

CONSPIRACY NEWSLETTER

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"The News Behind The News."

#6

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REAGAN & BEGIN

The recent meeting and talks between President Reagan and Prime Minister Begin of Israel covered more than Begin's opposition to the proposed sale of five AWACS planes to Saudi Arabia.

They discussed Israel's plans to invade southern Lebanon and the destruction, militarily, of the PLO. Also firmed-up were plans to use Israel as a staging area/depot for U.S. arms and supplies in the event a Rapid Deployment Force had to be sent to the Persian Gulf area to secure the oil fields and ports and pipelines to assure a steady flow of crude to the U.S. and Europe and Japan.

They may have also discussed a cooperative effort (with Egypt) against Libya.

The United States has a contingency plan that involves invasion of Saudi, Oman, Kuwait, and the Emirates, as well as Iraq and Iran if necessary. Tactical nuclear weapons will be used if necessary. Israel will assist us in event of such extreme circumstances. The Egyptian army and air force will also help (those joint "exercises" that occurred a few months ago with squadrons of the U.S. Air Force weren't just for fun).

Libya has in middle and early September been switching its billions of dollars of bank deposits in U.S. and foreign banks from dollars to Swiss francs and German marks.

The significance of this switch is unclear at this time.

9-15-81 Kuwait is shifting \$7 billions out of Citibank. Reasons given are that Kuwait isn't happy with the Rockefeller-controlled bank's investment performance. \$4 billion of the massive account is going to the relatively small investment bank

Morgan Stanley & Co. The balance will probably go to Chemical Bank.

This giant loss of deposits (approximately 30%!) is a terrible blow to Citibank and to its owners. We suspect the withdrawal was motivated by more than simple investor dissatisfaction. This kind

of monster, sudden, total withdrawal of funds has all the signs of a major undercover financial war. The Libyan shift of funds may be part of this struggle.

Speculation: the arabs/Moslems are hitting the rulers of America in their most vulnerable spot---liquidity. The arabs/Moslems are aware of the linkage between Egypt's crack-down on fundamentalist Moslem opposition to Sadat, Israel's new position as super base for American weapons and supplies (and as an American "police force" in an emergency), and the plans for new, decisive Israeli and/or Egyptian moves against Libya, Lebanon, Syria, the PLO....

The Saudis may join this war of dollars if Congress refuses to allow the Reagan administration to sell those five AWACS planes to the Saudis. The desperation of the administration to make the sale may be explained better by Saudi economic threats than by vague "protect the oil fields" policies and plans.

Citibank can likely survive this \$7 billion loss by massive borrowing from its foreign operations and from borrowing from an accommodating Federal Reserve. But we wouldn't be surprised by a "run" on Citibank.

If Saudi Arabia starts moving its multi-billions in punitive ways, or begins to shift out of dollars...there'll be all hell to pay.

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Update 9-24-81 The total dollar total of OPEC investments in this country is probably far larger than the U.S. Treasury Dept. is reporting to Congress. David Mizrahi, editor of MidEast Report, a New York Newsletter says the Treasury is counting only one-third to one-quarter of OPEC's investments in the U.S. "Arab sources" have told him that Saudi investments in the U.S. may be as high as \$100 billion, Kuwait's \$55 billion, and the United Arab Emirates \$45 billion.

That is a lot of leverage if these OPEC nations decide to use it. Even by Treasury figures OPEC has \$35 billion in U.S. govt. securities.

SADAT CLEARS THE DECKS

One thing to remember about Egypt; Anwar Sadat is a dictator. He is a nice man, pleasant, cooperative with U.S. governments, but he is a dictator.

Recently he had 1,536 religious opponents arrested under cover of ending the strife between the Moslem majority and the Coptic christian minority in Egypt.

But actually the crackdown was designed to neutralize Sadat's fundamentalist religious-political opposition.

Yet...is Sadat so weak that he feels he must arrest so many clergymen, priests, journalists, politicians, lawyers and educators? Why now?

CN believes Sadat has moved now---including the significant act of taking over supervision of 40,000 mosques to "assure that they were used solely for religious purposes"---because he intends to wage a war against Libya in cooperation with the United States, Israel, and possibly Algeria.

William Safire's column has a significant "advice" to the U.S. government which we believe signals power elite policy which is being surfaced little-by-little to prepare the American public for U.S. support of Egypt when Sadat takes the plunge against Qaddafi. That part of Safire's 9-8-81 column reads:

'...we should give Sadat those ordinary military supplies he needs to keep his army in line, and perhaps to pre-emptively

ARCTIC ICE AND ANTARCTIC DEATH

There have been several murders at the American base, Little America, in Antarctica. The homicides are unsolved. These facts have been covered up by the U.S. government.

All of the personnel at a secret U.S. military base in northern Alaska were rendered unconscious for a short period several months ago.

Those men on duty were sent into a trance state; none could later remember anything that occurred during that period. Those off duty and awake also were "tranced." Those asleep remained asleep. No one in that base was awake or conscious for a period of several hours.

Sources report that insiders at the Pentagon are worried that the Russians may have perfected a new weapon which affects the mind. NBC Magazine (TV) recently presented a story on Russian experiments with psi-talented people and concluded that the Russians may have achieved a workable psi system.

Both the United States and Russia have been exploring the possibilities in so-called psychotronic weapons...weapons which use mental powers as their source of energy. A breakthrough by either side would give that nation an advantage in overt and covert operations throughout the world.

The incidents at the remote Arctic and Antarctic bases may have been secret tests of psychotronic weapons---by either side. The U.S. has in the past frequently used unsuspecting military personnel as test subjects in secret, risky experiments.

defend against Libya if such a nation-unifying adventure is required. We should urge him not to use these bullets against his internal opposition, which will help assuage our conscience if he does.'

'Pre-emptively defend'---what a beautiful, Hitlerian phrase. Something right out of Orwell's 1984.

The power elite of the United States owns Sadat; they put him in power in Egypt and saved the Egyptian economy with massive loans and gifts (from the U.S. treasury). That aid continues.

Sadat Update 9-17-81 Sadat has thrown the Soviet ambassador and 1500 Soviet advisors out of Egypt. The cover story justifying these mass expulsions is that the Soviet diplomats at the Russian embassy were inciting Moslem-Christian strife in Egypt.

Of course they were. They were also funding political opposition to Sadat, and have been for years and years. The significance of this mass expulsion is that it is another phase of the elimination of opposition by Sadat so that his coming military moves will not bring on a revolution or provoke serious problems in the cities and mosques.

This expulsion of virtually every Russian in Egypt is also a sign/signal that Sadat has thrown himself into a near-complete alliance with the United States and its power elite.

A related, linkage-story appeared from the AP today: A Libyan bomber was shot down in Sudan yesterday. The two crewmen were killed.

Libya intervened militarily in Chad last december and maintains some 12,000 to 15,000 troops there. They are supporting pro-Libyan President Goukouni Queddei.

Chad is directly south of Libya, and Sudan adjoins Chad on the east, adjoins Egypt on the south.

Mark this: Sudan and Egypt, linked by a joint defense pact, have said repeatedly that they feel threatened by the large Soviet-equipped Libyan presence in Chad, and have warned they will act if their sovereignty is violated.

It wouldn't take much to arrange an "incident" when Egypt, the Sudan, and others are ready to move.

Sadat Update 9-23-81 In an NBC interview Tuesday, Sadat said the U.S. has been buying Soviet-made weapons from Egypt and flying them in American planes to anti-communist rebels in Afghanistan.

The U.S. contacted Sadat immediately after the Soviets intervened militarily in Afghanistan in Dec. 1979 and asked for arms from the Egyptian military's left-over Soviet-made weapons. (Egypt has been changing-over to American-made weapons for a decade or more.)

Sadat said that the American government "very generously" paid for the Soviet-made arms. In addition, the U.S. government provides Egypt with \$1 billion in yearly aid.

CN wonders why Sadat broke this secret arrangement? And why now?

CN ANALYSIS CONFIRMED

A British television report on TV Eye, a current affairs program of Thames Television Network, confirmed our analysis of the shooting of the pope.

"Both the Vatican and Italian security forces suspect the Soviet KGB secret police of involvement in the attempted assassination of Pope John Paul II in Rome last May."

"The motive was the pope's defense of the independent Solidarity labor union's stand against the communist government of his native Poland."

The British newspaper, GUARDIAN, reported that the Vatican has told the U.S. of its suspicions and the accusation "is being taken seriously in Washington." It is further reported that the story has been discussed by senior political figures in Washington and "analyzed by the CIA and the National Security Council."

TV Eye also suggested that Mehmet Ali Agca, the 23-year-old Turk convicted of shooting the pope, was accompanied by another gunman at the time of the shooting.

Julian Manyon, a reporter who helped produce the program, said, "The working theory held by the Italian government and the Vatican is that (mehmet) Ali Agca was not a lone fanatic but part of an international conspiracy with its roots in East bloc countries."

RUSSIAN MANEUVERS, AGAIN?

It seems as if the Russians and/or the Warsaw Pact countries are "on maneuvers" in and around Poland every two or three months. At first these menacings gave Solidarity pause...but as the military huffings and puffings come and go with no invasion of Poland, the Solidarity leadership and rank and file no longer pay much attention.

In the meanwhile the Polish communist party government grows weaker, more ineffectual, and desperate. And Solidarity is talking of conducting its own nation-wide elections to decide national economic policies...and is talking about broadcasting its own TV shows (with its own transmitter!) since it can't control the reportage on government TV of its affairs and viewpoints.

We are astonished that Russia has refrained from a take-over. We also know from Western military analysts that the Russians will not feel 'comfortable' unless they move in with at least 500,000 men. Poland is a special case requiring overwhelming intimidating forces.

In the meantime, the Polish economy continues to sink into shortages, ever-lower production, and ever-greater deficits. This coming winter will be very difficult for the Poles.

Poland Update 9-21-81 Tad Szulc in PARADE (9-20-81) writes that one of the major reasons why Russia has refrained from military intervention in Poland is that the Polish generals decided to support the democracy and decentralization movement in Poland, told the Communist Party Central Committee so, and the Central Committee in turn relayed the message to Russia. Russia's problem is that with the Polish army and air force questionable and possibly ready to fight an invasion, a tremendous force would be required for an invasion---one million men?---and the mobilization and positioning of such a force could not be masked; the element of surprise would be gone and Russia and the Warsaw Pact armies would face a prepared, mobilized Poland.

Instead, the Russian rulers have apparently decided on an economic pressure game; they have cut back on oil shipments and other aid shipments with the intent of forcing the Polish communist government to crack down on Solidarity. Such a crackdown would result in nation-wide strikes, demonstrations, etc. and further economic chaos, food and fuel shortages, and would force the Polish government to ask Russia and the Warsaw Pact countries to intervene to save "socialism" in Poland. Russia hopes by that time that enough Poles would agree that strong measures must be taken to end the "chaos and anarchy". Much will depend on the attitude of the Polish military at that point...and the feelings of the rank and file Polish soldier.

One sign of the depth of Poland's economic hole is this: Richard Russell in DOW THEORY LETTERS writes that Poland is so short of Western hard currencies that its government was unable to pay for, or take delivery of, a large order of Polish paper money from a London banknote company.



SOCIAL SECURITY CON GAME

Government "commentators" and apologists and fellow-traveling media (like THE Kiplinger Washington Letter) who shamelessly echo the official line on economics, have been spouting something like this concerning Social Security benefits:

"A person who retires at 65 this year and who has paid in the maximum tax each year...1937 through 1981...has contributed a total of about \$14,800. His benefits of \$753 a month will return every dime that he ever paid in within 20 months. And if he lives to 79, his current life expectancy... he will collect \$126,500, not counting cost-of-living boosts. Not bad."

The message is that the retiree is getting far more than he is rightfully due and shouldn't complain if this "unearned" extra pension bonus is cut a bit to save the system.

Ah, but these conmen deliberately forget to figure in the accumulated, compounded interest your weekly or bi-weekly or monthly or quarterly payments would have earned over those 45 years... Instead of \$14,800 credit to your name, you'd have nearly \$50,000 in your account, and your \$753 monthly pension payments would be merely the interest-earned on that principal of \$50,000 per year at current interest rates.

It used to be in the government's interest to let the workers think their Social Security account was a vested, accumulating account. It never was; the money comes in one day and is paid out the next. As long as enough money came in to pay present-day retirees, everything was okay, in spite of all those billions of dollars of future retirement obligation being built up.

Now not enough is coming in, the "fund" is running a deficit, and suddenly it is in the interest to the government to talk about Social Security as a welfare system which is overpaying benefits to those people who haven't "really" earned them.

Watch congress and the administration squirm and wriggle and lie as the progressively shrinking economy results in less and less income to the "fund" and forces them to cut Social Security benefits in the face of huge

deficits and near exhaustion of the reserves.

There is no way for these jokers to avoid this cutting and admitting their earlier incompetence and lies. No way short of a mind-boggling inflationary binge and total government control of the economy, which would be an even worse national disaster.

MX Update 9-24-81 CN recently had the opportunity to talk with a retired U.S. Army general (very well known) about the Mx missile system. He maintains that most military professionals think the system is "...so ludicrous it could only have been invented by some bored pencil-pushers at the Pentagon."

He went on to say the system is vulnerable because one well-aimed Russian missile could disrupt the system's critical railroad transportation, used to move the Mx, so badly that "seventy-five percent of the system would be rendered inoperable." He also stated that the Mx could precipitate Russian development of multiple (or MERVED) warheads. Such a development would give the Russians superiority over the U.S. in the number of nuclear warheads.

SOMETHING BIG IS BREWING

CN has encountered a curious phenomenon in recent weeks. Several of our sources have stopped talking to us for fear they are being monitored by a new, supersecret U.S. domestic intelligence agency (the Internal Security Agency) which supercedes any current intelligence agency. It reportedly answers only to the White House, and as one source remarked, "Considering how often President Reagan is informed of substantial details by his aides, the reports probably are seen by David Rockefeller before anyone else." The new agency was formed to spy on government workers to make sure the current spate of information leaks is stopped.

Another source says something else might be the reason behind increased domestic spying. This source says that "Something big is up in the

foreign policy area, something so big that the powers-that-be do not want word of it to leak out, like the Libyan plan did." (The Libyan plan was the one involving Egyptian troops and Israeli planes along with covert U.S. activity: an attempt to overthrow Libya's leader, Colonel Qaddafi.)

Rumors indicate the secret foreign policy operation could have something to do with either Libya again, or Cuba, whose leader, Castro, recently again accused the U.S. of trying to poison him.

CRUNCH!!!

The IRS, acting at the behest of powerful financial interests, threw a wet towel for a few days on the flow of savings from banks, money-market funds, and the bond markets into the new All Savers certificates which the savings & loan industry engineered through Congress a few months ago.

The certificates offer an interest rate of 70% of the 6-month Treasury bill rate when the certificates are bought. The new certificates will be offered beginning October 1, and the first \$1,000 of earned interest is tax-free to an individual certificate holder; \$2000 is tax-free to husband-wife owners.

To attract huge amounts of funds, many S&Ls were offering loss-leader interest payments for the period leading up to October 1: some of these bribes offered 40% interest.

The IRS tried to scare certificate-buyers away by claiming these high rates were being offered only if the buyer agreed ahead of time to put his investment into the All Savers certificate at the issuing S&L. 'May be illegal.'

After a White House meeting it was agreed that the tie-in clauses in the agreements would have to go. The S&Ls complied.

The IRS action only delayed a massive shift of funds to the S&Ls. Some experts estimate up to 240 billion dollars will flow back into the savings institutions where 75% of those funds must by law be used to fund mortgages and home-building.

The S&Ls get money at an estimated 11% and will probably be saved from massive bank-

ruptcies in the next year. The certificates are for one year.

BUT---the Catch-22 is this: those billions of dollars which will be tied up in mortgages will then be lost to the pool of liquid funds which are available to be borrowed in the capital markets. Result: cash-strapped business, local governments, individuals, and the federal government will then be bidding up interest rates in a scramble to borrow from a smaller sum total.

Congress, in order to save the savings & loan industry, has condemned everyone else to progressively higher interest rates. It's called robbing Peter to pay Paul. The ensuing higher interest rates will further shrink retail sales, bankrupt major corporations sooner, and force radical reductions in manufacturing and very high unemployment. As a result of those developments the S&Ls will be faced with sudden increases in mortgage defaults as buyers---unemployed---cannot make payments.

And so it goes. Attempts to save this industry or that will only worsen the overall situation.

The current collapse of the bond markets, the commodity markets, and the stock markets are causing increasing panic among politicians. We expect further hysterical legislation as special interests and the public pleads for the administration and Congress to 'do something!'

Crunch Update Some desperate Representatives and Senators are talking about punitive tax laws against investors: an excess profits tax on interest income, for instance, if interest rates don't come down soon. Or wage-price-profit-interest-rate controls if interest rates don't come down soon.

These politicians went home for a vacation in August and got their ears bent out of shape by increasingly desperate businessmen and homeowners as their debts come home to haunt them in the form of increasingly hard dollars.

They blame the current high interest rates on selfish banking interests and the Federal Reserve Board. And they think that by punishing the people with money to lend interest rates can be driven down. Exactly the op-

posite would happen: an excess-profits tax on interest income would compell loaners to demand interest rates high enough to compensate for the extra tax.

Interest rate controls would simply dry up the supply of funds available to loan as investors switched to buying things, or simply holding cash. A depression would follow very swiftly if either "punishment" was enacted.

There simply is no way to avoid the consequences of decades of easy-money debt creation.

A resort to inflation again---one more time---would destroy all credibility in the government and the Fed, the dollar would plunge in value, interest rates would rise to horrendous levels, inflation (the cost of living) would escalate to 30-40% per year...and those politicians who engineered the debacle would be out of office so fast....

Currently there is "talk" of the United States going back on the gold standard in order to impose automatic discipline on government and private debt creation. BUSINESS WEEK of Sept. 21 has a long article on the problems inherent in such a move. And CBS recently had a news TV feature on the gold standard. The WALL STREET JOURNAL has had a running examination of the gold standard pro and con.

But until the government can at least come close to balancing its yearly budget and reduce its increasing deficits, returning to a gold standard would only make matters worse: the discipline would shrink loanable money supplies and ---again---plunge the country into a depression.

But frantic politicians and debtors will try any avenue of economic insanity to escape the consequences of their folly.

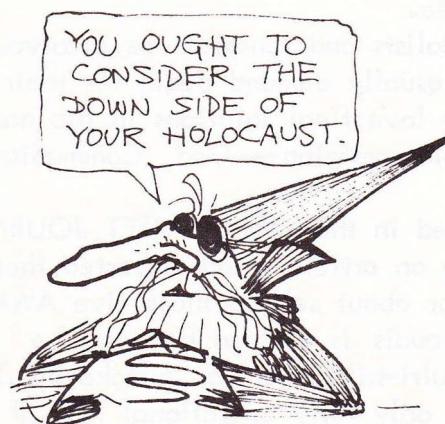
We expect some interesting and very stupid behavior and crazy talk in the next six months.

Crunch Update 9-18-81 A lot of economic stats came out today and yesterday, all pointing to at least a recession this winter and coming spring.

Consumers, in August, continued to spend too much to maintain their standard of living, and saved even less than before. Housing starts are at depression lows, and building permits are even lower. Production decreases, sales are stagnant, unemployment claims are increasing each week.

Note that Chrysler is now building fewer cars than this time last year when it was in the throes of near bankruptcy. The coming winter's even lower sales rates will finally sink Chrysler.

Remember that Reagan's vaunted deep budget cuts haven't hit yet! They will begin to bite in October. Further budget cuts will in turn contract retail sales, force production cutbacks, increase unemployment... which will shrink tax revenues for federal and states and counties and cities, forcing more budget cuts.... It's a deadly feedback which will accelerate the decline and its consequences. By that time the 4.7 trillion dollar debt monster we have created



will be chewing and slashing everyone who must pay debts and is faced with insufficient cash. The screams will be horrendous. How frightful! How delightful. Cash will be king; in an effort to raise cash, individuals, businesses, corporations will cut prices to the bone, to ridiculous lows. And interest rates will be at incredible highs as corporations fight to borrow at any price to stay in business, as the money pool is snarled over by the government, states, locals, corps., etc.

The coming debacle should teach this country (and the world) a great lesson, which will take many years to forget. The cycle will repeat.

LAST MINUTE NOTES 9-28-81

Fierce street fighting in Tehran, Iran, between the Khomeini govt. forces and the left-socialist forces, involving machine guns and grenades suggests that the government's execution of 20-40 people per day isn't discouraging its opponents. When the "ins" use torture, execution and other extreme methods to stay in power (as did the shah, as are the moslem fundamentalists now) they can expect no mercy from the revolutionists if the revolution succeeds. That old truism, "As ye sow, so shall ye reap", has a very direct and immediate application to revolutions---if the ins become outs.

Some South and Central American countries, who have a revolution every year or so, have learned to be moderate in that respect: the government capitulates easily, a new Colonel takes over, and the former "Presidente" goes into retirement or exile.

When idealists and fanatics are involved, however, they usually demand death for their opponents; they love final solutions in the name of their particular religion---God, Communism...

There appeared in the WALL STREET JOURNAL a few days ago an article which reported that the current furor about selling those five AWACS planes to the Saudis is a fraud because the AWACS is a multi-billion dollar mistake by the Pentagon, it is only fully operational 15% of the time, and in the hands of Saudi technicians

will likely be "down" 99% of the time. In actual practice, if the Saudis can keep one of the five planes partially operational and in the air six months after they accept delivery, they'll be very lucky.

And of course the Israelis will know exactly where all the planes are, will know which are in the air, when, where, and will without a qualm shoot down any AWACS nearby if circumstances warrant it, in their view. They had no problem blowing the U.S.S. COLUMBIA out of the water (an electronics spy ship) during their last war with Egypt/Syria. The U.S. media buried the story, and the U.S. govt. promptly gulped, shrugged, and began an expensive emergency air

resupply operation to replace the tanks, aircraft and munitions lost in the Sinai.

The Israeli furor over AWACS to Saudi Arabia is a phoney; its real objective is to extort another billion dollars in military and economic aid from the Reagan administration. The 57 U.S. Senators who have signed up to vote against the sale of five AWACS to the Saudis are doing so because of extreme pressure from the Jewish lobby (money-votes) in this country. Their concern about letting all that AWACS sophisticated electronics get into the hands of an unreliable, unstable country is a smoke-screen; the technology involved isn't anything the Russians don't already have.

The Reagan administration is going to have to face the moment of truth regarding its power vs. Congress: Congress will not make substantial new cuts in the 1982 non-defense budget unless substantial cuts are also made in the defense budget. Period.

In addition, the projected 1982 deficit realistically is now in the range of 70 billion dollars. The Democrats will not balance the budget by 1984 by means of cutting spending; they find it easier to increase taxes, and resort to inflation to devalue the dollar and increase revenues in that way. The public, burned by a deep recession in 1982, may decide to give control of the Senate back to the Dems. in the fall 1982 elections. That would neutralize Reagan and undercut and largely negate his programs.