such pipe, wire, etc. — plans that reportedly have the Japanese quite worried.

**SHIPBUILDING:** Korea is already one of the world's biggest shipbuilders with an annual capacity of 2.4 million tons. Plans call for rapid expansion of capacity despite the present slump in demand for tankers. With the completion of two shipyards already under construction, capacity will expand to about 4.2 million tons by the end of 1981. The bigger of the two yards is being built at Okpo by the Korea Shipbuilding and Engineering

Corp., which will have an annual capacity of 1.2 million tons. Many have argued that these plans are too ambitious, given the fact that the industry operated at only 50 percent capacity last year and the government already heavily subsidizes yard owners. Nevertheless, the government is determined to make this one of the country's biggest industries, and has even upgraded export targets for 1981 from \$900 million to \$1.2 billion.

**ELECTRONICS:** The electronics industry has been one of Korea's fastest growing sectors, and the government has designated it as a strategic industry. The Gumi industrial estate for electronics has been established to building up the industry, which is now overwhelmingly comprised of labor-intensive assembly of components for such products as color TVs, watches, etc. Last year, production totaled about \$1.3 billion and this will be expanded to about \$2.7 billion by the end of 1981. The government is emphasizing the need to increase the sophistication of the products, stressing in particular computers and semi-conductors.

**CHEMICALS:** As a resourceless country, Korea is heavily dependent on synthetic products, especially synthetic fibers. For this reason, the chemicals sector has tended to stress petro-chemicals, but also includes oil refining, and cement and fertilizer production. Plans call for a tripling of Korea's petro-chemical capacity by 1981, with the expansion of the existing huge complex at Ulsan and the construction of a new complex at Yosu. Petrochemical self-sufficiency should be boosted up to 90 percent by the end of the plan.

At present, there are three oil refineries in operation, and a joint venture with the Iranian Oil Company for the construction of another has been announced. A seventh fertilizer plant has just been completed, with an annual capacity of one million tons, which will add to the country's already large consumption of fertilizer and enable small amounts of export.

— Peter Ennis and Richard Katz



# The Fraud Of Carter's 'Illegals' Program

On August 4 President Carter announced his Administration's long delayed program to crack down on undocumented workers in the U.S. — the so-called illegals. It is a policy, based on false premises, which offers only dubious "benefits" to U.S. workers and illegals, and brutally attacks the economies of sender countries, particularly Mexico.

The Administration has been understandably reluctant to bring the policy into the light of day and is now doing everything it can to portray the program as a "soft" and "humanitarian" response to a problem whose only other solution would be "mass deportation." Mexico, for one, is not buying the line but has very little leverage to force a reversal of what Carter terms the "aggressive and comprehensive steps" of the Administration policy.

The Administration proposals can be broken down into four areas:

\* *Sanctions on employers.* Employers would be obligated to check identification of all workers. If they knowingly hire an illegal, they would be subject to fines of up to \$1,000. Any person who received pay for placing an illegal in a job would face criminal penalties.

\* *Tightening up the border.* The Southwest Border Patrol personnel would be doubled to 4,000 as a first step.

\* *"Adjustment of status" for illegals now in the country.* Those who can prove continuous residence since 1970 would receive permanent resident visas; those who entered between 1970 and Jan. 1, 1977 would be eligible for a new "nondeportable status" which would allow them to work in the U.S. without deportation for a maximum of 5 years. Those entering after Jan. 1, 1977 would be deported as currently mandated.

\* *Aid to sender countries.* The Administration's proposals dwell on one theme: labor-intensive work projects.

To these four areas a fifth, not yet officially announced area should be added: the creation of a "super-agency" which would consolidate all border policing and inspection functions. According to an Aug. 9 *Los Angeles Times* report, such a superagency proposal is being drafted on Carter's request and would merge eight agencies in seven departments taking part in border operations, from policing illegal aliens to drug control and Customs.

## *Contradictions*

What prompted the Administration to take these "aggressive and comprehensive steps"? The President, in his August 4 message to Congress, devotes only one sentence to an answer: the illegals have "breached our nation's immigration laws, displaced many American citizens from jobs, and placed an increased financial burden on many states and local governments."

Yet the very information provided by the government

to back up the Administration's program contradicts or undermines these assertions. A White House memo to newspaper editors dated August 5 states that the charge "that undocumented aliens drain our tax dollars through social services" would be "difficult to document." The memo proceeds to explain the variety of reasons why illegals "are not now a major drain on public assistance programs paid for by taxpayers...." In addition, it notes, "Labor Department studies have shown that most undocumented aliens pay more in federal and social security taxes than they use in social services."

On the question of illegals taking away jobs from U.S. citizens, the White House memo states, "Again, there is a lack of accurate data." A single 1976 Labor Department study is cited which indicates "that undocumented aliens appear to increase the supply of low-wage labor and thus compete with disadvantaged U.S. workers."

## *Politics of a Labor Front*

The question has to be asked why the Administration is giving so much attention to an issue which by its own admission is largely fraudulent.

The answer is contained in the overall package of labor measures now being prepared to create the Administration's "full employment program." It is highly significant that the President's illegals program was finally released the week he also announced his proposals for Welfare reform. Removing as many illegals as possible from low-paying jobs and carefully monitoring those who remain will be a significant element in the Administration's efforts to create low-pay, low-skill armies of U.S. workers within an increasingly energy-deficient and de-industrialized depression economy.

Historically, illegals have taken the menial jobs which U.S. workers avoid if they have any choice — bus boys, dishwashers, domestics, and stoop agricultural laborers. There is no evidence whatever (see Cornelius memo, EIR No. 22, May 29, 1977) that a significant portion of illegals hold down well-paying skilled jobs otherwise open to U.S. workers. The only kind of jobs which may be opened up by the anti-illegals drive is "recycled" menial jobs. Secretary of Labor Marshall, asked by press in an August 4 briefing what the Administration planned to do with the "H-2" program of temporary workers which supplies labor to South and Southwest agriculture, answered that the government should be able to continue "greatly restricting the number (of workers) that are coming in, because we do believe that it is possible, with systematic search, to get people in this country to do most of that work."

One NAACP leader in Washington, D.C., interviewed by the *Washington Star*, commented on such Administration efforts: "It's just my personal feeling but I

think maybe blacks have paid their dues in those menial jobs."

Many labor leaders have apparently fallen for Administration pledges to enforce minimum wage and related work provisions more strenuously as a corollary to the anti-illegals program. They should note carefully the Administration's logic in opposing further hikes in the minimum wage in debate this week. The Administration argued that a higher minimum wage will take away jobs in businesses bankrupted by increased labor costs.

Labor leaders should also recognize that behind the illegals question stands a concerted effort by Administration officials and influential pro-Carter press to force through a national work card system which has a chilling precedent in Nazi Germany. Secretary of Labor Marshall is on record as favoring such a work card. White House documents released to back up the Administration's program are not reassuring on this point. They state that "the judgment was that the enormous financial and civil liberties costs of creating such a card outweighed its potential benefits at this time." James Reston of the *New York Times* is in the forefront of the press spokesmen, including the *Washington Post*, which have responded to Carter's program with a call for a universal ID system — an intermediate step toward a national work card.

Most employers are opposed to the Carter program for

obvious reasons: the illegals are among the hardest working and most poorly paid segment of the work force, doing jobs which are generally not easy to fill otherwise. Additionally, the Administration memos have indicated that enforcement of the employer sanctions "would be limited to employers who engage in a 'pattern or practice' of hiring undocumented aliens." Immigration and Naturalization Service (INS) chief Leonel Castillo has indicated that his department already has lists of such employers, drawn up as a "by-product" of previous INS raids. The scope for discriminatory use of such a "hit list," especially by an Administration increasingly known for its hounding of political opponents, is significant.

#### *Illegals: Turn Yourselves In*

The final question is what is in the program for the illegals themselves? The major East Coast press, largely favorable to the Administration, has bent over backward in its reporting to highlight the so-called amnesty for large classes of illegals and all but ignored the policing features of the proposals. Yet many observers have noted that illegals under the Carter plan will get few if any benefits and would only participate if otherwise faced with massive round-ups and deportation.

The number of illegals who would receive permanent resident status is generally considered to be small — at most 500,000, according to INS director Castillo. The

## Washington Post: The Curse Of Machines

*In the wake of the announcement of Carter's anti-illegals program, the Mexican government has been forced to consider policies that would absorb increased labor at home without laying claim to the economically depressed country's limited supplies of capital. The answer: exactly the low-skill, labor-intensive work projects urged upon Mexico and other sender countries such as Colombia by the Carter Administration. Following are excerpts from an August 13 Washington Post OpEd by George W. Grayson, a professor at the College of William and Mary which presents the rationale for labor-intensive work projects and de-industrialization in a systematic fashion.*

Like so many less-developed countries, Mexico is characterized by a sharp division between its haves and have-nots.

At a time when many Third World nations are narrowing the gap between the rich and poor, this social fissure is deepening in Mexico.

At the heart of the problem is the skill of the haves in protecting their turf. Interwoven with the governing Institutional Revolutionary Party (PRI) they constantly increase their income through union and association memberships, shield themselves from the worst effect of devaluation by hoarding dollars and sending funds abroad and evade and avoid taxes to the extent that Mexicans have one of the world's lowest payment records.

Worst of all, captains of industry in Mexico have

fashioned a manufacturing sector, protected from foreign competition by quotas and import licenses, that has converted the bribery of bureaucrats from an art form to an exact science to keep the government-set prices at advantageous levels. Not only are domestically produced goods unreasonably dear — a great burden on the poor who can't preserve what little purchasing power they enjoy during current double-digit inflation — but furthermore they are produced by capital intensive methods thanks to cheap credit and a slavish devotion to the latest Western technology.

The upshot is that unemployment or underemployment afflicts two-fifths of Mexico's able workers, many of whom live in the shadows of the machines that deprive them of a livelihood. The last point has more than academic interest for the United States, because the number of unsuccessful job seekers each year is roughly 300,000 a figure equivalent to a significant portion of the illegal emigrants who annually cross the Rio Grande.

Mexico's oil wealth offers unique opportunities. Whether this windfall will simply alleviate a critical balance of payments situation and fatten the bank accounts of the rich or whether it will be used by President Lopez Portillo to bridge the gap between the affluent and the poor — most notably by 1) a realistic credit policy, 2) removal of protection from fully grown firms and 3) the creation of jobs through labor-intensive technology — remains to be seen....

overwhelming majority of illegals allegedly to benefit from the President's proposals are those who would trade in their current anonymity from law enforcement agencies for a 5-year guarantee against deportation. According to Attorney General Bell, the guarantee against deportation is bait to get illegals to register. Facing hostile questioning in an August 4 press conference, Bell stated flatly: "This temporary status means simply just that: you register." Bell added, "if you're an illegal alien and all you are getting is an opportunity to register and hope you will be treated fairly later, you wouldn't think that was amnesty." Both Bell and Labor Secretary Marshall emphasized that illegals

would also stand to gain by enforcement of minimum wage and other standards. They did not mention that many jobs for illegals will simply dry up, as marginal enterprises go bankrupt and other employers switch to more capital intensive production. Illegals who register will lack most political and civil rights, and will not be able to draw on federal assistance programs. At the end of five years, as INS head Castillo laconically admitted, the registered illegals could be "very easily targeted" and deported en masse.

Furthermore, there is nothing in the Administration program which would prevent Congress from passing restrictions on the docile labor pool formed by registered

## Castillo: 'The Alternative Is Massive Deportation'

*The major pro-Carter Eastern press has attempted to disarm criticism of the Carter anti-illegal program by portraying the program as the best that the illegals and Mexico can get under conditions of alleged strong anti-illegal sentiment in the U.S. It is, however, these same press outlets which are largely responsible for building up hysteria against illegals in the first place. The role of the New York Times is notorious. A New York Times news dispatch picked up by the Washington Star August 8 begins: "Tijuana — A horde of destitute migrants, estimated by police to number 200,000 to 250,000, is massed around this border city determined to reach the U.S. before Congress acts on illegal plan announced by President Carter...." Subsequent reports by the Mexican paper Novedades revealed that the Times dispatch was a fabrication.*

*Contrasting Carter's "soft cop" status-adjustment policy to the "hard cop" deportation threat, the New York Times has hailed its "humanity and practicality;" the Baltimore Sun called it "bold and enlightened." Immigration and Naturalization Service director Leonel Castillo, in the following interview with Excelsior's Fausto Fernandez Ponte August 7, presented the Administration's attempted "soft line" approach most blatantly.*

*"Blows and Hostility Against Mexicans in U.S.,"  
Admits Migration Service*

The director of the Immigration and Naturalization Service of the United States, Leon Castillo, admitted that his agents, as well as some state police, beat Mexican illegals and North Americans of Mexican origin, and that many of the latter have been deported to Mexico.

Uncomfortable and impatient, Castillo responded to questions in his office — in whose waiting room hangs a photograph of (Mexican) President Jose Lopez Portillo — during an interview that was requested some three months ago and which was granted now in order to explain the extent of "the Carter plan", which deprives several million people of their social benefits in exchange for not being deported.

"We know and recognize that this solution is not

the most equitable," affirmed the official, "but it is the only realistic solution possible without harming any of the countries involved, including the United States. The other alternative is massive deportation, but the return of millions of citizens to Mexico would destabilize the country, causing a revolution...."

### *The Reality*

Castillo described, upon being questioned, these realities: "It is certain that the illegals will not have access to social benefits, to which all of us have rights, but they will be able to continue working in this country. It could become an international issue in our relations with those countries that we are denouncing as violators of (human) rights, but the truth is that there is no other alternative."

"What would you propose?" he asked the reporter.

"To give permanent residence to all, with access to all social benefits," the reporter responded.

"It's not possible, it can't be done. We don't have the votes for it. There is not the climate in the country for that. You should see the letters that I receive, the telephone calls. There is not a single person who does not call for the Army to intervene, the Air Force, massive deportation, shutting down the border. There is hostility, people are frustrated because they believe that the illegals are taking away the jobs.... As you can see, this is the most realistic solution possible without harming any of the countries involved, which are many. Some eight or ten, although we have illegals from some eighty countries. Mexico is the main one.

"It is necessary to realize that all the people here want to deport the illegals...."

The reporter suggested that the Carter plan does not attack the origins of the problem, and thus does not offer a solution, to which Castillo responded: "Each country must seek a solution until it finds it."

To a question on the methods of control of the INS and its incapacity to control the situation, Castillo responded (uncomfortably): "Well, we are cornered. Now we are just a few, but soon we will be many."

illegals, with respect to types of work and geographical area, during the period of the 5-year "guarantee" against deportation.

*The Mexican Connection:  
Labor Intensive Work Camps*

There is no dispute that sender countries will be hurt by any U.S. cut-off in the "safety valve" of illegal emigration, and no country will be hurt as badly as Mexico. Half to two-thirds of the 4-5 million illegals identified by reputable estimates to be in the U.S. at any one time are Mexicans. They carry back significant earnings to Mexico and their jobs in the U.S. provide critical relief for the extremely high under- and unemployment rates in Mexico. As INS director Castillo states in the accompanying interview with the Mexican daily *Excelsior*, mass deportation of illegals would cause "a revolution" in Mexico. What he does not mention is that any program which significantly cuts off U.S. jobs and tightens the border at this time, as Mexico's economy faces its worst depression in forty years, constitutes a point of brutal pressure.

The *Wall Street Journal*, in a lengthy front page analysis of the Mexican situation August 8, emphasized the dangers of the current economic collapse. "The fear in government and diplomatic circles is that civil unrest could break out among angry workers if double-digit inflation and growing unemployment aren't eased. Many believe powerful right-wing industrialists and military leaders would welcome outbreaks of violence by workers and left-wing students as an opportunity to seize power and impose a repressive dictatorship."

In the context of this extreme vulnerability, one of the most extraordinary aspects of Carter's anti-illegal policy is the Administration's almost total disregard for serious consultations with the 9-month old government of Mexican President Jose Lopez Portillo. Though Carter indicated he "welcomed" the "economic development efforts now being made by the dynamic and competent leaders of Mexico" in his remarks to newsmen Aug. 4, observers have charged that the record of his Administration on the issue is shameful. In questioning after Carter's appearance, Attorney General Bell pleaded total ignorance of Mexican government thinking on the Carter program. Secretary of Labor Marshall indicated that he had spoken with Mexican officials more extensively but that there have been no full or formal discussions. "The thing they did say to me was that they realize they had a problem."

One of the background memos circulated by the White House answers a hypothetical question about consultation with Mexico with a carefully worded: "The governments of Mexico and other source countries have been advised of this program."

If the Administration has been astonishingly blithe

about the consequences of the anti-illegals program to Mexico, the danger is acutely perceived in Mexico. President Lopez Portillo on several occasions (see interview in *U.S. News and World Report* July 4 issue, reproduced in EIR Vol. IV No. 28) has energetically protested treating illegals as a "police" problem, and various Mexican government and press figures have sharply criticized U.S. abuse of the "human rights" of illegals. Afraid to incur U.S. wrath with an open attack on the entire program, the Mexican government has released no official comment on the policy to date. However when U.S. Ambassador to the U.N. Andrew Young included Mexico in his Caribbean tour last week to discuss the illegals issue, the *New York Times* reported he received a less than cordial welcome.

Where Mexico is most clearly reflecting the weight of Carter Administration pressure is in the question of labor-intensive versus capital intensive development. The White House stated explicitly in its background report that the Administration will promote aid focussed on "stimulation of labor intensive projects through multilateral lending institutions and financial assistance for the major source countries. Population education programs ... will also be made available. Increased trade with the sending countries, with emphasis on labor intensive products, will be explored — consistent with the objective of not losing U.S. jobs."

Such a labor-intensive emphasis is foreign to Mexico's historic commitment to rapid economic growth based on increased productivity, industrialization and modern technology, and there is raging debate throughout the country over precisely this issue. In recent days there are signs that the government is ceding ground. Natural Resources Minister Jose Andres de Oteyza announced August 11 that the government would provide fiscal and financial incentives to labor intensive projects over capital intensive ones, and high echelons of government are known to be considering some variant of a U.S.-modelled "full employment program" for announcement at Lopez Portillo's State of the Union Address September 1.

Yet the fight continues to be fierce. The day after Oteyza's statement, the conservative business daily *Novedades* editorially called for increasing Mexican agricultural output by putting an additional 5 million hectares under cultivation rather than concentrate human resources in unproductive labor-intensive methods in currently cultivated areas. From another perspective, but equally adamant, a spokesman for the forces associated with former president Luis Echeverria warmly endorsed a new national education plan because it would train students for a development strategy premised on "high technology." These are but the first skirmishes of a major battle.

— Tim Rush

# EIR Daily Energy Intelligence Bulletin

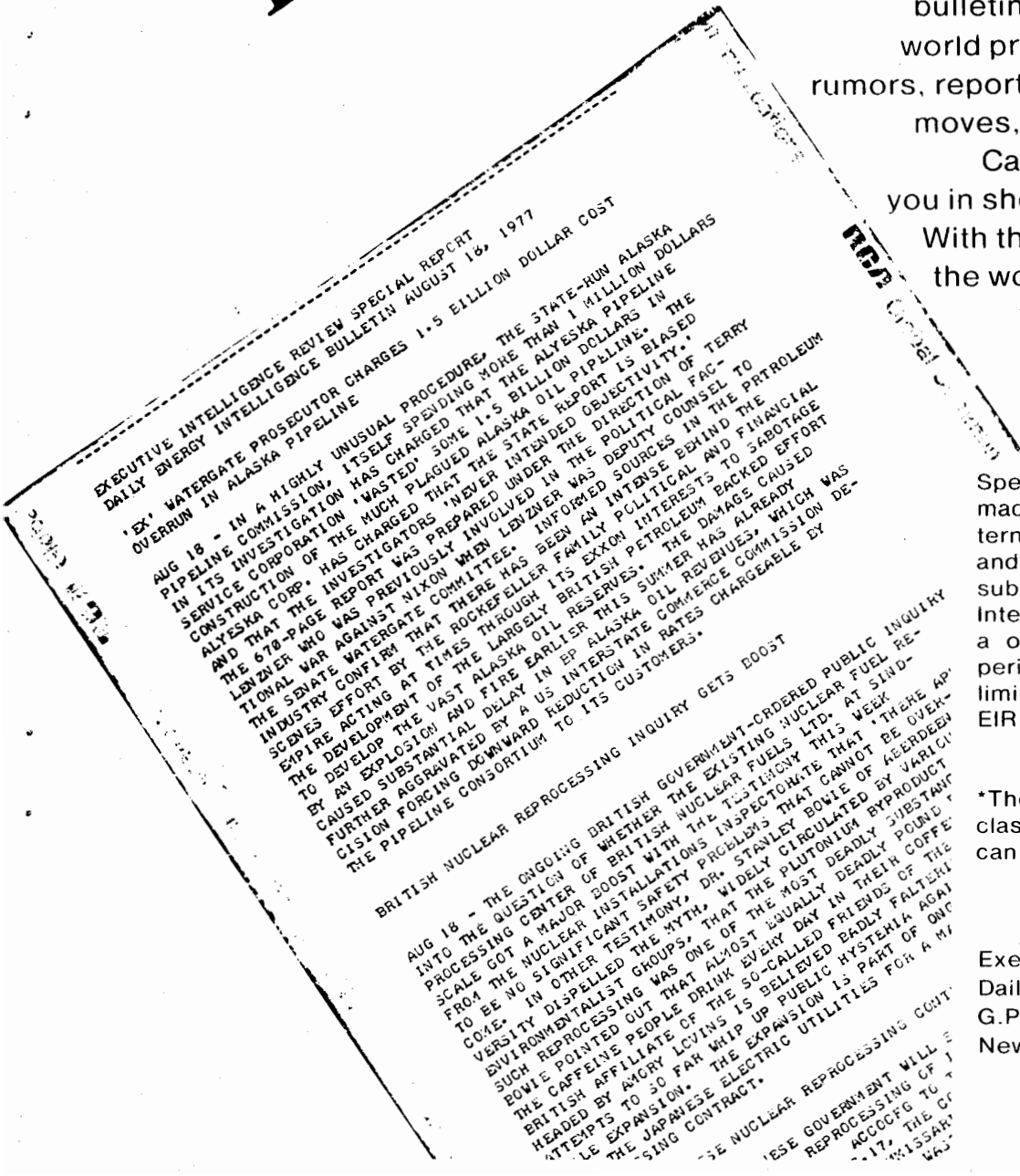
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