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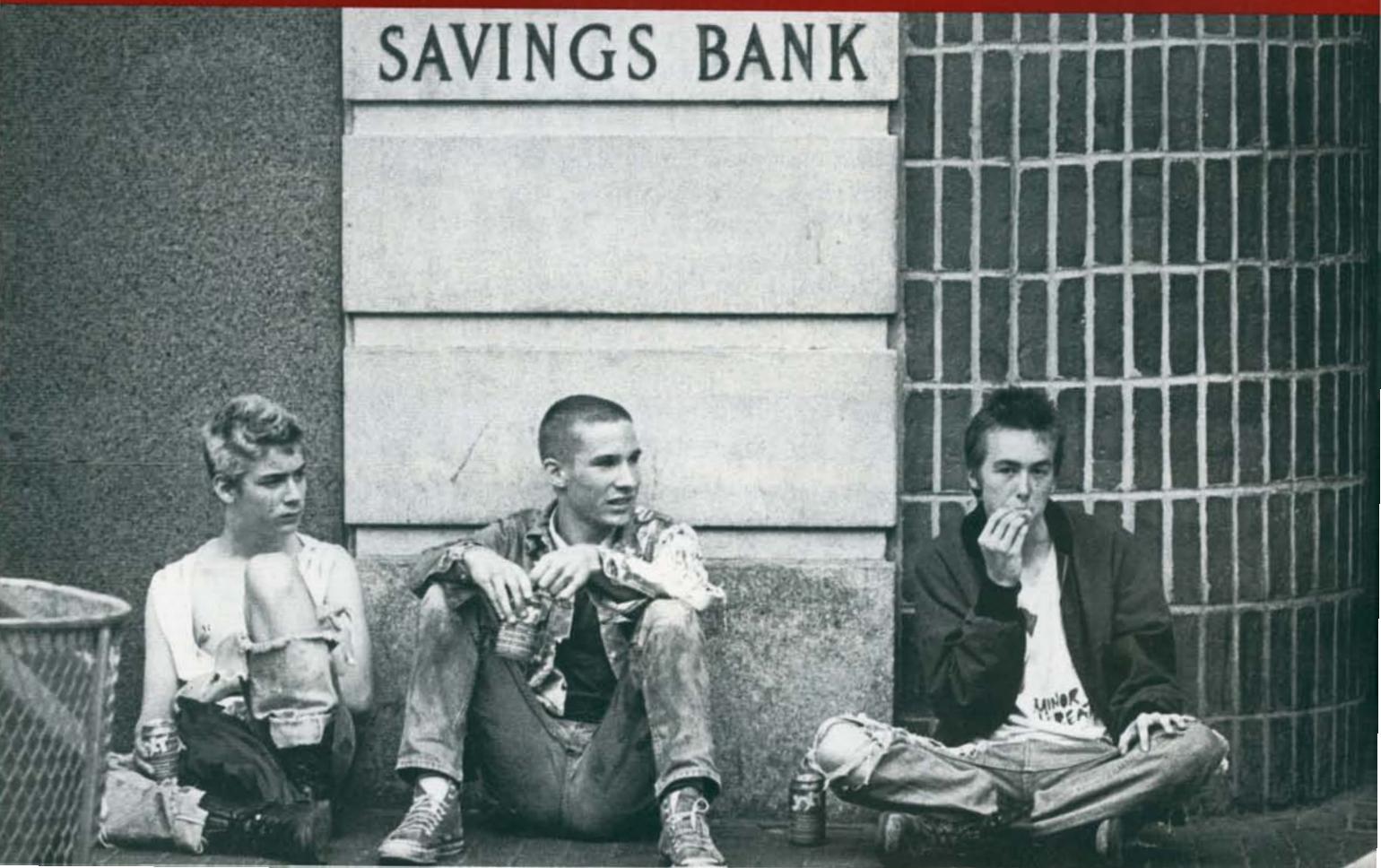
Executive Intelligence Review

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German unity drive opens way to LaRouche's SDI
Kissinger out as presidential adviser
Remember the martyrs of African development

**Your money's not safe—
U.S. banks about to blow**



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The world is changing at such a fast pace these days that it's hard to keep up! The revolutionary developments in Eastern Europe and the imminent reunification of Germany (see page 34) hold great hope for mankind, if statesmen implement the economic recovery program that Lyndon LaRouche has laid out over two decades. Chancellor Kohl's visit to Moscow resulted in exactly the sort of initiative that LaRouche recommended: a "food for peace" program to stabilize the Soviet Union and Eastern Europe, in exchange for sweeping political concessions from Moscow.

With the bankruptcy of Drexel Burnham, one of the pillars of the Wall Street Establishment has fallen, making it clear to all that *EIR's* and LaRouche's warnings of the onset of the century's worst economic depression are deadly accurate—contrary to the official lies of the Bush administration. See the leading article in our *Economics* section (page 4) for LaRouche's forecast of what will happen next.

Our *Feature* (page 26) analyzes the crisis in real estate and banking, and presents the LaRouche alternative: a banking reform proposal issued one year ago, and never implemented by a President Bush confident of the supposed "recovery."

Another dramatic development, full of hope but also of great danger, was the release of Nelson Mandela in South Africa. You will find LaRouche's comments on that on page 40.

And for an extraordinary turn of events that you will read about nowhere but in *EIR*, the Soviet Foreign Ministry has released a "trial balloon" indicating openness to U.S.-Soviet cooperation on ABM defense—to replace the postwar strategic balance of terror with a new strategy of Mutually Assured Survival (page 36). This was the very argument that LaRouche made in 1982, before President Reagan's inauguration of the SDI—the argument that Moscow rejected overwhelmingly at that time. In a reply to the Soviet statement, LaRouche discusses the basis for such a policy to succeed, and why it is urgent at this time.

Finally, we note happily the resignation of Henry Kissinger from the President's Foreign Intelligence Advisory Board, thanks to the media uproar which *EIR* began over, his conflict of interest (page 64).

Susan Welsh

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Notice to Readers: We are omitting our usual "Currency Rates" chart in this issue to bring you, instead, an overview of currency movements in the article on pages 6-9. The normal weekly chart will resume next week.

Feature



Philip Ulanowsky

A scene at Harvard Square in Boston, where New England's banks have caught the "Texas disease." The reserves of America's banks, like the nation's "youth culture," have no longer a foundation in reality.

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LaRouche issues a warning of financial shock ahead

by John Hoefle

The events of mid-February show that the pace of the collapse of the nation's financial system is accelerating at a breathtaking rate. The dramatic highlight was the bankruptcy of the king of the junk bond industry, Drexel Burnham Lambert, amid rumors of a multibillion-dollar covert operation by the Federal Reserve to prevent a panic in the markets. That was combined with the Bank of New England's borrowing of over \$2.5 billion from the Boston Fed over the past month just to cover the run on its deposits, and the blank check the Bush administration has arranged in an attempt to rescue its moribund "bailout" of the rapidly dying savings and loan system.

The financial house of cards is falling because the rock upon which it is built, the physical economy of the United States, once the pride of the entire world, has crumbled. It is no longer capable of sustaining itself, much less the speculative parasites which have infested it. The breakdown of the nation's physical economy was underscored in January, when the United States imported 54% of the oil it consumed, an all-time record, making us more dependent upon foreign oil than at any other time in our history. The U.S. auto industry, which accounts directly and indirectly for about 20% of the nation's economy, is in a tailspin. Once the world leader in auto-manufacturing technology, the United States has fallen a half-decade or more behind the Japanese.

Even by the Federal Reserve's own fraudulent and politically revised statistics, U.S. manufacturing output in January was at the lowest level in the last three years. The physical economy has already collapsed, resulting in the utter bankruptcy of the financial system. All that remains is for the wall of illusion—or delusion, more accurately—to collapse, and the panic to begin, a process which is rapidly drawing near.

From his exile in a federal prison—where he nonetheless

is able to monitor and influence world events in a manner beyond the comprehension of the bureaucrats and bunglers of the Bush administration—celebrated political prisoner and Democratic candidate for the 10th Congressional District of Virginia Lyndon H. LaRouche issued a warning that the United States faces the greatest financial collapse in its history during the March-April period this year.

LaRouche's warning

In a statement issued Feb. 15, LaRouche said, "It's the proper time for me as a candidate and also as the world's leading physical economist at the moment, to make one of my occasional forecasts. This time, I shan't change my last forecast but shall merely emphasize it in the light of recent developments. Those of you who are paying attention and were not cut off from the news, know that last spring and summer I forecast another round of financial crisis in the U.S. financial markets to hit plus or minus a couple of days, either way, of the Oct. 10, 1989 key date. Most financial forecasts are situated with reference to the 10th of the relevant month, particularly the first month of the quarter.

"Now I forecast at the time, a significant drop, but whether that drop would be the real bottom in this round of crisis, was questionable. I said there was a 75-80% chance approximately that the October crisis could be comparable to the October 1987 one in terms of impact, but that there were a couple of other things to consider, which made it different from 1987.

"First of all, in the aftermath of the October 1987 crash, which I had predicted, the Bush crowd in the Reagan administration had created a set of safety measures to be put into effect to rig markets, to try to delay and soften the impact of any new financial crash. Treasury Secretary Nicholas Brady was a key figure in this, but not the only figure. And I expect-

ed naturally that the full force of the administration's ability, together with people like the Morgan banking interests and Federal Reserve, to control or manage any new crisis, would be put into effect in October.

"Therefore, I said, that if they do that which they're perfectly capable of doing, that will mean we'll begin to feel a new decline in the markets following October, after Christmas, in January. And then I said that the probability is that by the March 10-April 10 period, there will be a 95% probability that the major crash of this round will have occurred. So today, I say that's the way she stands.

"To date, I've forecast this round of the financial crisis to begin, plus or minus a day or two before or after Oct. 10, 1989. Well, we had a 200-point official drop on the 13th of October, and a much bigger drop behind that official index figure. But the Brady mechanisms did go into effect. As a result, the financial crash of October was moderated.

"But then, as I had predicted, right after Christmas, things began to hit, and from early January 1990 on, there has been a consistent slide downward in U.S. financial markets, particularly with new developments in the bond market leading up into the collapse of the major junk bond firm Drexel Burnham Lambert.

"Now we're looking at any time from now on, but most probably between March 10 and April 10, another major international shock. This next shock, many people project, will be launched in or around the Tokyo market, and will involve pressures on the Tokyo financial system from the inflated Japan real estate market. But actually, the cause of the crisis will not be internal to Japan but will be the condition of the international financial markets.

"So there she blows. We're headed into it, the Bush-Brady mechanisms are wearing down, they're reaching their limits. We're heading into new financial storms with a big one coming up, a 95% chance between March and April 10 respectively. This, of course, will not be the last drop. If we go through this without any fundamental change in policy, if the Bush administration continues to cling to the policies of the past 10 years, then we're headed for a much bigger one, perhaps a year or so after this spring. But right now we're looking at a major drop, comparable in effect to what happened in 1931, in markets beginning this spring."

Downslide in infrastructure

"So far today I've only been talking about financial markets," LaRouche continued. "Behind the scenes, there has been a steady drop in the physical economy since 1970. There has been no net growth in physical terms in the U.S. economy since 1970. It started as a slide down in basic economic infrastructure: water systems, general transportation systems, power production and distribution of power, and so forth. There was also a deficit in urban social infrastructure: education and health delivery systems and so on.

"Next we had, from the middle of the 1970s, a very

visible and accelerating collapse in agriculture. Agriculture now is down maybe 50% from what it was in the middle of the 1970s, in terms of strength and gross productivity.

"Then we had simultaneously a gradual erosion in manufacturing. So manufacturing now is collapsing.

"This collapse in infrastructure, agriculture, manufacturing, has continued over 20 years to date, without respite. Despite the ups and downs of the financial market, constantly the real economy, the physical economy, has been collapsing.

"More recently, exports have been sliding off, because of the condition of the world markets, and because we don't produce any more goods which are export-worthy. This is not the fault of Japan or West Germany, it's our fault. We no longer allow people to invest in high technology, therefore, we're no longer competitive. And until you rein in some of these environmentalists, and stop these stupid environmentalist laws, we're going to become less and less competitive on world markets.

"Now, finally, imports are collapsing, which some people think is good. That means our balance of trade deficit is getting less pressure from imports. But the reason we're having fewer imports is that we no longer have the buying power we had a year or so ago. And that's why we're importing less. So we're going into debt less quickly because we're starving ourselves.

"The political point to sum up is not the forecast as such, though it's important to know what is likely to be happening around the corner; the significance is until we wake up, and throw out the policies which have dominated Washington, in finance, economy, tax policy, and so forth, over the past 20-25 years, this country is headed for the junkyard. So if you don't want the U.S. to head for the junkyard, you'd better find some candidates like me who are for a return to the kind of economic recovery programs some of us remember from the late 1930s and Franklin Roosevelt, or from the early 1960s and John F. Kennedy."

The golden goose

The prime example today of the type of economic recovery program needed to revive the U.S. economy is the Paris-Berlin-Vienna economic triangle put forward by LaRouche, which is properly developed has the economic potential to turn Europe into the leading edge of world economic development, and to provide the means by which the United States' own economy can be rebuilt. LaRouche compared this project to "the goose that lays the golden eggs."

"I have said before, and I shall repeat again," LaRouche said, "the current political history of Europe is a tale of two geese. There is the golden goose, the goose that lays the golden eggs, the triangle prospect on the continent of Europe, and in London, there is that silly goose, Margaret Thatcher. What does that say about George Bush? What kind of bird is he?"

The Bush factor: International funds flee depression, pact with Gorbachov

by Chris White and Steve Parsons

Over the last couple of weeks one has unfortunately heard a lot of talk about the emergence of a so-called "Gorbachov factor" on the international markets. The simple version of this, promoted by the *Washington Post* on Jan. 28, and by the *Wall Street Journal's* Dow-Phone service, has it that threats to Gorbachov's power prompt international investment funds to seek security in the dollar; and, conversely, that security for Gorbachov means safety for the same funds outside the dollar.

This thesis was originally put into circulation via the pages of the *Wall Street Journal* by the London investment house N. M. Rothschild. Threats to Gorbachov, it was argued in the middle of January, promote chaos and instability in Central Europe, and therefore encourage capital to seek safety in the United States.

Political reality is diametrically opposite. The Rothschild-originated nonsense about a so-called "Gorbachov factor" is a straightforward deception, aimed especially at enlisting the uninformed and stupid among U.S. influentials, among whose ranks the editors of the *Wall Street Journal* can usually be found. The aim is opposing the realization of the enormous economic potentials that are opening up in Germany and Central Europe.

Europe's economic bonanza

West Germany's industry is being capitalized for an investment boom premised on the economic development of the newly free nations of Eastern Europe. The withdrawal of foreign funds confronts the United States with the choice of either changing its policy to get in on that boom, or continuing the accelerating slide into the self-destruction of an unnecessary new depression.

The equity boom in West Germany, complicated by London's financial warfare (see page 11), represents the first indications of the political and economic potentials embodied in Lyndon LaRouche's proposed "magic triangle" high-speed railway and infrastructure-based development of the area bounded by Paris, Berlin, and Vienna, as the economic core for development of the approximately 500-million-person emerging superpower embodied in the integration of

Eastern and Western Europe (see *EIR*, Feb. 2, 1990, "Paris-Berlin-Vienna Triangle: Locomotive of the World Economy"). Over the next 5-10 years, development of the core area bounded by the triangle, and the connected areas of Poland, Hungary, and Romania to the east, could amount to \$2-2.5 trillion worth of infrastructural and capital-investment improvements.

The deceptive nature of the *Wall Street Journal's* promotion of the "Gorbachov factor" turns out to be of a piece with that newspaper's scare-mongering in the mid-November against the prospects for German unification. Not so shrilly as Conor Cruise O'Brien's hysteria about the emergence of a "Fourth Reich," the more sedate *Journal* limited itself to scare stories about the threat posed by 80 million united Germans in Central Europe. The *Journal* doesn't seem to appreciate that, far from any kind of threat, the investment boom spilling over from the central triangle offers the decaying United States perhaps its last, best chance for survival. Contrary to the *Journal*, what is fueling potentially the biggest sea-change in the direction of the flow of international funds since the oil shocks of the 1973 and 1979, beyond the potentials apparent in Europe, is the emergence of what should rather be called the "Bush factor" in international markets.

Money flees the U.S. depression

The gross picture is as follows. During the last quarter of 1989, West Germany was the beneficiary of a net capital inflow of \$20-24 billion. The inflow doubled each month during the quarter, from \$3 billion in October to \$7 billion in November, to \$14 billion in December. The rate of influx picked up again toward the end of January, when East Germany's communist regime conceded to West German Chancellor Helmut Kohl on the timing of East Germany's upcoming elections and advanced the date to March 18.

By December, the monthly inflow into the Federal Republic of Germany had reached the levels which have been required to maintain the semblance of financial solvency in the United States since 1984-85. The United States, in the intervening years, has survived by extorting an annual tribute

of \$160-180 billion per annum from its allies, who are expected to cover the economic costs of the continuing U.S. trade deficit out of their internal resources, and a portion of the federal government's budget deficit.

Germany's \$14 billion December inflow, when annualized, comes to \$168 billion. If the flow keeps up, the non-provision of the aforementioned monthly tribute ensures the rapid collapse of the U.S. banking system—bankrupt five or six times over—and economic dislocation which will make the suffering of the 1930s' Depression seem mild by comparison.

The size of the flow and the rate of acceleration have been cross-checked with financial specialists in the United Kingdom, Japan, West Germany, and the United States. There are two components to the inflow into West Germany: one, funds which under earlier arrangements would have been earmarked for placement inside the United States; another, funds removed from the United States by British, Japanese, and also U.S. money managers.

The financial pundits attribute the shifts to purely technical factors, and caution against the rashness of over-emphasizing the political elements involved in the decision to withhold, and withdraw, funds from the bankrupt United States. "Technical factors" in this case mean primarily increases or decreases in relative interest rates in the financial markets of four countries, Japan, Germany, the United Kingdom, and the United States.

As usual, the pundits are wrong. Between September and October of last year, with the successive collapses of the junk bond market and the stock exchange, it became apparent to influentials in Europe and Japan that the present leadership of the United States was qualified neither in training nor inclination to do anything to reverse the accelerating slide into deflationary collapse. Between November and December, it also became apparent that this same Bush team was prepared to sacrifice its allies to securing its delusions of long-term agreements with *Time's* Man of the Decade, Mikhail Gorbachov.

Contrary to both the Reagan administration and the successor Bush administration, there never was an economic recovery in the United States. The economy was pushed into bankruptcy by Paul Volcker between 1979 and 1982. Since then, during the intervening months of the recovery to date, the economy never again attained the levels of output or consumption reached in the period before 1979. The U.S. turned to others, especially Germany and Japan, to produce what it would no longer produce for itself. It bankrupted its own financial system by 1985, and insisted that allies continue to provide the funds that kept up the appearance that everything was all right.

During the "Recovery," the U.S. simply piled on debt, at a rate of more than \$1 trillion per year, to the extent that by the end of 1989, total debt exceeded \$12 trillion, holdings of speculative funds exceeded \$8 trillion, and the federal

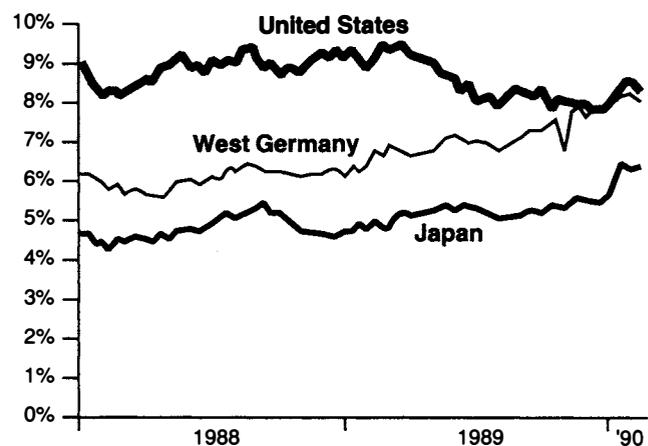
government had committed its "full faith and credit" to the support of more than \$9 trillion of obligations, in the form of deposit insurance, mortgage insurance, pension insurance and the rest. The cost of servicing debt, and maintaining earnings on speculation, each quarter, exceeds annual wealth production.

LaRouche was right, again

It should be pointed out that it was an *American* who came up with the political and economic design for the European development and recovery program which is getting off the ground. This is the same American who also predicted, almost to the day, the developments which shook financial and stock markets last October, as he also had in 1987. However, that American, Lyndon LaRouche, happens to have done that from the jail cell where he has been confined by his political opponents, who insist that his way of doing things—though proven correct—is an unacceptable intrusion into their own willfully incompetent exercise of power.

Between 1979 and 1983, LaRouche also designed the main features of a workable economic recovery program for the United States, using the same method of physical economy employed in the "triangle" program, to specify how investment in technologically advanced, capital-intensive, energy-intensive employment, and improvements in basic economic infrastructure, might provide means to secure survival from looming depression and bankruptcy. Today, U.S. participation in the European effort, and thus survival, would depend on Americans who, although their votes supported the contrary policies in the intervening years, would change

FIGURE 1
Yield on U.S., West German, and Japanese
10-year government treasury notes



Note: Weekly closes for U.S. and Japanese data; weekly averages for German data.

Source: Shearson Lehman

their minds about themselves, as well as LaRouche.

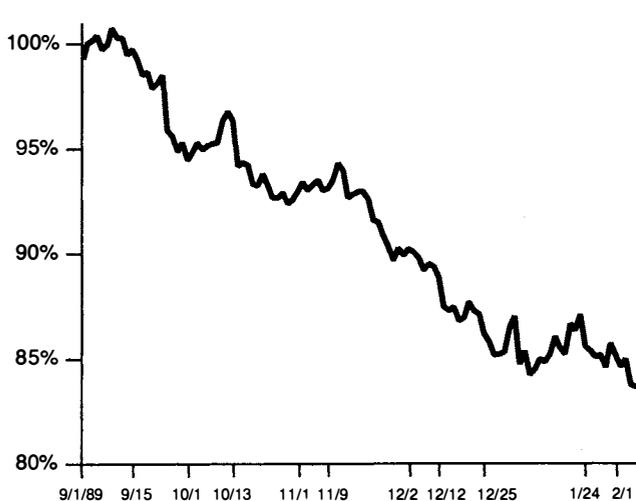
Without the funds from abroad, there is nothing to stop the surfacing of the reality of economic and financial bankruptcy in the most brutal way. Yet if LaRouche's proposals had been followed between 1979 and 1983, none of the above would have happened, and the country would not be confronted with the life or death decisions that will have to be faced in the coming weeks.

Since the political bosses of the international money man-

FIGURE 2
Dollar/deutschemark index, 1989-90
(Sept. 1, 1989 = 100%)



FIGURE 3
Dollar/deutschemark index, nodal points
(Sept. 1, 1989 = 100%)



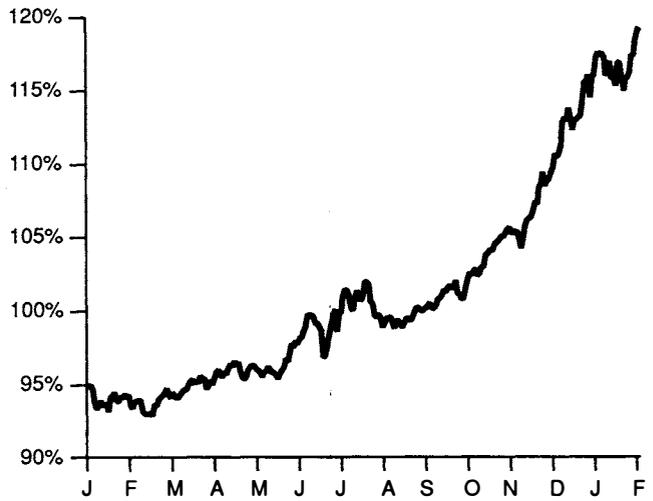
agers know full well what they have been doing for (and to) the U.S. over the last five to six years, by funding the nonexistent recovery, one is warranted to assume that they also know what they are doing when they decide to stop doing so. Thus the decision is not *technical*, but absolutely and supremely *political*.

Figure 1 shows the movement, over the last year, in interest rates on 10-year bonds issued by the governments of the U.S., F.R.G., and Japan. Note that what had been an almost 5% differential between the U.S. and Japan, and a 2% differential between the U.S. and Germany narrowed over the year to about 2% in the first case, and nothing in the second.

Leaving aside, for the moment, the matter of what such increasing yields might mean for Germany, the main point remains. And it is not simply technical. Beginning in June, and accelerating since October, international markets have been rigged against the United States. Last year we warned that the financial powers represented by West Germany's former Chancellor Helmut Schmidt, had given the U.S. until the end of June to get its house in order. The U.S., under Bush, did not. *EIR* identified the semi-annual report of the Bank for International Settlements, published at that time, as threatening the cutoff of the funds on which the U.S. depended. American investment houses told us, "It will never happen. It is purely technical." Similarly on Oct. 2, when West Germany's Bundesbank increased its discount rate by a full percentage point, *EIR* pointed again to the threat to cut off the funds on which the country depends, and we were told again, "They would never do it. It is purely technical."

Now compare the paired **Figures 2 and 3, 4 and 5, and 6 and 7**. These plot the movements of the dollar against the

FIGURE 4
Deutschemark/yen index, 1989-90
(Sept. 1, 1989 = 100%)



deutschmark, the deutschmark against the yen, and the deutschmark against the pound sterling, over the last year, and over the five months since Sept. 1.

Figures 2, 4, and 6 show the gross movements over the year. The dollar has fallen in value by about 20% against the German mark, but the mark has appreciated over the same time-frame by about 30% against the Japanese yen. German investments thus became better for Japan than those in America. The pound sterling has fallen against the mark in the same way. Note too the general pattern of the changes: that half of the mark's appreciation against the yen takes place in the last quarter of the year, and half of that in the last month. The dollar fell 5% against the mark in September and October, 10% in November.

Figures 3, 5, and 7, which begin in September, fine-tune the gross picture. The movements reflect the accelerating flow into the F.R.G., correlate with two time lines of development—one, the elaboration of the financial bankruptcy of the United States; the second, with Bush's efforts to support Gorbachov. Thus we do not have a "Gorbachov factor," but we do have what should be called a "Bush factor." The international money managers are pulling the funds out from under Bush because they do not approve of what could be called his management methods.

For the financial and economic time-line, correlate the dates Sept. 15, Oct. 2, Oct. 13, Nov. 15, Dec. 12, and Dec. 25, with the movements on the chart. On **Sept. 15**, Robert Campeau brought down the \$200+ billion junk bond market when his department store chains defaulted; **Oct. 2**, the Bundesbank increased its interest rates; **Oct. 13**, the New York Stock Exchange took its 190-point nosedive; **Nov. 15** was a big day for short-term borrowings of junk bond holders like

Drexel Burnham, as they tried to cover losses; **Dec. 12**, the dollar crashed 8 pfennig, against the mark, to recover later; **Dec. 25**, Japan increased its discount rate; end of January, Campeau sought Chapter 11 bankruptcy protection, and \$25 billion of debt issued by RJR Nabisco was downgraded by Moody's.

Then correlate the principal dates in the unfolding of the condominium agreements and the revolutions in Eastern Europe, with the movements of funds. On **Sept. 22**, James

FIGURE 6
Deutschmark/pound index, 1989-90
 (Sept. 1, 1989 = 100%)

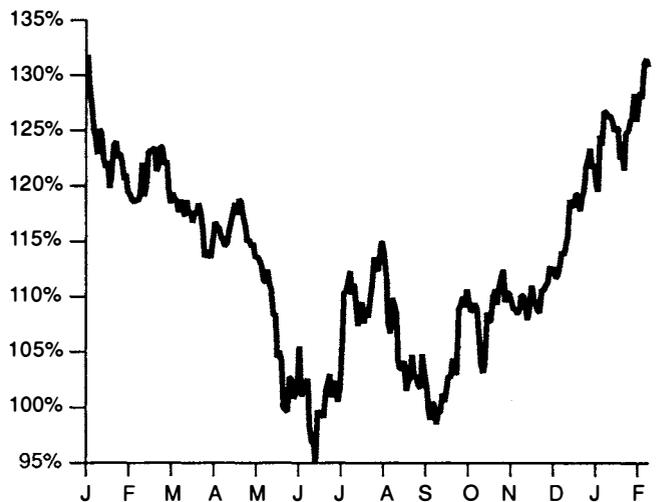


FIGURE 5
Deutschmark/yen index, nodal points
 (Sept. 1, 1989 = 100%)

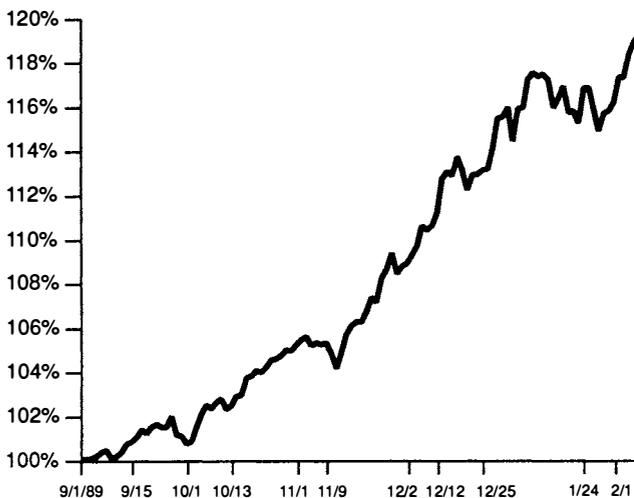


FIGURE 7
Deutschmark/pound index, nodal points
 (Sept. 1, 1989 = 100%)



FIGURE 8

Frankfurt DAX versus Dow Jones Industrial Average, 1989–90

(Sept. 1, 1989 = 100%)

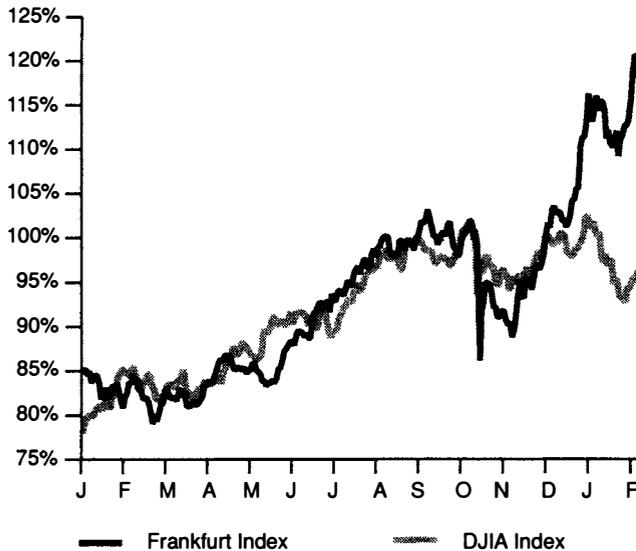
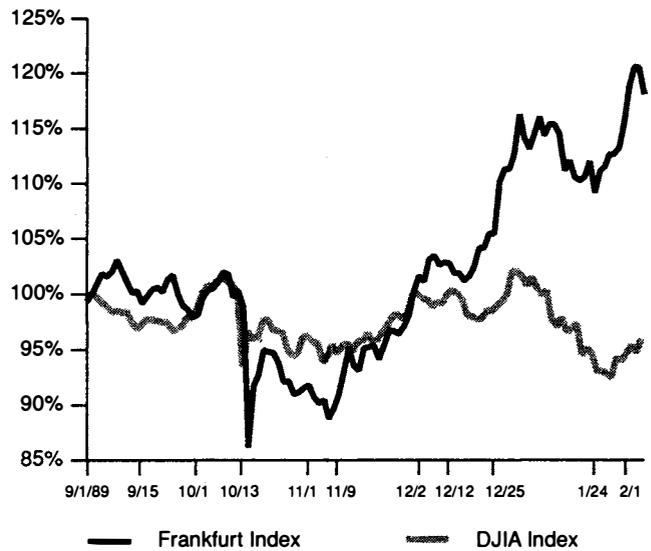


FIGURE 9

Frankfurt DAX versus Dow Jones Industrial Average, nodal points

(Sept. 1, 1989 = 100%)



Baker and Shevardnadze met in Wyoming to discuss economic ties between the superpowers; **Oct. 9** was the day outgoing East German dictator Erich Honecker planned a bloodbath against demonstrators for freedom in Leipzig; **Nov. 9** was the opening of the Berlin Wall; **Dec. 2**, the storm-wracked Malta summit; **Dec. 12**, Baker, insulting East and West Europe alike, went to East Berlin to support new Communist chieftain Hans Modrow; mid-December through mid-January, East Germany's freedom demonstrators paused, and the Stasi secret police attempted a counteroffensive, which was reversed when Kohl won out on the question of early elections. The flow picked up again.

Figures 8 and 9 show how this process has been reflected in the stock markets of the United States and West Germany. Again, the year as a whole and the last quarter are compared. The point is that the two exchanges move together through October, and then begin to move apart. The separation accelerates in December after the Malta summit and Baker's homage to Modrow. It is worth noting, parenthetically, though not shown in separate charts, that the London and Tokyo stock exchanges continue to track the Dow Jones Index, in terms of direction, after the events in December.

The counter-deployment, covered by the disinformation of N.M. Rothschild and the *Wall Street Journal*, is reflected in the increasing interest rates on West Germany's 10-year bonds. British finance has been liquidating holdings of West German government debt, while simultaneously creaming money profits from the surge in Frankfurt stocks. They are

doing this, not because Gorbachov is threatened—though in his present incarnation he may well be—but because London's future as an international financial center is on the line. Economic development, in Central Europe, spilling outwards to affect the world economy as a whole, will end the regime of usury which London, with its allies in the U.S., and also Japan, has sought to promote, on behalf of racist visions of a world purged of black, brown and yellow peoples, in the name of environmental protection.

In London's view, German unity today is the biggest threat to that criminal enterprise. Two West German dailies, *Bild Zeitung* and the *Frankfurter Allgemeine Zeitung*, have accused the House of Warburg and Morgan Bank of coordinating financial warfare against Germany with the assistance of traditional Mitsui allies of Morgan from Japan, at Nomura Securities. All are associated in the United States with the financial interests which stand behind such political types as Henry Kissinger, and his clones within the Bush administration. These also happen to be the interests, and individuals, who insisted that LaRouche be jailed, because they would not tolerate what his policies meant for their power. They are the ones hyping the chimerical "Gorbachov factor."

So now, the same crowd opposes LaRouche's "triangle" proposal and German unification, as they earlier opposed his recovery programs for the U.S. Yet without the success of those projects, the U.S. will not survive. The shift in internationally deployed funds over the last months confronts the the U.S. with such decisions now.

London tries to wreck German union

by William Engdahl

A wild new form of economic warfare has been unleashed by Anglo-American financial circles: a frantic attempt to derail the emerging economic developments centered around Germany, East and West. We think it's worth a closer look. Just as West German Chancellor Helmut Kohl was announcing an imminent monetary union with East Germany, linking the strong deutschemark to East Germany's ostmark, large international banks started a deliberate "panic selloff" in German bond futures, forcing interest rates in Frankfurt bonds to rise by an alarming 1% in little more than one week, to a level of more than 8.5%.

The British bankers' ploy is simple, if utterly mad: The British financial press, led by the influential London *Financial Times*, launched a fear campaign, insisting that German-German monetary union will sink the West German central bank (Bundesbank) and government into a quagmire of huge budget deficits, creating a flood of new state bond debt to finance the economic reconstruction of the East. The campaign has forced the market price of the "Bunds," as the bonds are called, to plunge 14% since last August. London's initial claim was that the German-German monetary union would add to inflation in West Germany. But by Feb. 14, the *Financial Times* had escalated: "It starts to look as if the West Germans' real bogeyman is not currency union so much as anxiety about what comes after this year's two elections" in East and West Germany.

A Feb. 15 article in the West German daily *Bild Zeitung* correctly, if somewhat simplistically, identified the nature of the new warfare: "Germany's new enemy lies not in the East. . . . Our new enemy marches under the red-white-blue St. George's Cross of the British Empire." *Bild* warned that the immediate impact of rising German interest rates caused by the London financial warfare can soon threaten West German economic stability: "Automatically, with the fall in bond prices, interest rates are forced to rise. Homebuilders must pay more for mortgage loans, and our automobile boom is threatened."

According to City of London bond expert Stephen Lewis, "The selling of German bonds is all originating in London from the large U.K. and U.S. banks in the London LIFFE futures market. They can still do a lot of damage," he warned, adding that he expects they will continue to exert speculative pressure on German bonds and try to pull down the deutschemark itself in an effort to force domestic German austerity

through higher interest rates in a sensitive German election year. In the process, they hope to improve the prospects of pro-communist Social Democrat Oskar Lafontaine in West Germany's parliamentary elections, currently scheduled for December.

The issue: Adam Smith vs. Friedrich List

The battle is not new, and has nothing to do with ostensible conflicts of British and German "national character." It goes back at least to the era of the 1815 Congress of Vienna, where Great Britain, seething with hatred of the American Revolution and committed to crushing the last vestige of republicanism on continental Europe, emerged from the Napoleonic Wars as Europe's dominant financial and naval power. That financial power of the City of London merged with the Wall Street families in the United States, especially following the 1879 passage of the Specie Resumption Act, which enabled London to arrogate control of U.S. national finances. These circles have an instinctual hatred of anything having to do with the "American System" of economics, as typified by the work of the German-American Friedrich List.

The issue of German-German monetary union is sensitive and complex, to be sure. But, as Bundesbank President Karl-Otto Poehl stated in a Bonn press conference Feb. 9, when asked of the inflationary impact of German-German monetary union, "There exists no reasonable grounds whereby the established monetary policy of the Bundesbank and the established economic stabilization policy of West Germany will not continue in the future. The scope, especially for the capital markets [of German-German economic union] is manageable. Poehl went on to note that East Germany, which has about 16 million inhabitants compared with West Germany's 62 million, "is a comparatively small country. East Germany has the economic weight of the West German state of Hesse," one of ten states in West Germany. "In my opinion, the financial problem is totally solvable." Those familiar with the conservative West German central bank chief, know that he is not a man to make off-the-cuff statements.

Wall Street economist David Hale signaled exactly this when he warned in a private client advisory Jan. 29, about Wall Street's "complacency about the potential consequences of Eastern European economic developments for the global financial equilibrium which permitted America to borrow \$1 trillion externally during the 1980s. . . . The destruction of the Berlin Wall symbolized an upheaval which could ultimately divert hundreds of billions of dollars capital" into Eastern Europe. Hale added. "The biggest investor in the U.S. since 1987 has been Britain, and the British could not have undertaken such large investments without access to surplus German savings."

Hale termed German-German monetary unification, "the fiscal equivalent of war." The problem for London and Wall Street, however, is that they may soon run out of funds to finance this "war."

'AIDS shock' hits communist world, Moscow seeks emergency measures

by Mark Burdman

On Feb. 12, Radio Moscow's English-language news broadcast reported that Vladimir Pokrovsky, the senior Soviet Health Ministry official responsible for AIDS, had called for "emergency measures" to halt the spread of the disease, which he labeled the "plague of the century." The broadcast said that Soviet health officials are warning that by the year 2000, there will be more than 30,000 full-blown cases of AIDS, and approximately 1.5 million infected overall. This is significantly higher than previous Soviet public estimates.

The broadcast quoted Pokrovsky calling for a "global program" to fight AIDS, claiming that the Soviets "were the first to have called for a global program" of cooperation in fighting the disease.

This last statement is simply not true. *EIR* Founding Editor Lyndon LaRouche had published a document entitled, "Parameters for U.S.-Soviet talks on AIDS pandemic," which was released in Washington, D.C. on Oct. 11, 1986, the day the Reykjavik, Iceland U.S.-Soviet summit was opening. It was featured as the cover story in *EIR* (Vol. 13, No. 42), entitled, "How the superpowers could wage a common battle to stop AIDS."

The coverage of Pokrovsky's call on Radio Moscow may be a positive signal that the Soviets are prepared to place superpower and other forms of global cooperation on AIDS high on the international political agenda, in order to prevent catastrophe in the U.S.S.R.

Economic and biological holocaust

Whatever the Soviet government's exact intent, the Feb. 12 broadcast is the latest sign that a massive "AIDS shock" is hitting the entire communist world. The first important sign of this was the news from Romania in early February, that French medical doctors had confirmed that 36% of sick Romanian children in the 1-3 age bracket had tested positive for the HIV virus.

European press reports from Bucharest quoted French medical specialists warning that the Romania findings had "serious implications" for the Soviet Union, because of the tainted blood supplies and multiple use of needles, particularly in the treatment of young children.

But not only for the Soviet Union. Within days of the sensational news from Bucharest, the Chinese Communist authorities were publicly affirming that the spread of AIDS

there was much worse than previously admitted. After years of claiming that AIDS was solely a "Western" disease and only brought in by foreigners, the Chinese health authorities admitted that there were almost 150 cases in one southwest Chinese province alone. Chinese officials warned that AIDS was being spread by both contaminated blood and infected syringes of drug users, and stated that new measures would be taken to screen blood donors. But informed Hong Kong sources estimate that at least 1,000 people already have full-blown AIDS in China, and that the situation is "extremely alarming," particularly because of serious drug abuse.

One can surmise that the French medical reports from Romania caused particular anxiety in Beijing. Up to the moment of the overthrow of Ceausescu, China was the most enthusiastic supporter of the Ceausescu regime. Chinese security chief Qiao Shi was one of the highest-level luminaries to attend the last Romanian party congress in November 1989. Chinese-Romanian relations have been close for a long time, and Romania is the only East bloc country with which China maintained relations after relations were broken between China and the U.S.S.R.

If such a biological holocaust would occur in economically devastated Romania, then what must be happening in China? The cited Hong Kong sources themselves are probably underestimating the reality. Southern China is tropical, extremely crowded, and basic health infrastructure is virtually non line 95 existent.

The fundamental lesson of the "communist AIDS shock" goes beyond the debunking of the silly "AIDS is a Western disease" propaganda. The new admissions from the communist governments prove that in both the "communist" and "capitalist" sectors, what is causing the spread of AIDS is economic collapse, collapse of biological-medical infrastructure, and rampant malnutrition, all fueled by financial usury, official corruption and venality, moral decay, and the insane policies of the ruling elites.

This dramatically confirms what Lyndon LaRouche has been stating since the early 1970s, when he created a "Biological Holocaust Task Force": The spread of pandemic disease is a necessary consequence of the lowering of the relative potential population-density of nations by imposition of economic austerity policies and by denial of technological progress. The jailing and the slandering and harassment of

LaRouche and associates, are denying the world precisely the kind of conceptual and policy input it has needed to combat AIDS.

'The world must take urgent action'

In Romania, Ceausescu's lunatics *obliged* each mother capable of bearing children to have five children. Two of these were "donated" to the state. On the one side, this has caused horrible damage to many women in Romania. Often the women were grossly undernourished during their pregnancies. In many cases, because the state absolutely banned abortions, women resorted to horrible, primitive means to abort themselves.

At the same time, Ceausescu thoroughly looted his own people, in significant part to maintain food shipments to the Soviet Union and to pay the foreign debt. History may judge Ceausescu to have been the most faithful follower of the precepts of the International Monetary Fund.

As a result, adequate food was not available for many of the country's young children, and there has been rampant malnutrition and sickness among children ages 1-3. According to French medical specialists, they were given frequent injections of serums with vitamins, often via infected syringes, and/or micro-transfusions of plasma and globulin. Not only are these strange treatments from a medical standpoint in dealing with malnutrition, but blood is generally not even available in Romania for surgery, so why the compulsion to utilize scarce blood in the treatment of children?

The full story is still not known. One medical source of East bloc origin points to the possibility that blood was being *harvested* from the young children, as part of a so-called "Romanian revolutionary life-extension program." Elites from Romania and from the international jet-set have been wont to travel to Bucharest in past years, to visit a special "rejuvenation" center at which children's blood has reportedly been used, because of its ostensible powers in helping make the recipient of the blood transfusion young again.

Still another possibility, for which there is no proof, but which is not being excluded by knowledgeable individuals, is that Romania was *selling blood* of young children abroad. African countries frequently have resorted to selling blood to raise revenues. If there was a more sinister plan, by the Romanian Securitate police force or some satanic element, to spread AIDS through contaminated blood, no evidence has come to the fore.

Whatever the ultimate explanation may be, France's Dr. Jacques Lebas, president of the Médecins du Monde (Doctors of the World) organization, told a Bucharest press conference Feb. 5 that the Romanian AIDS situation was "an international emergency requiring a response on the level of famine relief. . . . The world must take urgent action to deal with this terrible disaster." He called the AIDS spread among very young children "worse than anything I have seen," and said that the conditions in the orphanages for AIDS-sick children

were even worse than for AIDS-sick children in Africa, since they sleep five to a cot in Romania, and don't have their mothers by their side, as they generally do in Africa.

In a dispatch from Bucharest Feb. 6, the French daily *Le Figaro* reported that the revelations made by Lebas meant that it was "urgently required to investigate the situation in other countries, notably the Soviet Union, where it might be comparable to the Romanian one."

U.S.S.R. at a crossroads

For the Soviets, the Pokrovsky statement is, hopefully, a sign of sanity in their approach to AIDS. If they don't find some way to put the AIDS spread under control, there could be incalculable social-political consequences. A source who has spent the past year in Moscow informs *EIR* that the collapse of the Soviet health system is already so thoroughgoing, that the authorities cannot even handle an epidemic of the "English flu" that has recently hit. Antibiotics are almost nonexistent, disposable syringes are rare, and so on.

Under such conditions, many people are turning to mystical faith-healers for succor. The most notorious of these are Anatoly Kashpirovsky and Alan Chumak, both of whom have weekly TV shows with audiences of tens of millions. In the past weeks, Chumak's broadcasts have been packaged for export to France, Britain, and Spain.

In Kashpirovsky's case, he had stated that would be working on a faith-healing "bio-energy" cure for AIDS, according to an Oct. 12, 1989 report on Radio Moscow. That day's *Daily Telegraph* of London reported that Kashpirovsky was becoming "a Soviet superstar, the talk of the land. . . . As faith-healer, hypnotist, national comforter, and healer of the sick, he has millions hanging on his words." Soon before that, the Soviet government newspaper *Izvestia* had noted that "practically every city now has its popular extrasensory healer. . . . Glasnost, miserable medical care, and a certain naive belief in extrasensory powers have led to their remarkable success in the Soviet Union."

The cited Moscow source stresses that Kashpirovsky's influence has soared since October, and that certain powers that be may be utilizing the mystic in an exercise of social manipulation and control, which may be part of the creation of a full-fledged fascist ideology in the U.S.S.R., in the same sense that occultism and irrationalism were utilized in building the Nazi movement in Germany.

So, a rational solution to combatting AIDS is crucial for neutralizing the Kashpirovskys and Chumaks of the U.S.S.R.—and vice versa. It is therefore interesting, that on the same day as the Pokrovsky "global program for AIDS" statement was reported, the very next item on Radio Moscow was a report that Kashpirovsky had been arrested, charged with rape, and is now under investigation by Soviet state prosecutors. Maybe some elements among the Soviet *apparatchiki* are worried that the whole situation is getting dangerously out of control.

China's economy: the time-bomb is ticking

by Mary M. Burdman

The already broken-down Chinese economy is falling into chaos, and despite the brutal government crackdown, it is apparent that the entire country is seething.

The government is not succeeding in one of its biggest objectives: keeping the population tied down. The great *manu liu*—"blind current"—of at least 100 million unemployed people is still moving from city to city, looking for a way to sustain life. Vice Minister of Labor Li Peiyao announced that rural workers would not be allowed into the cities without special permits, and 10 million rural workers have been sent back to their villages. But, reports from Hong Kong say, still 10,000 people are pouring into the city of Guangdong (Canton) every day, and the government cannot stop them.

The social and public health conditions this situation creates are appalling. Millions of people are living on the streets in a country in which the biggest industrial city, Shanghai, with 11 million people, has only 950 public toilets, and half its homes—70,500—have no flush toilets. In China, even people with good party connections wait for five years to get a toilet.

January's industrial production in China fell 10% from the month of December, 6.1% lower than January 1989. This was the biggest monthly drop in 10 years. The *China Daily* quoted State Statistical Bureau figures showing that industrial output in January fell to 127.8 billion yuan, or \$27 billion. Production had been dropping for months: from an 18% increase for 1988, it fell to 0.9% in September and -2.1% in October. To blame is the austerity policy clamped on in October 1988, which has brought inflation down from an official 25.5% (more likely 40-50%) to 7%, and the rest of the economy down with it. At least one-third of Chinese factories have had to stop or cut production due to austerity.

China is getting little relief from outside. Despite the decision by the World Bank in February to lift the eight-month ban on lending to China, Japan, its most important investor, did not resume lending. "We will not resume lending, but continue to wait and see how the situation develops," Reuters quoted a Japanese banker. A Japanese official said that despite the World Bank decision to approve a \$30 million earthquake-relief loan for Inner Mongolia, Japan would still not give the \$5.57 billion in cheap loans promised to China for 1990-95.

Only such fools as President George Bush and World Bank head Barber Conable are attempting to prop up the

current regime. Conable himself admitted in an interview with the London *Guardian* that there was "dissent" among the bank's executive directors over whether to resume lending to China. Conable said the World Bank had "sent a number of missions to China," and was satisfied with its "revised economic programs."

The Chinese themselves are clearly not so confident. On Feb. 5, the four most powerful economic institutions in China released a circular "giving notice to Chinese enterprises that their poor economic performance must be improved," Xinhua reported. The State Planning Commission, Ministry of Finance, the People's Bank of China, and the State Statistical Bureau told enterprises to "speed up technical transformation, perfect operations, and improve management to help overcome low efficiency." A State Statistical Bureau report issued Jan. 25 admitted that the state-owned enterprises are a disaster. "Profits and taxes in 1989 [were] up by only 0.2% compared with 1988; deficits of enterprises in the red were 1.2 times higher; while the comparable costs increased by 22.4%."

Debt crisis

China also has to repay a \$42 billion foreign debt. The State Administration of Exchange Control called a meeting the first week of February "in light of the grim situation with respect to foreign debts and foreign exchange," the Hong Kong paper *Wen Wei Po* reported Feb. 7. "The meeting believed that China is facing a peak period in the repayment of foreign debts. From now on, the annual task of paying principal and interest will get tougher and tougher. While making vigorous efforts to expand export trade . . . cutting imports and accumulating foreign exchange will become a principal guiding principle . . . for a period to come."

China is desperately trying to increase its exports, and, sources in Taiwan report, there will be another devaluation of the currency, the renminbi, of 10-15% soon. It was already devalued 26.9% on Dec. 17. The State Planning Commission announced Feb. 2 a drive to increase exports of "labor-intensive processed products" such as textiles, electric machinery, and processed agricultural products; imports of cars, motorcycles, food, refrigerators, and other goods will be restricted.

The crisis has the Chinese ready to boil over. On Feb. 12, Xinhua reported that the Beijing city government has issued life insurance policies for 4,000 employees it fears are at risk from assault. "Violent actions against industry and commerce [bureau] employees, tax workers, and police have been reported in recent years," Xinhua said. In the southeast province of Jiangxi, the military command issued a circular calling on all localities to strengthen control over weapons depots "to guard strictly against the pilferage or loss of militia weapons and similar accidents." Public Security Vice Minister Yu Lei told the National People's Congress on Feb. 9 that there are "rather serious problems remaining" for public order.

'Hang the Brussels bureaucrats!'

Thousands of European farmers demonstrated against the disastrous policies of the European Community.

On Feb. 12, over 23,000 European farmers and supporters demonstrated at two Belgian border zones, to protest the hated agriculture policies being imposed by the zero-growthers from the European Community bureaucracy in Brussels.

Almost no press coverage of this appeared outside of Europe, because the major media channels are following Washington's guidelines to play down signs of discontent over policies that are shutting down food production.

In Washington, D.C. right now, congressmen and administration officials have started working on the new five-year 1990 farm bill, and Agriculture Secretary Clayton Yeutter and a "background" group connected to the Trilateral Commission and the elite conservation lobby, want things to go their way with no ruckus from farmers or consumers.

In January, Yeutter hosted EC Agriculture Commissioner Ray MacSharry and the agriculture ministers of Canada, Australia, and Japan, to try to lay the groundwork for this year's round of agriculture trade talks at the General Agreement on Tariffs and Trade (GATT).

Although there are differences in details between the United States and the European Community, both Yeutter and MacSharry are enforcing harsh policies on farmers, undercutting the food supply, and planning various kinds of "free trade" programs to give food cartel companies such as Archer Daniels Midland, Cargill, and the Italian Ferruzzi group free rein to dominate world food production and trade.

Consumers are expected to think that West European farmers are fat and happy, that they are getting heavy EC subsidies, and that there is plenty of food. Nothing could be further from the truth, as manifested by the spirit and turnout for this demonstration, and by certain other events now sparked by the crisis.

The same week as the anti-Brussels farm protest, farmers in Great Britain staged a big demonstration against the radical ecology programs now being used to undermine British agriculture.

"What AIDS Is to the World, So the EC Is to Farmers," proclaimed placards carried at the European protest. Thousands of farmers have been driven out of operation by EC Agriculture Commission policies since the mid-1980s. For example, the EC has ordered that grain growers pay a levy if, during any given season, they "overproduce" grain. The EC sets an annual total tonnage of grain that is considered the maximum, for example, about 165 million tons in recent years. If EC statisticians say more was produced, farmers pay a penalty.

Dairy farmers of the 13-nation European Community have been hit hard by a dictatorial quota system, in which each farm is given a ceiling for milk output. The farmer is fined heavily for any year that he tries to market more than his quota.

At the same time, the Brussels bureaucracy is promoting anti-farm measures in the name of protecting the environment. Last year, for the first time ever, the EC insisted that member nations implement a land conser-

vation set-aside program. The goal is to remove hundreds of thousands of hectares of food production land—much of which has been carefully tilled for centuries—and change the land into "wilderness."

Some of the farm organization leaders have played along with Brussels, but the grassroots membership is fed up. There were 15,000 farmers at Strasbourg on the Franco-German border, where a protest march lasted over two hours. When the crowd passed the buildings of the European Parliament, which has done nothing to improve the situation of farmers, the farmers shouted out, "Securitate!" to refer to the murderous security police of Romanian dictator Nicolae Ceausescu.

The police barricaded the parliament building in fear of the crowd's anger. Calling the barricade a "provocation," some of the marchers ended the day by bringing a cow and some pigs onto a town bridge, to give the police something to worry about.

Simultaneously, in Aachen, West Germany, there was a demonstration of 8,000 farmers. Joining the demonstrators were a number of farmers from the United States, who had come over at the behest of the Schiller Institute. These Americans joined the French and German demonstrators in passing out 5,000 leaflets blasting the "liberal dictatorship" in Brussels.

The Schiller Institute was founded by Helga Zepp-LaRouche, wife of U.S. political prisoner Lyndon LaRouche.

The American farmers—from Minnesota, Ohio, and other farm states—plan to return to the United States and spread the word on the anger among European farmers. One of the signboards on the Feb. 12 march read, "This Is What To Do With EC Bureaucrats!" A drawing showed a stick figure hanging from the gallows.

Business Briefs

Housing

NHBA warns that recession looms

National Home Builders Association president Martin Perlman warned on Feb. 9 that a recession looms because of rising interest rates, a sluggish economy, and the lack of home-building financing because of new Savings and Loan regulations.

The NHBA has lowered its estimate of housing starts for 1990 from 1.44 million to 1.38 million.

Perlman said, "For every 100,000 drop in housing starts, there is a loss of 176,000 jobs, \$4.6 billion in wages, \$1.55 billion in federal, state and local income taxes and \$160 million in local property taxes."

Industrial Production

Stagnation of output underlies U.S. crises

The cause of the mounting U.S. financial and fiscal crises lies with the stagnation of U.S. industrial output, said Henry Aaron of the Brookings Institution, who spoke before the American Economic Association recently and echoed analysis put forward by *EIR*.

Reviewing the decline of productivity gains which averaged 2.5% yearly between 1950 and 1973 and 1% from 1973 to 1988, Aaron said, "Had gross output per hour in the United States grown from 1973 to 1988 as fast as it did from 1950 through 1973, output would be one-fifth larger today than it is. Government revenues at current average tax rates would be a bit under \$200 billion larger in 1988 than they turned out to be. Outlays would be smaller by some tens of billions of dollars because of reduced interest on a smaller debt. Given other expenditures as they are, the United States in 1988 would have been facing a budget surplus in the vicinity of \$100 billion, rather than a deficit of \$155 billion."

Aaron's inflection point of 1973 roughly coincides with the growing acceptance of "post-industrial society" doctrine, the oil

shock of 1973-74 and the resulting decimation of the manufacturing base, the accumulating effects of disinvestment in infrastructure, and other policies later codified as "controlled disintegration" by the financial elite.

Infrastructure

Quebec-Windsor rail link launched

The Quebec Bombardier transportation conglomerate, the firm that will be building the rail cars for the tunnel between Britain and the European continent, announced Feb. 13 it will proceed with the design phase of a rail link between Quebec City and Windsor via Ottawa, Canada, that could take its first passengers in 1997.

The projected travel time between Montreal and Toronto will be 2 hours and 45 minutes for a distance that now takes 6 hours by car or bus. Ottawa and Montreal would be at a commuting travel time of some 40 minutes.

The project will cost an estimated CAN\$4 billion, and Bombardier is so sure of its viability that it is not waiting for definite financing commitments to start design work.

Science

Schools request tomato seeds from space

According to a National Aeronautics and Space Administration spokesman, about 3,000 requests from teachers are coming in to NASA per day, to participate in the tomato seeds in space program. A Park Seed Co. representative reported that so far 90,000 classrooms have signed up to receive packets of tomato seeds that spent nearly six years in space aboard the Long Duration Exposure Facility.

The 12.5 million seeds were flown on the recently-retrieved LDEF satellite, and will be distributed to schools to be grown along with control seeds that have been on the ground for the nearly 6 years LDEF was in space. Be-

tween 2-4 million students will participate in the experiments.

A preliminary look at the LDEF, the science laboratory retrieved by Space Shuttle astronauts on Jan. 12, shows the harshness of the space environment, according to project scientist William Kinard at a briefing Feb. 13 at the Kennedy Space Center. In the nearly six years, LDEF had sustained 10,000 or more impacts from micrometeorites and space debris.

LDEF chief scientist William Kinard reports that there was some deterioration in LDEF's structure during its stay in space, but not significant enough to effect the fabrication plans for Space Station Freedom.

Space

Japan puts trio of satellites into orbit

Japan lifted a trio of satellites into Earth orbit Feb. 7 aboard a two-stage H-1 rocket. "The satellites all have to be put into different orbits, so it's quite difficult," said an official at the National Space Development Agency of Japan.

The satellites separated and entered different orbits, although the precision of the orbits was still being checked, the space official said. The United States, the Soviet Union, China, and the European Space Agency have previously orbited multiple satellites from one rocket.

The Marine Observation Satellite-1b (MOS-1b) is part of an international network of Earth observation satellites and will monitor temperatures, precipitation, and other features of the oceans and continents. It will augment data sent by MOS-1, an identical satellite launched in 1987 that is due to die next year.

A second satellite, DEBUT, short for Deployable Boom and Umbrella Test, is designed to sharpen skills Japan will need after it attaches a module to the U.S. Space Station Freedom in the late 1990s. It will test deployment of a boom and tether into space, techniques that will be used to transport experimental platforms away from the vibrations and magnetic fields that infect the environment inside a spacecraft.

Briefly

● **MEXICAN** President Salinas de Gortari told a meeting of the National Population Program 1989-1994 that Mexico's present population rate of 2% a year is too high, and must be lowered to 1% a year by the year 2000.

● **MICHEL CAMDESSUS**, the director of the International Monetary Fund, admitted at a ceremony after the signing of the Mexico debt deal Feb. 4 that "certainly, the deal implies . . . lowering living standards now to the benefit of a greater level of well-being in the future."

● **THE BANGKOK**, Thailand police department plans to have its 160,000 personnel tested for AIDS following a discovery that four police trainees have contracted the fatal disease. The large-scale testing will cost about \$320,000, *The Nation* reported Feb. 8.

● **AUTO DEALERS** in the U.S. lost an average \$22,441 per dealership in 1989, compared to a profit of \$91,605 in 1988, according to the National Automobile Dealers Association. It said it expected dealers to lose money in three of the next seven years, and for about 10% of the current 25,000 dealers to go out of business.

● **A GAS PIPELINE** from Iran to Calcutta, India was suggested by Iran's Deputy Minister of Mines and Metals, Ahams Ardakani, at an energy conference in New Delhi. He said Iran is willing to invest in production facilities, and invited India and Pakistan to share in the \$11.7 billion cost of the pipeline which would pass through Pakistan.

● **UP TO 50%** of known U.S. oil reserves may have been abandoned, according to an Energy Department study. Even if prices rise to \$34 a barrel, the study predicts that 60% of oil reserves, excluding Alaska, will be abandoned.

The third satellite will provide satellite communications to radio amateurs around the world.

Health

Brazil child death rate preventable, says M.D.

Half a million children die of malnutrition and preventable diseases in Brazil every year, Dr. Ricardo Veronesi wrote in the daily *O Estado de Sao Paulo* Feb. 9.

Veronesi specified diarrhea, malaria, and tetanus as diseases which take tremendous tolls. Veronesi, a candidate for health minister in the Fernando Collor administration, protested that the federal government allocates only 3.5% of the Gross Domestic Product to health care.

Veronesi also charged, "the AIDS epidemic, which is causing the infection of more than one million Brazilians, is propagating rapidly." He protested that "the state and federal governments offer no more than 500 beds for the treatment of the 10,000 AIDS victims in the country, made worse by the criminal fact that none of them is offered proper treatment to impede evolution towards death."

AIDS

P.R.C. case figures take sudden jump

A sudden leap in the number of known AIDS cases in the People's Republic of China has forced a change in focus from "foreigners" to other causes of contamination, Reuters reported Feb. 11. Health Ministry officials issued an alarming report on Feb. 7 which said AIDS (acquired immunodeficiency syndrome) was spreading fast in China and that 153 Chinese and 41 foreigners had been infected with the virus, compared with just a few cases previously reported.

"AIDS in China is no longer a myth. The spread of this disease is in fact very serious,"

state radio quoted senior health ministry official Dai Zhicheng as saying. "The situation shows that AIDS has not only arrived in China but it is also spreading fast," Dai said. "Our abilities to control this disease are limited and we do not have the whole situation in hand."

The reports did not say how many of the infected had developed full-blown AIDS symptoms.

Chinese medical experts are calling upon the government to set up blood monitoring groups and start testing all donors as soon as possible. Prof. Wang Aixia of the Beijing Union Medical College told a conference on AIDS prevention and control that high costs prohibited the use of disposable syringes in China, but said all needles must be strictly sterilized.

The New China News Agency said the increase came to light after an inspection among drug addicts in China's southwestern border region where there is a growing trade in opium and its derivative heroin. "AIDS in China is still at its primary stage but the spread of the disease is threatening all the people of the country," it said.

Chinese doctors admit that the level of hygiene in some hospitals is appalling. China does not have the infrastructure to test all blood donors, who are rewarded for giving blood.

Defense

U.S. industry finds new customer: Russia

A major U.S. defense industry contractor whose programs are being eliminated with the drastic defense budget cuts, has contracted to supply similar equipment to the Soviet Union.

General Motors has agreed to supply the Soviets with up to 600 of its Model 250-C20 turbine engines for a new Soviet commercial helicopter. The engines would be manufactured by GM's Diesel Allison Division in Indianapolis.

That GM division is the main contractor for the engines for the tilt-rotor V-22 Osprey, a hybrid helicopter and fixed wing aircraft, which is the largest military program proposed to be cut from the U.S. defense budget.

'Love truth and endeavor to find it and communicate it'

Warren J. Hamerman describes the commitment to the idea of truth and truth-seeking that was the bedrock of the Fusion Energy Foundation's inception fifteen years ago.

On Dec. 7, 1989, former staff and founding members of the Fusion Energy Foundation held a press conference in Washington, D.C. to announce the reversal of the government's illegal bankruptcy action against FEF by Bankruptcy Court Judge Martin Bostetter on Oct. 25. The press conference was followed by a 15th birthday celebration for the foundation, at which FEF founding member Warren Hamerman presented the following address and tribute to another founding member, Dr. Robert Moon, who died Nov. 1, 1989.

I have never had an assignment or have been asked to do something that has made me happier than being asked—honored—to say a few words about where the Fusion Energy Foundation has been, where it came from and where it is going.

It was only a little over five years from the time that man landed on the Moon in July 1969 until the founding of the Fusion Energy Foundation Nov. 23, 1974, about 15 years ago. But there was a real gap, a chasm, in between those two events in the United States and the world.

The first thing I want to talk about is an extraordinary little meeting which happened just before the first Fusion founding meeting at the Tudor Hotel in 1974. This was really the first time I ever met Dr. Robert Moon. It was at a little discussion at the house of Lyndon LaRouche in an apartment, I think, on 168th Street on the Upper West Side [of Manhattan]. It was sometime before, but relatively near the Fusion Energy Foundation founding meeting at the Tudor Hotel.

What I remember is Dr. Moon sitting there and thinking to myself that this was Benjamin Franklin, I have had the

opportunity to meet Benjamin Franklin! One thing I remember is that the discussion took the course of Dr. Moon talking about the atom from the inside. Lyndon LaRouche smokes a pipe, and he had a big ashtray. I can vividly picture, as clear as yesterday, Bob Moon taking that ashtray and deeming it "the nucleus," and then his arms waved around this whole table representing the orbits of the electrons. And he had an immense wingspan. When Dr. Moon talked, he showed off his wingspan. You always admire a man that doesn't sit there in a straitjacket and so forth. And he put out this wingspan which were the electrons going around. And then he started to talk about Ampère's experiments. However, nobody understood what Ampère was actually about. And one thing led to another and he was discoursing on everything from the Manhattan Project to Ampère, to currents, to forces, to the various possibilities of different combinations of atoms to undergo fusion and so forth. . . .

When you are sitting around him, you were there, you were in the middle of an atom exploring how it worked. You forgot that you were sitting in a room. You forgot that you were having a discussion. You forgot that you were having some type of scientific presentation.

And I remember Lyndon LaRouche throwing out a few things: How is the atom's geometry constructed? But does the electron exist? What do you mean forces? And a lot of those questions are the same provocative questions which have been on the table at fusion discussions for 15 years, and will go on for 15 centuries from now in the immortal way of seeking for truth.

I remember Dr. Moon responding to this, and really, that



Philip S. Ulanowsky

Fusion Energy Foundation founding member Dr. Robert Moon helping children at a summer camp construct a basic experiment in electromagnetism.

discussion and what he was talking about was “what is fusion energy?” And here we are today, we can now walk outside, and there are mass magazines covering cold fusion. We’ve lived through the popularization of the idea of fusion energy. People in the street know the word. Fifteen years ago, outside a subsection of the scientific community, the word fusion energy was not very well known.

Why was the Fusion Energy Foundation put together? To confront energy? Was it meant to deal with an energy crisis? Well yes, that’s true. Was it meant to deal with a biology crisis? Well, that’s true as well. Or the threat to the ecology, biosphere, and so on? Of course, that was all correct on a superficial level, but that was not really why the foundation was formed.

How do you make a Renaissance?

In thinking back on the founding meeting, which took place the day before Thanksgiving 1974 on Nov. 23, there was a not-so-hidden agenda—how to spark off a renaissance of scientific creativity, how to advance the frontiers of human knowledge. It was quite a Thanksgiving gift to the world at the Tudor Hotel. I remember at the time we were all talking about how appropriate that hotel’s name was because we were talking about part of our roots as being in the Tudor Renaissance in England, as part of our roots as being with

Kepler, and so forth. About 40 people were at the founding meeting.

Yes, you had this energy crisis and you had this other crisis, science crisis, but really you had a human creativity crisis. And what that founding meeting, and what the Fusion Energy Foundation has been all about ever since, has been the sparking off of a process of creative scientific inquiry, particularly seeking out the areas where there were no clear-cut answers.

When Carol White [former editor-in-chief of *Fusion* magazine] asked me to say a few words at this event, I thought about it for five seconds, and then this big smile came across my face. I pulled out every old *Fusion* and everything I could possibly look through. One of the things I found was the very first *Fusion Energy Foundation Newsletter*. This was before *Fusion* became a glossy magazine. This is Vol. 1, No. 1, January 1975, 50¢. It opens with saying: A matter of necessity, that’s what we are.

“The creation of a crash program for the development of fusion power is not merely a nice idea, it is an absolute necessity if the human race is to survive the next quarter-century.”

So that was 15 years ago. We were projecting into ten years more from now. The next sentence read:

“The alternative to the development and implementation

of a fusion-based economy, on a worldwide basis, within the next decade, is an ecological and a biological holocaust that will decimate the world's population within the next 20 years."

And that was the opening paragraph in the very first *Newsletter*. The issue also contained things about a new scientific era beginning and so forth. And then what's in the first *Newsletter*? Most exciting is a transcript of a discussion which took place at the FEF founding meeting, a little dialogue which took place between Dr. Moon, Winston Bostick, who is here today, Lyndon LaRouche, and a representative from the AEC, the Atomic Energy Commission, a Mr. Rice.

This was an all-day affair at the Tudor Hotel. Everyone of us who was there has our reminiscences about that. There were formal speeches. Chuck Stevens gave a report on fusion energy, what the prospects were. Lyndon LaRouche made some remarks about the threat to mankind and the need for science for solving them. I said a few words on the Ecological Holocaust Study, which was then being completed. Dr. Moon said a few words, and so forth.

But this discussion we published in the first issue of the *Newsletter*, I think is really what the Fusion Energy Foundation is about. We should reprint it and everyone should read it. It goes like this:

Lyndon LaRouche begins by saying: What's our scientific problem, what's our problem for society? It's not a technical problem, it's one of human survival. He says there is no such thing as an absolute timetable for science. We need a crash program around fusion energy and other areas, not only because these are the practical solutions for economic crisis for mankind, but unless we revive the spirit of science, our people are dead, dead fish, our society will have no solutions; we have to revive the creative spirit in the general population. He talked about the need for a crash program.

As the transcript says—you may dispute it or not, but we have the transcript—Winston Bostick then raised the problem which became the subject of this entire dialogue: That's true, Winston said, but when you bureaucratize science you kill it. And if you go with a crash program, the problem is that crash programs generate bureaucracies. Our big problem in science is the heavy-handed nature of government involvement in scientific programs. And that you know, and every other scientist there knew that you get an interference with creative minds.

Then there is a long beautiful discussion of Dr. Moon, where he says you can have creativity in a science program, as long as scientists fight for it. And he told one story about the Manhattan Project. I have heard him tell it since. It's printed in this transcript and I just think it is the best story about Dr. Moon and the Manhattan Project.

It tells the story about General Groves, who was the

military man running the Manhattan Project program; who in the interest of national security issued an order that the heads of each of the labs were not allowed to talk to the other physicists, because he didn't want information horizontally, because something could leak and national security would have been destroyed. And Groves, apparently, as Dr. Moon told the tale, General Groves issued military orders posting them on bulletin boards and so forth that these free-thinking, independent, creative scientists were supposed to then work in their monastic cells. So, Dr. Moon, with great smiles, described "the strike." Nobody did any work, and scientists were saying, "We can't possibly get anything accomplished unless we *share ideas*." And they backed this general down, and he had to change. From that moment, the spirit of the Manhattan Project shifted to a process of sharing ideas back and forth. And we changed it. The Manhattan Project approach to science can work as long as the scientists are directing it *fight* for that standpoint.

It is always good at a founding meeting to have somebody there as a foil. The foil at that meeting was the AEC representative, Mr. Rice, who at that point discourses in little interchanges saying, "You are wrong. You are saying that the problem is society and government interference. It's not the problem, the problem is the irresponsibility of scientists who are not thrifty, waste government funds, waste government grants."

I see Winston Bostick is really laughing now. He must remember this guy Rice, who was a perfect guy to have at a founding meeting. One phrase from the transcript of Mr. Rice tells it all. He pompously invoked "the irresponsibility of scientists who waste taxpayers' money on fruitless endeavors."

We could not have asked for something better to be at our founding meeting. Lyndon LaRouche then responded, saying, you are absolutely wrong. The creativity of a truly creative individual must be respected at all costs, and only a society which respects and trusts the creative individual in pursuit of truth is one that can survive. Then there is a lot of discussion back and forth. Yes, a crash program approach could work as long as it is not unilinear, as long as it is multifarious, as long as it is across different disciplines, as long as it is not just on one track, as long as it fosters a lot of small-hypotheses-chasing by a lot of independent groups, as opposed to a single-track approach with all of the money on one idea or another.

That's how I remember the founding meeting and what it actually sparked off. Immediately, there was so much energy coming out of that room. And since science is not something just for a small room if it is actually going to work—this energy was taken out to schools, to streets, reports on the meeting. The whole transcript of this Socratic dialogue with three Socrateses in the middle of it, back and forth on how could we revive science, what would be its role, was taken

out. And that idea took off.

There was a great need for this in our society—in all societies, but particularly then, coming out of this barren cultural desert, with the stupidity of the Nixon years, and its emptiness, the character of the United States. We had, going into the late 1960s the Apollo Program and other things, and then there's just a gap.

The idea takes off

That was the process of initial formation. Then followed proliferation—the schools, factories, streets, airports. If you wanted to have a good scientific discussion, if you wanted to debate science and know what was going on, in the United States in the late 1970s and 1980s, there was only one place to go. You had to go to the airport! And there you would find a booth of the Fusion Energy Foundation with initially just these 50¢ newsletters. I think by the second volume, they became fancy and the cover was single color, purple usually. I don't know how that lavender color got picked out. . . . But it seems like this single color, lavender on the cover, didn't stop the impact. Why? Because here was tremendously exciting intellectual substance at the scientific frontiers—talk about the universe, why the Second Law of Thermodynamics doesn't apply to living systems, or any type of growth and other things like that.

By early 1975, there was the *Newsletter* and then the *International Journal of Fusion Energy* (IJFE), which was founded to wake up the labs and researchers around the world with some top-notch theoretical discussion. And we had conferences galore.

The method which began to take hold is that if you could just get these ideas into discussion when anyone had to travel anywhere in the U.S. through an airport, if you were there, then you had a key role of giving them information, what they are going to present somewhere else. Scientists, government people, ordinary citizens travel a lot. (This was before deregulation. You were not taking your life into your hands when you got on an airplane.) So the ideas just proliferated.

Yes, fusion energy, an energy source from the way the sun is powered, from water. And this was at a time, in contrast, when the media was completely taken over by “no energy,” “no growth” type of process. There was a complete vacuum in American society of people who had been raised during the Apollo Program and excited by it. I have a lot of criticisms with the war on cancer, but it did excite a national effort during the same period of the late 1960s of biological breakthrough.

There were a lot of people, most Americans, who had been walking around for a whole decade excited about a scientific goal. All of a sudden, they had that taken away and who could they talk to? Whom could they talk through? Whom could they work through? It was the Fusion Energy Foundation, its magazine, and its conferences.

It seemed in that period from 1974 to 1977 that anything we decided to do worked beyond our wildest expectations. This was not because we were organizational geniuses; in fact, it was just the opposite. There were very few skills organization-wise. It was just that the ideas propelled people into motion, and all sorts of things got solved.

An example of something that worked beyond anyone's wildest imagination was that in 1977 we decided to form a biological sciences division of the Fusion Energy Foundation, even though, as Dr. Ben Sonnenblick, a radiation biologist and one of the four founding scientific advisers, had shown from the beginning of the FEF, biology was integral, and we did not have different departments. We decided formally to pose the question of nonlinearity in the biological sciences and present the idea of the plasma, the fusion plasma, from a geometric standpoint as having very similar features to the protoplasm, so to speak, of biology, the biological domain. Here was the basis for an indisputable refutation of the Second Law of Thermodynamics.

The founding conference of the biological sciences division was on May 14, 1977 at Columbia University with more than 200 people there. The heads of labs from medical and biological research units up and down the East Coast—Hahnemann and Temple [universities] from Philadelphia, National Institutes of Health (NIH), Walter Reed, Howard University, Albert Einstein, Sinai, Hunter. We had the leaders of biophysical research from California, an associate on brain research from a basic biophysics standpoint.

At this conference we talked about Riemann, we talked about Cantor, we talked about Louis Pasteur, as being the basis of this geometric approach to living processes. We unveiled the overlooked importance of Louis Pasteur's work on biology's nonlinear geometric dissymmetry.

Breakthroughs in nuclear magnetic resonance

There was one feature of this conference, which does not only speak to biology, but in general as to what the Fusion Energy Foundation was about. We heard a beautiful talk on the highly ordered cytoplasmic interaction by Larry Minkoff, who was from the Damadian research team of the Downstate Medical College of Brooklyn. This was the team that developed nuclear magnetic resonance, NMR. During that period—we are talking about the mid-1970s—NMR, nuclear magnetic resonance, was viewed as a pariah technology. It was denounced as much as Winston Bostick's pinch effect [a nonlinear effect in plasmas] had been earlier. It was denounced by the government in-house scientists, administrators, and technocrats as being scientifically unfeasible. There were Office of Technology Assessment and NIH reports coming out that NMR would not work, that it was a hoax, physics-wise it could never work, the science was wrong, etc.

And here we had the group around Dr. Damadian in

Brooklyn fighting just to “do science” while under full-scale attack. Their grants had been cut by the NIH. Their grants had been cut by the federal government. And they came and presented their work to this conference, at a time they were under total attack, slandered even in scientific journals, general popular journals, etc. They presented the straightforward idea that the cell, the living cell, is not a bag of water with junk floating around in it. It is a highly ordered process, which is self-ordering, like a plasma. And they responded very much to the idea of this intersection—that’s really what the Fusion Energy Foundation is always about is the interstices between different departments. The areas where everyone thinks there is nothing there, are the most interesting areas. Where physics and biology cross, where mathematics and economics cross, where astrophysics and geometry cross—these are the areas which are interesting to explore.

The FEF championed NMR. The first issue—in July-August 1977—the very first issue of *Fusion* magazine when it went to being a monthly magazine from a newsletter—published on the cover an NMR graphic of a surgically embedded tumor in the chest wall of a live mouse. This was the first color graphic presentation using an NMR image from Downstate in Brooklyn of a tumor in the mouse’s body. This was done by the Damadian group, and it was the cover story of the first issue of the magazine; we were making the statement that this was good science at a time when the NIH was trying shut the Damadian group down, destroy them.

To this day, *Fusion* is remembered by many a biophysicist as that feisty little group which “gave a voice” to the defense of NMR when no one else would.

Of course, there followed a rich history of other developments since that time. Many of those events have been chronicled elsewhere.

Reagan’s belief in magic

I wish to share with you one additional story—Steve Dean’s prophetic Italian lunch—which I think about quite often because Steve was dead right and I was dead wrong at that meeting. [Stephen Dean is a former director of the Department of Energy’s magnetic fusion energy program.—ed.] It occurred at a little Italian restaurant not far from here, shortly after Jimmy Carter was defeated by Ronald Reagan. We had succeeded, of course, in passing [former Washington Congressman] Mike McCormick’s fusion power legislation in the last part of the Carter administration. Steve Dean, Marsha Freeman [*Fusion* magazine Washington editor], and I had lunch. I remember being enthusiastic about what lay ahead since “No Energy” Carter was on his way out. Steve Dean, one of the nation’s fusion energy experts, threw a wet blanket on the meal by insisting that the situation for fusion energy and other areas of real science was going to be a disaster under Reagan. He was stubborn as a mule in arguing that, sure, Reagan would go with all sorts of military “applications,”

but that Reagan distrusted science, underneath, and had an anti-science belief in magic. I can’t remember if he actually predicted that astrologers would control the White House, but he sure implied it. His theme was that Reagan and Bush would not commit themselves to advancing scientific ideas, and that we would have a greater fight on our hands under them than even under Carter. That fight, of course, led to the Reagan administration shutting down the FEF itself lock, stock, and barrel seven years after that lunch.

However, no matter what the government believes, no autocratic decree can shut down scientific discussion when some free minds are determined to have it. The Fusion Energy Foundation has developed a reputation for that. Among biologists and physicists who remember that time and that only one institution which fought for science—from NMR to plasma fusion to Mars colonization. There was a time in the United States when there was only one institution that was fighting for small projects, plasma energy, exploratory devices, and that was the Fusion Energy Foundation. There was only one group which fought to revive Riemann and Cantor, Kepler, Leonardo, and Pasteur—and that was the Fusion Energy Foundation.

Exploring the universe, advancing the frontiers of knowledge, and fighting for the truth—that’s what this organization was all about. There are precedents for such an endeavor—Plato’s Academy, the Italian Renaissance, Leibniz’s Academies, and most, familiarly, Ben Franklin’s Junto.

I would like to conclude by reading Benjamin Franklin’s own words describing the purpose of his Junto because I think that Dr. Moon and Lyndon LaRouche, were they here with us today, would agree that they beautifully comprise the best description of what the Fusion Energy Foundation has always strived to be. Franklin composed these words in 1724 as “Rules for a Club Established for Mutual Improvement”:

Previous Question, To Be Answered At Every Meeting: “Have you read over these queries this morning in order to consider what you might have to offer the Junto touching any one of them?” viz. 1. Have you met anything in the author you last read, remarkable, or suitable to be communicated to the Junto? particularly in history, morality, poetry, physic, travels, mechanic arts, or other parts of knowledge. . . . Any person to be qualified [as a member], to stand up, and lay his hand upon his breast, and be asked these questions, viz. 1. Have you any particular disrespect to any present members? Answer. I have not. 2. Do you sincerely declare, that you love mankind in general, of what profession or religion soever? Answer. I do. 3. Do you think any person ought to be harmed in his body, name or goods, for mere speculative opinions, or his external way of worship? Answer. No. 4. Do you love truth for truth’s sake, and will you endeavor impartially to find and receive it yourself, and communicate it to others? Answer. Yes.

The life and work of Dr. Robert J. Moon (1911-1989)

by Charles B. Stevens

This memorial to scientist Robert J. Moon was presented at the 15th anniversary celebration of the Fusion Energy Foundation. Dr. Moon was a founding member of the FEF and the editor of its technical publication, the International Journal of Fusion Energy. Charles B. Stevens, a founding member of the Fusion Energy Foundation and Fusion magazine's fusion technology editor, is now collecting Dr. Moon's work and reminiscences about Dr. Moon.

Today we are in the midst of the history's greatest scientific-technological revolution, which is epitomized by the process currently identified as "cold fusion." And as we will hopefully be able to organize the political and social circumstances to reap the benefits for all of humanity of this boundless treasure-trove of energy and resources, the question will be asked: "How did this process come to be realized?" And while I would not in any way detract from the essential ongoing work of Martin Fleischmann and Stanley Pons, whose excellent and longstanding research brought cold fusion to the attention of the world on March 23, 1989—exactly six years from the date that President Ronald Reagan announced the Strategic Defense Initiative (SDI)—I think we can safely predict that the answer will only truly be found through examining the work and intense collaboration of Lyndon H. LaRouche—who, currently, unjustly, languishes in prison, partly as a result of a fraudulent bankruptcy prosecution whose overturning we celebrate today—and Dr. Robert J. Moon, whose untimely death we are here to mark today.

It could certainly be argued that Dr. Moon had proven by his works that he was one of the leading physical scientists of this century long before he came to know Lyndon H. LaRouche. But I think that posterity will find that the joint collaboration of Bob Moon with Lyndon LaRouche, dating from 1974, has generated the context for the most profound scientific advances in human history. And while each individually and jointly have made the most startling series of personal discoveries—I need only mention Dr. Moon's Keplerian Platonic solid model for the nucleus, the develop-

ing notion of quantized absolute space-time, and the revival of Beltrami's concept of the negative curvature of space-time—their greatest effect will, I think, be found in terms of the impact on the minds and hearts of others. For I believe the heart of their collaboration was located not in simple personal discovery and achievement—either individually or jointly—but solidly centered on the great work of lifting up the minds and souls of their fellow beings.

Dr. Moon's family history can readily be traced back to the first English Civil War, Oliver Cromwell and so on, and the founding of the American colonies. As H. Graham Lowry has so aptly documented in his historical work *How the Nation Was Won*, this great republic of the United States was founded and brought to maturity through the leadership of devoted Christian scientist-politicians such as John Winthrop and Benjamin Franklin. Bob Moon was consciously raised in this great tradition and, in fact, devoted a large portion of his last years to detailed research into the history of the connection between science and morality leading into the foundation of the American republic.

Dr. Moon demonstrated his great scientific and technical aptitudes at a most early age. At five years old, he discovered, while fixing the battery of his father's new car, that he had an aptitude for car repair, and by the age of eight, he had established a fairly busy car repair shop in the family garage in Springfield, Missouri. (His father and brothers were not so technically inclined, as they were all lawyers.) And one day, about this time, while attempting to fix a relative's direct-current doorbell, he inadvertently rediscovered electromagnetic induction. This quickly led him to researches into electrodynamics, which he continued throughout his life.

By the age of 19 he had completed his undergraduate studies in Springfield, Missouri. Bob had basically totally consumed the local library and had been permitted to carry out independent experimental studies in physical science. Through his personal readings he discovered the historic work of Karl F. Gauss and the ongoing research of Prof. William Draper Harkins of the University of Chicago's Physical Chemistry Department.

In 1930, Bob traveled to Chicago and presented himself to the university. He first went to the Physics Department, but he was informed there that the field that he had planned to specialize in, nuclear physics, was no longer of interest and it was considered a "closed book." Proceeding to the Physical Chemistry Department, Bob found that Professor Harkins held a slightly different view of the prospective field.

In fact, Harkins directed Bob to look into serious problems that Harkins, himself, had detected with respect to the notion of the Coulomb barrier as first developed by Rutherford in his famous alpha-scattering experiments. And it is work along these lines which even today offers great prospects with respect to cold nuclear fusion.

Initially Bob was going to build a series of experiments which would have possibly provided the key to harnessing cold fusion at this early date. In particular Bob was going to build a combination of particle accelerators and Kapitza-type machines for the generation of intense magnetic fields. In this way he hoped to have the means for exploring the electro-dynamics for condensing electrons onto protons to form neutrons. (We now know that such kinds of processes are most likely involved in cold fusion.)

At the same time, theoretical researches led Bob to question both the Newtonian and Einsteinian approaches to physical science, as I will develop in more detail. Instead, Bob returned to the work of Ampère, Gauss, and Riemann to find a viable alternative. The problem being that if local forces could not explain the stability and dynamics of the electron and proton, then one would be forced to find a universal alternative, like that being explored by de Broglie of France. In carrying out his researches into these questions, Bob discovered the work of Henri Bergson and first began to explore the deeper questions of absolute space-time. He wrote an informal paper on this at this time. But due to the exigencies of the historical period, Bob's work was diverted at this early stage into what became known as the Manhattan Project of World War II.

Work on the Manhattan Project

Bob completed his Ph.D. on the subsidiary field of electron diffraction and proceeded at once to design and build the Chicago cyclotron. This machine became the workhorse of the early stages of the Manhattan District Project. The Manhattan Project actually began with the discovery of the isotope uranium-235. Bob helped to design and build the device which was first to detect uranium-235. He had the first experimental detection plate in his basement.

In 1985, during the visit of Professor Erich Bagge of Germany, I first learned that Bob had played a crucial role in realizing the first nuclear pile at Chicago. The essential point of failure of the German Manhattan Project of World War II, in which Professor Bagge played a leading role, was the failure to realize a working nuclear pile. This followed

from the failure to realize how solid carbon bricks—graphite—could be utilized as they were in the Chicago pile. Bob utilized his cyclotron to activate the impurities in various graphite bricks taken from various locations in the oven used to generate graphite. He found that bricks taken from the center of the oven had fewer impurities than those from the outer region. This provided the essential means for seeing how to generate sufficiently pure graphite for constructing a nuclear pile.

Bob also helped design and build the Hanford plutonium production reactors.

It should be noted that Bob's possibly greatest accomplishment was that of succeeding in avoiding almost any recognition for his work on the Manhattan Project. If you peruse the histories of the project you will not find even a single mention of his name. Yet, his role is very simple to demonstrate: His name is all over the essential patents. Bob was generally opposed to being awarded patents on the basis of principle. But in the Manhattan Project he had no choice. Because the work was secret, it was decided as a matter of policy that scientific precedence would be maintained by involuntarily awarding scientists secret patents. Because of this, it is quite easy to document Bob's role.

Despite the importance of Bob's work in the Manhattan Project, he was recruited midway into the war by the radar

The International Journal of Fusion Energy

Editor's note

In 1984, the tenth anniversary of FEF, the editors of the International Journal of Fusion Energy decided to expand the functioning of their technical journal, as they stated in their editorial, choosing the 19th-century Crelle's Journal as their "historical model of reference. . . . That journal contributed a noble and leading part in the fostering of the advancement of science in 19th-century Germany, and, consequently, in the world at large. With a clear general objective in view, but providing a free-wheeling forum for papers and correspondence focused upon the issues, we hope to contribute to acceleration of progress . . . as Crelle's contributed centrally to the accomplishments envisioned and steered by Alexander von Humboldt and his collaborators."

We excerpt Dr. Moon's "Editor's Note" from IJFE, Vol. 3, No. 1, January 1985, marking the foundation's second decade.

program. That is how it came about that Bob Moon developed the curriculum for the famous MIT Radiation Lab's course on electromagnets and radar.

But Bob's role was not merely limited to technical questions. During the war, he organized with Dr. Franck the Concerned Scientists. This group opposed the unnecessary dropping of the atomic bombs on Hiroshima and Nagasaki. Later this group became the Federation of Atomic Scientists, and Bob and his wife Christine were the first editors of its newsletter, *The Bulletin of the Atomic Scientists*.

Following the war, Bob helped found the field of radiation biology and traveled to Canada where he helped initiate the Canadian nuclear program. He interrupted President Truman, while Truman was in Missouri accompanying Winston Churchill during his famous "Iron Curtain" speech, and succeeded in getting the President to return to Washington in time to get the civilian Atomic Energy Act of 1947 through Congress.

Bob later worked with Howard Hughes on the supersecret project to develop the Spruce Goose as the first nuclear-powered aircraft. During the 1950s, he perfected his work on electron diffraction to the point of seeing the first development of the computer-assisted tomography, or CAT scan.

In the late 1950s, Christine Moon came down with Parkinson's disease. At once Bob retired from the university and

proceeded to personally take care of his loving wife. He also began researches into both the fundamental questions of neurology and into possible treatments for Parkinson's. Actually, as my sister Sally can tell you, Dr. Moon had long had an active interest in neurology. He apparently helped in the developing knowledge about neural transmitters and he had long been interested in nerve action potential experiments.

In any case, because of these personal developments, Dr. Moon had to drop plans to proceed with an experimental program which he developed in outline in the early 1950s for realizing cold fusion. It was this proposed project about which we first talked when I first met him in 1974. It was my meeting Dr. Moon in June 1974 that convinced me that it would be possible to build such an organization as the Fusion Energy Foundation, which we did begin the following fall.

Although Dr. Moon interacted from time to time with Lyndon LaRouche over the next 10 years, it was from 1984 on that they began a most intensive collaboration centered around the FEF seminar series and the publication of the *International Journal of Fusion Energy*. This collaboration, under the auspices of the FEF, was forcefully ended in April 1987 when the U.S. government illegally shut down the FEF and the *International Journal of Fusion Energy*.

The worldwide scientific community advances as its members share ideas with one another and new ideas are born that dictate new theoretical and experimental work to be done. It is well to listen to all ideas, for the seed of a most fruitful concept may arise from a seemingly insignificant member of the scientific community. The value of a scientist as he or she strives toward a better understanding of the physical and biological universe as created is determined solely through his or her ability to think, observe, interpret, and integrate concepts and ideas and formulate new theories and perform new experiments. Value is not determined by rank, salary, possessions, sex, race, religion, or place or birth, or pride. A good scientist wishes to serve mankind, stimulate creativity, help make life more abundant and full of joy, lift the physical burden and aid in the creation of a better understanding of the physical and biological worlds.

As new discoveries are made that create profound changes and outlook among the peoples of the world, it becomes all too clear that the scientists must engage in an intellectual, spiritual, and moral revolution. In order to accomplish this, scientists may work in their own nation-state or in other nation-states and the fruits of their investigations may be communicated by means of scientific publications or personally in order to share ideas and work

together on theory and experiment for the purpose of achieving a greater and more accurate scientific knowledge of the biological and physical worlds.

On the biological side, science has brought about such things as the proper control of many diseases, increased longevity, the correction of some physiological malfunctions, improved nutrition, more accurate and rapid diagnosis and treatment of many diseases, the eradication of nearly all incipient epidemics, and many life-sustaining methods and devices, to name a few. On the physical side, science has led to the development of the new, abundant nuclear energy sources such as fission and fusion; of rapid transportation, communications, and computations; and of the transmission to the Earth of radio signals from a 6-watt nuclear-powered transmitter on a satellite 7 billion miles from the Earth (approximately 75 times the distance of the Earth from the Sun), just to name a few examples.

Such applications of science give man unprecedented power over nature and space. This gift will be a great joy to mankind if society is intellectually, spiritually, and morally deserving of it—otherwise, mankind will have set the stage for the creation of a hell here on Earth and in space. So how much of a hell will come to be before man changes—each and everyone—and makes such plans as are acceptable to God? . . .

Your money's not safe—U.S. banks about to blow

by John Hoefle

In May 1933, newly elected President Franklin Delano Roosevelt used his executive authority to declare a national "bank holiday." Across the country, banks were shut down, and credit reorganized. The President acted thus to bring under control the banking panic generated out of the economic disasters of Herbert Hoover. Out of his actions in subsequent weeks, the institutions were born which shaped the banking and credit system of today.

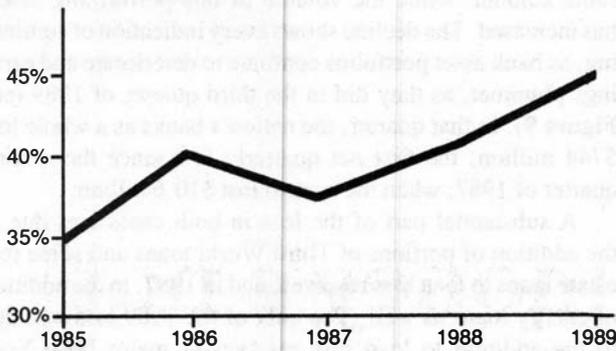
It may not happen this May in quite the same form. In fact, no one can really know precisely when it will happen. But happen it will: The nation's banking system is on the eve of the same kind of crisis as the one which forced FDR to act back in the spring of 1933. The end of the road has been reached for the institutions shaped in the spring of 1933. The process of economic collapse, accelerating since 1982 unchecked, with new impetus in the year since George Bush was inaugurated, has wiped out entire classes of the physical assets which provide collateral for banks' transactions, and has now begun to wipe out the core of the fiction on which the banks' continued existence has come to depend.

This last class of physical asset is real estate. Especially since the enactment in 1982 of the Garn bill deregulating the nation's thrifts, and the corollary first Reagan tax reform, which created tax shelters for certain kinds of real estate investment, the speculative inflation of real estate prices has been one of the principal motors for the spread of usury and speculation which both the Reagan and Bush administrations foolishly named the "Great Recovery."

The nation's banks have invested heavily into all forms of real estate, both directly and indirectly. Besides the loans made directly on real estate ventures, for speculative profits and, before 1986, tax benefits, the banks have also used real estate as collateral for commercial, industrial, consumer, and other types of loans. Speculative pricing of inflated real estate replaced competent economics in the assessment of the value of obsolete and fully depreciated

FIGURE 1

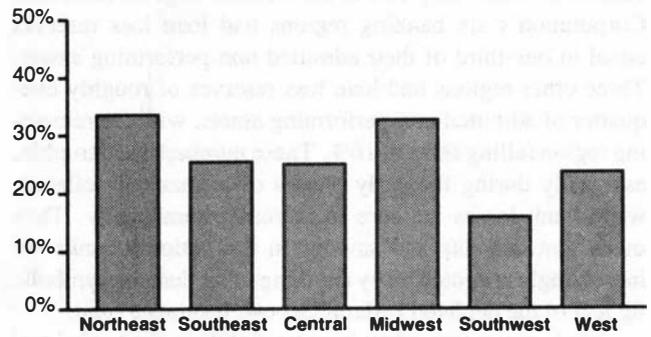
Non-performing real estate assets, as percentage of total non-performing assets



Source: Comptroller of the Currency

FIGURE 2

Loan loss reserves, as percentage of non-performing assets, by FDIC region



Source: FDIC



Anxious depositors line up at a bankrupt Maryland savings bank, 1987; frenzy on the Frankfurt monetary exchange after the October 1987 crash.

physical assets. The speculatively inflated real estate prices carry over into all classes of economic transactions.

Now as the depression deepens, and the collapse of household and corporate earnings begins to bite into bone, the speculatively inflated real estate markets around the country are beginning to collapse back to the lower levels indicated by the shrunken state of the nation's physical assets.

This has a direct impact on the banks, in several ways. First, it means that the real estate which the banks are carrying on their books—both directly and as collateral for loans—is no longer worth what they claim it is. Second, it means that loans to speculators and others whose profits were dependent upon the money returns on real estate speculation, are increasingly going into default. As a result, the banks are going to have increasing numbers of non-performing loans on their hands, especially increasing numbers of non-performing real estate loans. Try as they might to resist it—and they are trying—the banks will eventually be forced to revalue their real estate portfolios and collateral holdings to reflect their decreased value, meaning huge losses. As they do so, they will have to devalue all other assets affected by the speculative pricing of real estate.

The ensuing chain reaction takes the form of the “run against the banks” which FDR acted to stop in the spring of 1933.

Non-performing real estate

Real estate has grown rapidly as a component of the total non-performing assets of the banking system as a whole. In 1985, non-performing real estate loans made up 35% of total non-performing assets, but by the third quarter of 1989, that figure had risen to 45% (see Figure 1). Except for a small dip in 1987, when banks wrote off some of their bad real estate loans, that figure has been rising steadily. And this rise has occurred in a period in which total non-performing assets have been rising as well, meaning that the collapse of real estate has been even more dramatic than the figures show. This growth rate is the death knell for the banks as presently organized.

The banks have been reluctant to admit the extent of their real estate and other losses, and naturally so, given their magnitude. The best indication of the banks' “official” estimate of the status of their loan portfolios is the level of their loan loss reserves to their admitted non-performing assets. Loan loss reserves are funds set aside to use in writing off bad loans, but are distinguished from the actual write-offs themselves. Loan loss reserve funds are counted by the banks as part of their capital until the loans are actually written off, or “charged off,” in banking terminology. Once loans are charged off, the bank is forced to deduct the amount of the charge-offs from their capital. Funds added to the loan loss reserves are, however, deducted from net income, making banks reluctant to increase those reserves.

The nation's banks have miserably low levels of loan loss reserves compared to even their admitted level of non-performing assets, much less compared to their actual level of non-performing assets (see **Figure 2**). As of the third quarter of 1989, only two of the Federal Deposit Insurance Corporation's six banking regions had loan loss reserves equal to one-third of their admitted non-performing assets. Three other regions had loan loss reserves of roughly one-quarter of admitted non-performing assets, with the remaining region falling short of 16%. These numbers spell trouble, especially during the early phases of a financial collapse, when bank losses are sure to increase dramatically. They mean that deposits and savings in the nation's banks are increasingly unprotected by anything other than the symbolic fig leaf of the depleted Federal Deposit Insurance fund.

While real estate values have been sliding, the banks' real estate exposure has been growing. For the banking system as a whole, real estate loans amount to almost four times stockholders' equity (see **Figure 3**). For all intents and purposes, stockholders equity can be considered to be the same as paid-in capital, though the two are not exactly co-extensive. It is the "reserve" available which covers such contingencies as runs against the banks.

The exposure varies somewhat by region (see **Figure 4**), from about 4.5 times equity in the West, to "only" 2.5 times equity in the Midwest. Since stockholders' equity is roughly the "net worth" of a bank, were real estate values to collapse anywhere near the 75-80% forecast by LaRouche, the banking system would be thrown into immediate bankruptcy. This process is well under way, as admitted non-performing real estate loans have already risen to about 17% of stockholders' equity for the system as a whole—a 70% increase in the last five years (see **Figure 5**).

While much has been made over the last decade about the exposure of the banking system to Third World loans—which are, after all, for the most part uncollectable—the Third World loan problem pales in comparison to the crisis in real estate. While Third World loans were about half the level of real estate loans in 1985, today they are closer to one-third the level of real estate loans (see **Figure 6**). Furthermore, the Third World loans are held mainly by the biggest banks, whereas real estate loans permeate the entire banking system. Also, while the level of Third World loans has remained nearly flat over the last few years, real estate loans have not. As **Figure 7** shows, even during 1988 and 1989 real estate loans have been increasing as a percentage of total loans.

Although the pundits have dismissed as insignificant the 190-point drop in the Dow Jones Industrial Average on Oct. 13, 1989, it was indeed a significant inflection point in the escalating financial crisis. The stock prices of many of the nation's banks have plummeted since that date. As the *EIR* Bank Stock Index shows (**Figure 8**), the stock prices at the nation's largest money center and regional banks have

dropped by over one-third since the Friday the 13th market crash.

Thus, the reserves available to cover contingencies such as runs against the banks, have shrunk by approximately the same amount, while the volume of non-performing assets has increased. The decline shows every indication of continuing, as bank asset portfolios continue to deteriorate and earnings plummet, as they did in the third quarter of 1989 (see **Figure 9**). In that quarter, the nation's banks as a whole lost \$744 million, the first net quarterly loss since the second quarter of 1987, when the system lost \$10.6 billion.

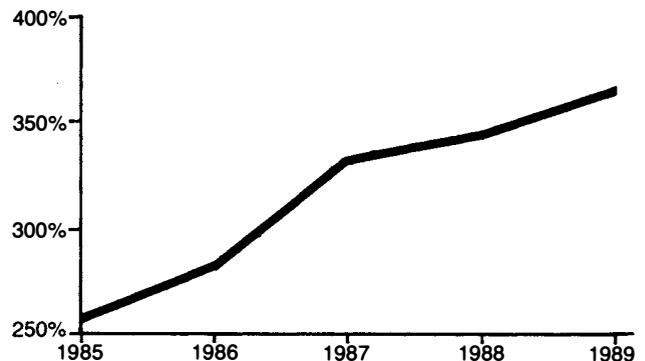
A substantial part of the loss in both cases was due to the addition of portions of Third World loans and some real estate loans to loan loss reserves, and in 1987, to the addition of energy loans as well. The bulk of the 1989 loss was due to the addition to loan loss reserves at major New York banks. J.P. Morgan added \$2 billion to its reserve for such debt in the third quarter, while Bankers Trust added \$1.65 billion and Manufacturers Hanover added \$1.1 billion. The final figures for the fourth quarter are not in, but Citicorp added \$1 billion to its loan loss reserves for Third World debt during the final quarter, indicating that the losses will continue.

Texas comes to New England

The focal point of the banking blowout now under way is New England, whose banking system is dominated by the big Boston banks: Bank of Boston, the Bank of New England, and Shawmut National Bank. Fleet/Norstar of Rhode Island is also a major player, but Boston is the region's financial center.

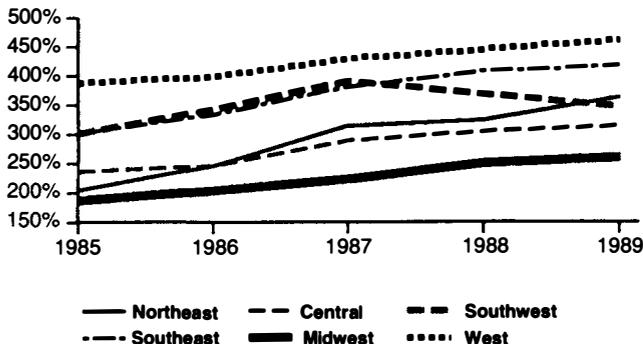
When *EIR* analyzed the Texas banking system (April 11, 1986, "Oil Price Crash: The Demise of the Lone Star State"), we were surprised to learn that nearly 50 cents out of every

FIGURE 3
U.S. commercial banks' real estate loans, as percentage of stockholders' equity



Source: Comptroller of the Currency

FIGURE 4
U.S. commercial banks' real estate loans as percentage of equity, by region



Source: Comptroller of the Currency

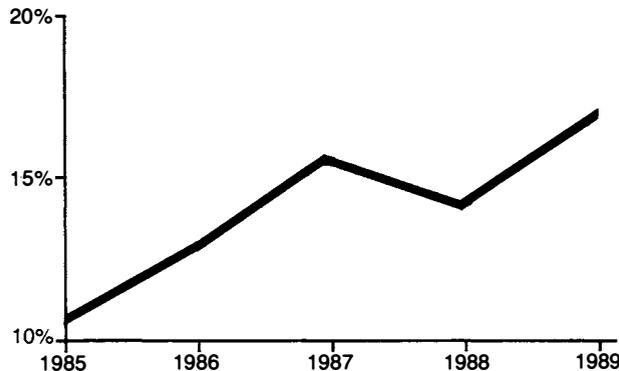
dollar in new lending between 1982 and 1986 had been for real estate. Such a headlong rush into real estate is what killed Texas banking. When the Texas real estate market collapsed, it took the Texas banking system with it. Today, not a single one of the former six largest Texas banks remains as it was in that period. RepublicBank and InterFirst merged to become First RepublicBank, which failed spectacularly and today is known as NCNB Texas. MCorp still exists, but federal regulators seized almost all of the holding company's banks and sold them to Bank One of Ohio. Texas Commerce was acquired before it failed by Chemical Bank of New York, and First Interstate similarly acquired Allied Bancshares. First City Bancorp. was purchased by a group led by Armand Hammer crony A. Robert Abboud, and is a new company, under the same name. Texas American Bancshares and National Bancshares Corp. also failed. Of the top ten Texas banks of the period, only the sleepy Cullen/Frost Bankers remains.

Texas was not an isolated event, however. The collapse of Texas banking is just the first manifestation of the effects of the deflationary blowout in real estate values across the nation. Texas was the prologue to what is about to hit the banking system as a whole.

Pundits and financial analysts, in their haste to pretend that the current banking crisis in New England is totally separate from what happened in Texas, insist that New England is different because Texas was overly dependent upon energy, while New England has a more diversified and broad-based economy. Such shallow proclamations overlook three key points.

First, the Texas economy was in fact diversified, a mix of energy, agriculture, technology, defense, medicine, and transportation. Second, the collapse in energy prices was merely the *detonator*; the real explosion was real estate. In New England, the detonator is different, but the

FIGURE 5
U.S. banks' non-performing real estate loans, as percentage of stockholders' equity

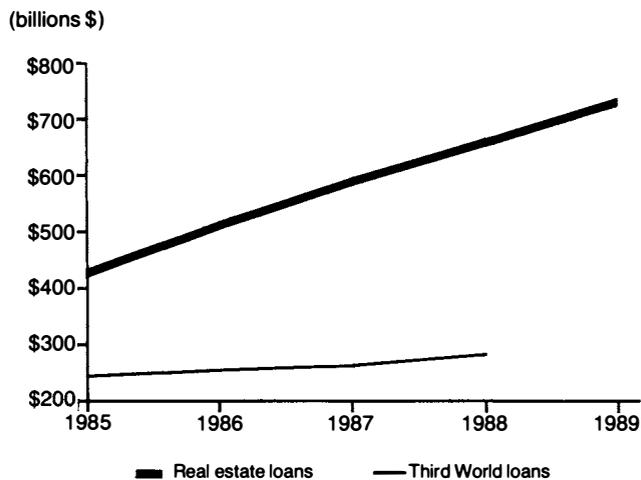


Source: Comptroller of the Currency

effect is the same. Third, and most important, the nation is sinking ever more deeply into a depression, which is the driver for all the allegedly isolated regional crises around the country.

The situations in Texas and in New England are strikingly similar. In fact, New England banks have gone even more deeply into real estate loans than did their Texas counterparts. During 1984-88, the big three Boston banks made significantly more of their new loans in real estate than did the biggest Texas banks (see Figure 10). The Bank of New England is now paying the price for loaning out 59 cents of every new dollar in loans for real estate during that period,

FIGURE 6
U.S. commercial banks' real estate loans and Third World loans



Source: Government Accounting Office

and where the Bank of New England now goes, the Bank of Boston and Shawmut are sure to follow.

The Bank of New England has entered a pattern similar to the big Texas failures (see **Figures 11-14**). The Bank of New England's new management has embarked upon a program of selling off assets in order to save the bank, but the move is too little, too late. On top of that, the bank has been forced to borrow billions from the Federal Reserve Bank of Boston just to cover depositor withdrawals. The Bank of New England is being asset-stripped, whence it will be thrown on the federal junk heap, along with the carcasses of the major Texas banks, with the other New England giants soon to join it.

The Northeast is next

The crisis in New England is merely the most visible aspect of what affects the Northeast as a whole. Real estate loans amount to some 37.5% of stockholders' equity for banks in the Office of the Comptroller of the Currency's Northeastern District, which consists of New England, New York, Pennsylvania, and New Jersey.

Real estate loans have nearly doubled as a percentage of stockholders' equity for Northeastern banks since 1985 (see **Figure 15**). Considering the massive losses when portions of their much smaller Third World loans were added to loan loss reserves, one can well imagine the turmoil when the big New York banks begin to admit their real estate losses. Non-performing real estate skyrocketed during the first three quarters of 1989, to about three times the 1985 level (see **Figure 16**). The median price of housing in New York City fell 14% during 1989.

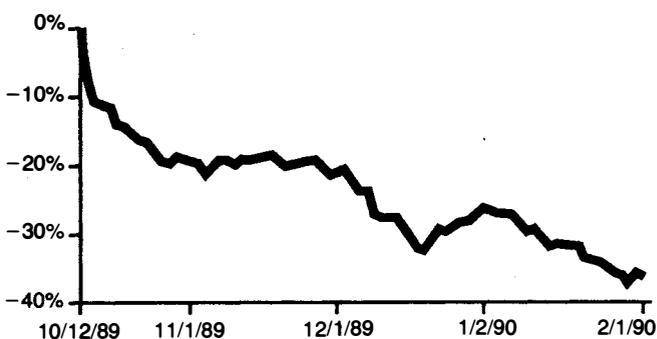
Given the dominant position of the Northeastern District in the U.S. banking system, with about 40% of the entire system's assets (see **Figure 17**), any crisis in the region

will have dramatic repercussions on the nation as a whole. When—not if, but when—the banking system of the Northeast collapses, it will take with it the rest of the system—whatever that may be at that point.

The folly of 'controlled disintegration'

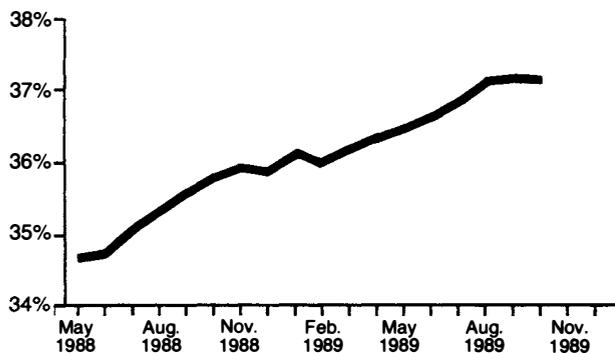
The banking crisis is systemic. It was not confined to Texas, it is not confined to New England and the Northeast, it is not confined at all. Nor is it actually a banking crisis. The banks are bankrupt because the economy is bankrupt. The economy was crushed by Federal Reserve chairman Paul Volcker on behalf of the insane policy of "controlled disintegration" during 1979-82. Since then, the physical economy has functioned below breakeven, operating at a net loss, with the discrepancy covered over by financial speculation and inflation, and by imports of goods the U.S. no longer pro-

FIGURE 8
EIR Bank Stock Index,* change since Oct. 13 stock market crash



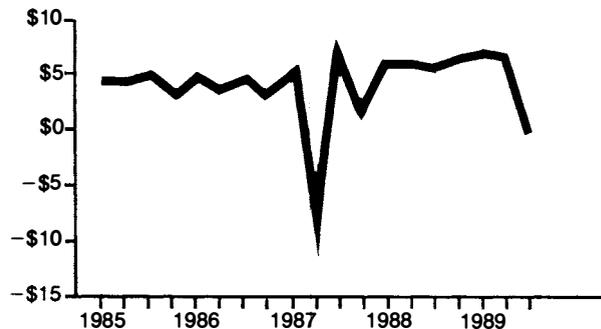
* Composite of 26 money center and regional banks.

FIGURE 7
U.S. commercial banks' real estate loans, as percentage of total loans



Source: Federal Reserve

FIGURE 9
U.S. commercial banks' quarterly net income (billions \$)



Source: FDIC

duced for itself.

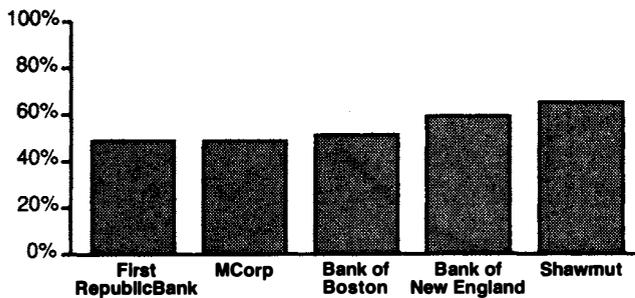
In 1985, when annual debt service demands exceeded the annual wealth generated by the U.S. economy, a bankrupt financial system was added to a bankrupt economy. Since then, debt and speculation have continued to spiral upwards, amounting to a combined mass in excess of \$20 trillion by the end of 1989. The banks moved out of their traditional activity—i.e., lending to increase wealth generation through creation and improvement of physical capital assets—and into the speculative, chain-letter Ponzi scheme they called “creative” or “innovative finance.” Speculatively appreciating real estate prices, the related expansion of debt, and the bloated stock market were the symptoms of the disease.

The combination killed America’s banks, victims of decades of incompetent economic policies which have thrown

the nation into the greatest depression in its history. Over the Reagan-Bush years—the years of the so-called “Great Recovery,” the nation’s banks have been failing at a rate not seen since the Great Depression (see **Figure 18**). The effect of this calamity is relected in the ill health of the Federal Deposit Insurance Corporation, the agency created in 1933 to put the full faith and credit of the United States government behind citizens’ deposits in the nation’s banks. After many years of profitability, the FDIC lost \$4 billion in 1988, meaning that it had to pay out \$4 billion in deposit insurance more than it took in in premiums from the banking system (see **Figure 19**). The loss caused a sharp drop in the amount of money available in the FDIC’s Bank Insurance Fund (see **Figure 20**).

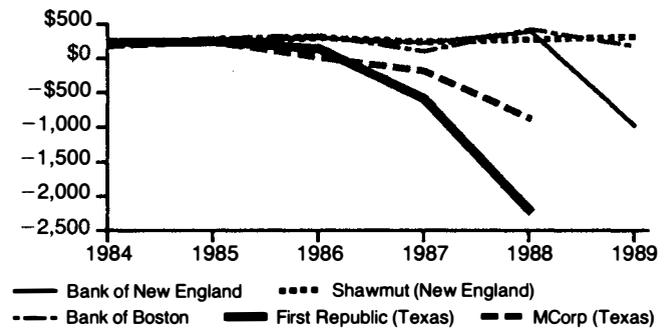
The number of banks is also steadily decreasing (see

FIGURE 10
Increase in real estate loans in Texas and New England
(% of all new loans)



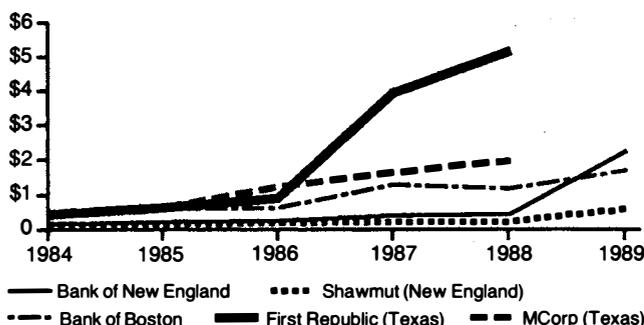
Note: Texas figures are for 1982-86; New England for 1984-88.
Source: EIR

FIGURE 11
Net income of selected Texas and New England banks
(millions \$)



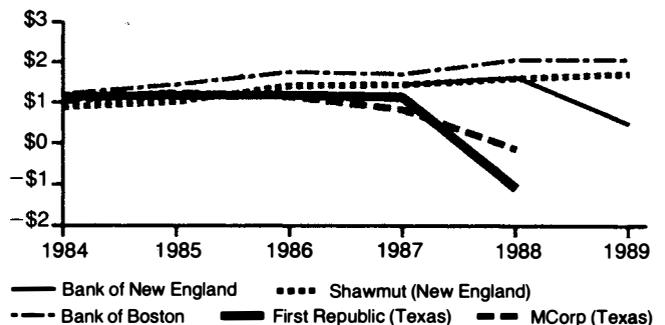
Source: annual reports

FIGURE 12
Non-performing assets of selected Texas and New England banks
(billions \$)



Source: annual reports

FIGURE 13
Stockholders’ equity in selected Texas and New England banks
(billions \$)



Source: annual reports

Figure 21), dropping by about 10% since 1985. Unless present policies are shifted rapidly in the direction outlined repeatedly by LaRouche, that process will continue until either a single event or combination of events touches off an explosion, or until the speed of the collapse begins to outrun the ability of the perception managers to make it appear that the system is still solvent.

The LaRouche banking reform

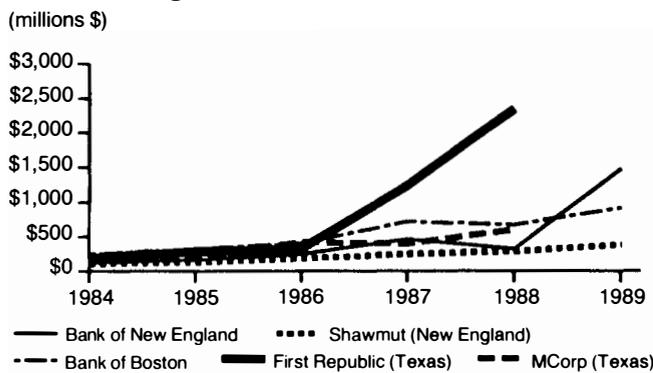
The nation's banking system is bankrupt, and no amount of rhetoric or sleight of hand can save it. The collapse of the financial system is inevitable and unstoppable. However, it is not too late to save the productive part of the economy, including the structure of the banking system, and with it the livelihood of the millions of Americans whose very

existence is at stake. The speculative bubble is finished, but the economic infrastructure can still, even at this late date, be saved—if we immediately return to the American System of economics that built this once great nation.

In February 1989, Lyndon LaRouche issued a set of proposals to save the nation's banking system:

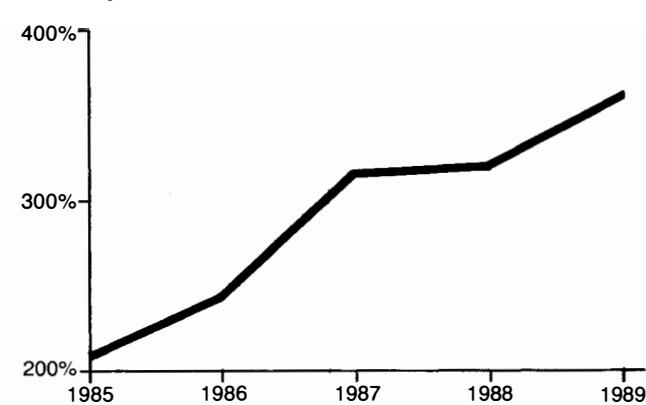
"1) *Federal Reserve reform establishing a two-tier credit system.* The Fed would be prohibited from creating fiat money, and forced to issue low interest credit through the banking system for mortgages, agriculture, new capital investment, production, transportation, and other productive ventures. Non-productive loans would be made at higher rates. Banks and thrifts which loan at least 80% of their assets for productive purposes would be allowed lower reserve standards than their more speculative brethren, giving mar-

FIGURE 14
Loan loss reserves of selected Texas and New England banks



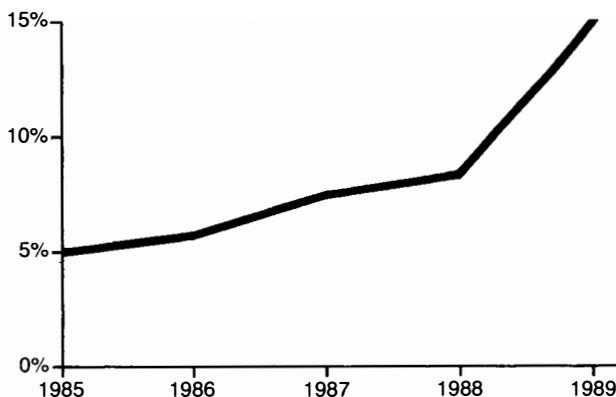
Source: annual reports

FIGURE 15
Real estate loans as a percentage of equity in Comptroller's Northeastern District



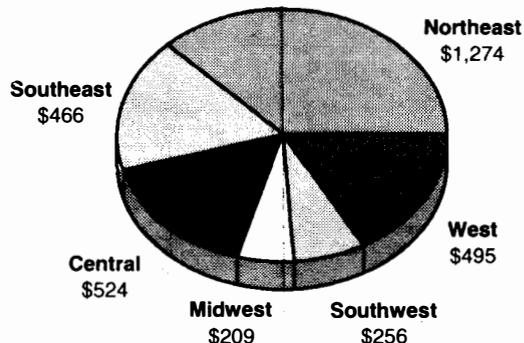
Source: Comptroller of the Currency

FIGURE 16
Non-performing real estate loans as percentage equity in Comptroller's Northeastern District



Source: Comptroller of the Currency

FIGURE 17
Distribution of assets in U.S. banking system
(billions \$)



Source: FDIC

ket advantage to traditional S&L mortgage lenders and industrial and agricultural bankers.

"2) *Tax reform.* Remove all tax liability up to annual incomes of \$30,000. Under this proposal a great many savers would pay no tax on S&L deposit income, encouraging deposits. For depositors with higher income, provide savings incentives with exemption of 50%, or \$1,000, whichever is higher, on interest income on deposits in those S&Ls and banks whose asset bases meet the productive loan targets. This would make interest income on large deposits competitive with tax-free bonds.

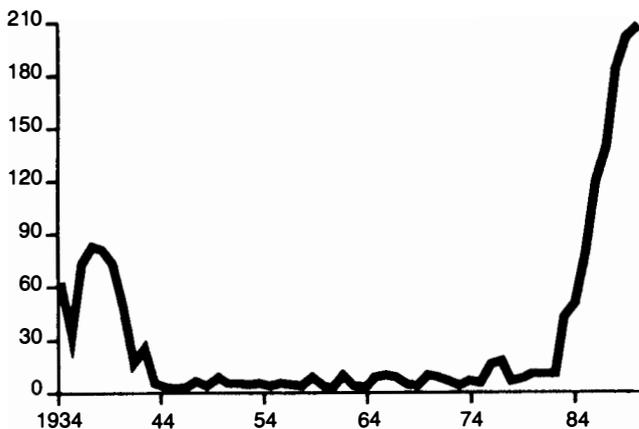
"3) *Tax financial institutions with a certain level of business in the Eurodollar market at a much higher relative rate.* Revenue to replenish the FSLIC [Federal Savings and Loan Insurance Corp.—now part of FDIC] and make up for the

family-formation tax cut by increasing tax schedules on income and capital gains on non-productive investment, especially commercial real estate. This would include financial institutions with a significant proportion of assets and deposits in the Eurodollar market.

"4) *Reinforce and strengthen the Glass-Steagall Act of 1933.*"

The response of the Bush administration, on the contrary, has been to continue the process of deregulation. The administration has floated several trial balloons indicating that it plans to either repeal or emasculate the Glass-Steagall Act, in order to allow Wall Street free rein. But as with all the scenarios the elite have come up with to maintain their grip, it won't work. The would-be Olympians are no longer controlling events—events are controlling them.

FIGURE 18
Failures of FDIC-insured banks, 1934-1989



Source: FDIC

FIGURE 19
Net annual income of FDIC's Deposit Insurance Fund

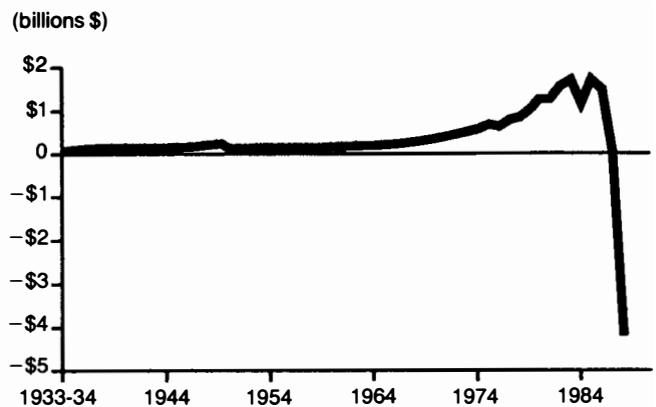


FIGURE 20
Size of FDIC's Federal Deposit Insurance Fund

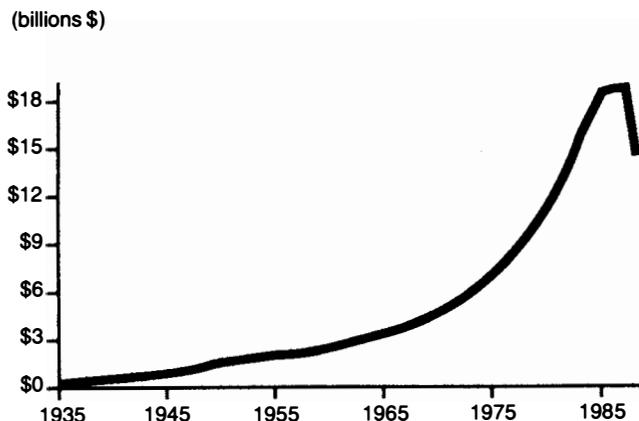
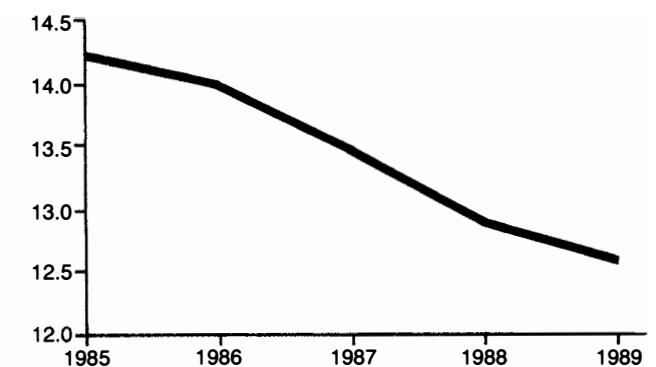


FIGURE 21
Number of banks in the United States



Source: Comptroller of the Currency

German unity drive promises second 'economic miracle'

by Gabriele Liebig

Scarcely a day has passed this month, without some further great stride toward the reunification of Germany. Following the Feb. 10 visit of West German Chancellor Helmut Kohl in Moscow, and Kohl's subsequent discussions back in Bonn with the Hans Modrow's transitional East German government on an all-German economic and monetary union, came a resolution at a meeting in Ottawa, Canada of NATO and Warsaw Pact foreign ministers, to hold a conference of the "Two-plus-Four"—the two German governments and the Four Powers consisting of the United States, Great Britain, France, and the Soviet Union. These events have forced even British Prime Minister Margaret Thatcher to tone down her anti-German ravings somewhat.

Planned for sometime early this summer, is a summit conference of the European Community devoted to German monetary union and economic cooperation with the Eastern European countries. Also, the next meeting of the 35 nations comprising the Conference on Security and Cooperation in Europe (CSCE)—which includes Poland, Czechoslovakia, and the rest of Eastern Europe—will be moved up to September or November at the latest.

"Never in postwar history have we been so close to German unity as we are today," said Chancellor Kohl in a policy statement Feb. 15. Especially significant is the dramatic change of attitude in Moscow, since the Western allies—on paper, at least—have for a long time declared their aim to establish a "united Germany in freedom." Addressing the West German federal parliament, Kohl underlined the historic significance of the statement issued by the official Soviet news agency TASS of Feb. 11: "There currently exist no differences of opinion between the Soviet Union, the Federal Republic of Germany, and the German Democratic Republic on the fact that the question of the unity of the German nation

must be settled by the Germans, and that they themselves will decide the political form, timetable, speed, and conditions under which they will effect this unity."

Did this indicate a real breakthrough, a major shift of the Soviet position on Germany, or was it just plain old Russian tactics? That question came to a test two days after the Kohl-Gorbachov talks on Feb. 12, when at the Ottawa meeting, the head of the Soviet delegation, Vitali Zhurkin, used a press briefing to reiterate the traditional Moscow position that a "reunified Germany must be neutral, and demilitarized." But the next day, Zhurkin made an about-face, stating that he "apparently was misunderstood. . . . Neutrality is only one of many potential solutions." And with that, the major Soviet diplomatic barrier to German reunification was obliterated.

Why Moscow changed

"Why did Gorbachov give the go-ahead for German unity?" asked the West German daily *Frankfurter Allgemeine Zeitung* on Feb. 2. "Kohl and [West German Foreign Minister Hans-Dietrich] Genscher are certain that the Soviet President knows that this development can't be halted; he can rid himself of the expensive burden of the G.D.R. [East Germany], so long as he is assured that West German economic power will take over its ruined economy, so that Moscow won't have to carry the costs, and so long as it is clear that Bonn will see to it, that shipments from what is currently the G.D.R. to the Soviet Union will not be halted. Kohl has assured that West German firms would then, for example, provide trucks, so that the Soviet Union will experience no delays."

The West German weekly *Der Spiegel* has even circulated a report—so far denied by the Bonn government—that

Kohl's agreement with Gorbachov included a West German commitment to formally assume the treaty obligations which specify the amounts of manufactured goods which East Germany must supply to the Soviet Union.

Kohl is saying to Gorbachov, in effect: "If there are production bottlenecks in the Soviet Union, then we are ready to help you." To make this intention concrete, Kohl came to Moscow with a gift of 220 million deutschemarks toward the purchase of 142,000 tons of food, especially meat and milk products, which will be made available at current European Community prices. It was doubtless this initiative which induced Moscow to give the green light for German reunification. It portended Western economic aid and support for solving the deep supply crisis wracking the East bloc, in exchange for political concessions in the reunification process. This is precisely the concept which former U.S. presidential candidate Lyndon LaRouche presented to millions of American television viewers in October 1988 in his "Berlin declaration." Although LaRouche didn't win the presidency, but instead was thrown into jail, Chancellor Kohl and his team decided to go with the policy, and have been spectacularly successful at it.

The Soviet leadership has evidently realized that, for the time being at least, German economic and monetary union and a new economic miracle in a unified Germany could be of some use to them. Vyatcheslav Dashchishev, president of the Moscow Institute for World Economics, put it this way to the West German weekly *Bild am Sonntag* on Feb. 11: "Neither the Soviet Union, nor any other East European country, will be able to survive without Western help."

Even before the Kohl visit, Moscow was broadcasting its readiness to accept Kohl's offer. On Feb. 8, the same Dashchishev, who is a close adviser of Gorbachov and an expert in launching delicate "trial balloons," told the West German daily *Frankfurter Rundschau* that "the partition of the German nation is not only immoral and inhuman, but also a threat to the future of Europe. . . . The partition poses great dangers for the stability and security of Europe. . . . It is about time to remove this source of unrest at the center of Europe. This only works by unification, by the merger of the two parts of Germany.

"It is inevitable to have the economy of the G.D.R. orient toward the West. . . . The vacuum that has developed in economic relations between the two German states in the course of the past decades, must be filled. This will naturally lead to economic problems between the U.S.S.R. and the G.D.R., but these will only be of a temporary nature. . . . Once the economic crisis is overcome and the economic situation in the G.D.R. has stabilized, the U.S.S.R. can only profit from the German economy."

Anglo-Americans losing grip on events

In the meantime, British Prime Minister Margaret Thatcher is getting a beating even at home for her grotesque

attitude on the German question, which led her to personally revise a speech by her foreign minister so that it had a more anti-German bias. The London *Independent* commented on Feb. 15, that Thatcher's "unsensible" rejection of reunification is "against the national interest" of Great Britain. Quite true: If Britain decides to decouple itself from developments on continental Europe, it will be living up to the old saying, "If you're too late, you'll miss the boat."

Across the Atlantic, the Bush regime has been weaving a rather devious course on the issue of German unity. On the one hand, National Security Adviser Brent Scowcroft stated at a Feb. 2-4 meeting of the International Wehrkunde Conference of military experts in Munich, that the United States is and will remain a "European power." But all the while, Washington has been preparing its departure from Europe. According to the agreements worked out by the U.S.-Soviet superpower condominium under Bush and Gorbachov, Europe is supposed to become part of the Soviet sphere of influence, while Moscow leaves the United States a free hand to muck about in Central and South America. Thanks to these agreements, the Bush regime has provided next to nothing by way of financial assistance for the reforming Eastern European nations; and if the United States doesn't alter its course soon, it will sink hopelessly into an economic depression, and will become a *former* "European power."

In France, President François Mitterrand has bowed to the course of historical events, and is trying to make the best for France and for Europe as a whole. He believes that it is up to France and Germany to play a joint role as the guarantors of a free, reunified Europe, and he wants to make sure that France's economy gets a piece of a European economic miracle.

"Reunification won't cost us anything," Kohl said on his flight back from Moscow. Referring to West Germany's rapid economic revival in the early 1950s, Kohl said that he is convinced that the East German economy, under comparable conditions, could become competitive within only a few short years. The "economic awakening of the G.D.R.," and its vast expanse of investment opportunities, will benefit all Europe, he said.

West German Finance Minister Theodor Waigl, in his comments to the parliament, dismissed fears that the economic reconstruction would have to be paid for by West German taxpayers. On the contrary, the impulse would come largely from private investment: "Our private corporations stand ready to invest into the G.D.R. And they have adequate means to do this." West Germany certainly made the right decision, when it chose to promise DM5.5 billion in credits for private firms in the G.D.R., instead of complying with the Modrow government's demand for a DM15 billion blank check. "If we set our priorities right," West German Economics Minister Helmut Haussmann told the parliament on Feb. 15, "there is nothing in the way of a second German economic miracle."

Soviets open to LaRouche's SDI?

In a shift, the Moscow Foreign Ministry has signaled it may be ready for the jailed American statesman's "model of strategic stability."

A landmark article signed by a senior Soviet Foreign Ministry official in the December 1989 edition of *Soviet Military Review*, has signaled a Soviet readiness to accept an SDI-ABM-based "model of strategic stability," corresponding in many features to the policy of Mutually Assured Survival, first announced by *EIR* founder Lyndon LaRouche in 1982. LaRouche's presentations at that time on strategic defense and its spinoff technological renaissance as the key to the greatest rates of growth in the physical economy, were echoed in Ronald Reagan's March 1983 announcement of what became the U.S. Strategic Defense Initiative (SDI).

The "Aleksandrov" piece in *Soviet Military Review*, most notably, also echoes LaRouche in emphasizing the technological spillovers of SDI as the key to overall development and achieving the greatest growth rates for the physical economy.

Soviet Military Review is an English-language monthly of the Soviet Defense Ministry's Krasnaya Zvezda Publishing House. The article was signed by one Mikhail Aleksandrov, identified as Senior Expert, Assessment and Planning Department, U.S.S.R. Ministry of Foreign Affairs. "Mikhail Aleksandrov" is presumably a pseudonym, used by a grouping located in both the Foreign Ministry and the Defense Ministry/Soviet Military Command. This, however, immensely adds to the importance of the piece in question.

The article represents not only a potentially decisive break in the making of Soviet policy in the direction of war avoidance through an ABM-centered *Mutually Assured Survival* doctrine. It also signals clearly Moscow's decision to expand even further its priority for early deployment of a comprehensive ABM system. Yet as of this writing the Aleksandrov piece has gone unnoticed in the West, receiving not a line of coverage or comment, except for a statement released by *EIR*'s founder, Lyndon LaRouche (see below).

The Western blackout is not accidental. The questions of SDI and SDI-based war avoidance through negotiating an ABM-based Mutually Assured Survival arrangement with Moscow, are inseparable from the "LaRouche question." Lyndon LaRouche is currently a political prisoner, jailed by the American Establishment on trumped-up conspiracy and tax charges. Breaking the chains on SDI, and launching, as Aleksandrov evokes, a "defensive arms race," will create the political conditions for breaking the chains that now bind LaRouche, the greatest American statesman since Abraham Lincoln.—*Konstantin George*

The Soviet Statement

'Defense domination vs. nuclear containment'

What follows are excerpts of the article signed by Mikhail Aleksandrov, which appeared in the December 1989 issue of Soviet Military Review:

"To my mind, it is time we became realistic and gave up the hope that SDI-related work will be discontinued. It appears that if the trend towards the development of defense technologies is correctly oriented, it may, far from leading to destabilization, result in a better model of strategic stability than the one we now have. Everything will depend on future defense developments in the Soviet Union in the eventuality of the United States implementing the SDI program. . . .

"It appears, therefore, that our military-strategic, economic, and political interests would be best suited by a model of military structuring symmetric to the American. . . . What is implied is technologies similar to those in the United States. This variant would envisage that, with stringent limitations imposed on strategic offensive arms, the ABM systems would be given plenty of scope for perfection. Given a number of conditions, this option would bolster the crisis stability, rather than shatter it. . . ."

Aleksandrov adheres to the Soviet opposition to a U.S. space-based ABM capability, but abandons all other objections: "Outer space should be open to only those ABM elements which effect observation, detection and tracking of a target, and also control, command and supervision. As to interceptor missiles, laser and particle beam weapons, they must be exclusively ground based. . . . The given model will ensure a sufficiently high crisis stability. . . . Unlike the offensive arms race, a race of defensive systems is not a destabilizing factor. . . . This model will bring about a radical change in the nature of strategic relationships between the East and the West. Domination of the offensive over the defensive will give way to defense domination."

Aleksandrov emphasizes the overriding importance of both superpowers deploying their anti-ballistic missile sys-

tems simultaneously, and he concludes:

"There is no doubt the transition to the new model of strategic stability will involve a certain political risk. There are apprehensions that at a definite stage the U.S. might try and use its technological superiority in some fields to deploy an effective ABM system before the Soviet Union has a chance to do so, thereby attaining military advantage. It seems, therefore, that the only way to the new strategic structure is that of gradual, mutually agreed, coordinated steps, which might include phased deployment of ABM components, strictly restricted both qualitatively and quantitatively."

Considering the alternative models of strategic stability, we cannot gloss over such an important issue as the economic consequences of this or that way of military structuring. It is often argued that the asymmetric way will prove cheaper than the symmetric. Following the asymmetric way, however, we would invest in unpromising technologies, which would yield a temporary military effect but do nothing for the development of our country's technological basis. Consequently, investing in promising branches such as directed energy, space industry, optics, microelectronics, and artificial intellect, we will proceed towards strengthening the country's defense capability for a long period of time, and besides, lay a technological foundation for the progress of our industry in the 21st century."

Lyndon H. LaRouche, Jr.

What West and Soviets must discuss about SBMD

What follows is a statement released by Lyndon LaRouche on Feb. 13, 1990. Mr. LaRouche, a former U.S. presidential candidate, has announced his candidacy for Congress from Virginia's Tenth District.

The article by Soviet Foreign Ministry Assessment and Planning Department official Mikhail Aleksandrov in the December issue of *Soviet Military Affairs* is a very useful declaration. It represents a basis for competent discussion between representatives of the Western powers and the Soviet Union on the subject of *Strategic Ballistic Missile Defense (SBMD)*.

I first became involved in back-channel discussions on this policy in February 1982. Those discussions with Soviet officials continued, with the backing of people in the U.S. government, up through April 1983. The purpose of those back-channel discussions was to present the *Strategic Defense Initiative* to Soviet channels to avoid a destabilizing

misunderstanding of what it would be, and to additionally establish adversary points of agreement to enhance war avoidance, under conditions in which depressed-trajectory nuclear missiles represented a potential hair-trigger for general war.

The crux of my policy was to substitute war-avoiding strategic defense for *Mutually Assured Destruction (MAD)*, and to use a crash SBMD program to spill over into the civilian economy.

In this context, I can today say things that the U.S. government is not free to say.

The Soviets will recall earlier private communications and public documents authored by me. From the outset, my proposals agreed in conceptual terms with the *Sokolovsky Doctrine* in the age of rocket-borne thermonuclear warheads, particularly on the point that the only effective strategic defense was that based on "new physical principles"—not on kinetic energy weapons (as Sokolovsky deprecated such weapons in 1962-63). It can be easily recognized why this is the case. The calculation of comparative firepower, mobility, and depth of slow warheads versus defensive weapons traveling at the speed of light, or at relativistic speeds, underscores the point. This was understood in 1982: It is possible to destroy a dollar's worth of missiles with ten cents' worth of defense based on new physical principles.

It was understood in my discussions with the Soviet government, that SBMD based on new physical principles was an effective proposal, and it was agreed that associated technologies would yield increased productivity.

There were certain difficulties during the 1982 period, from the Soviet standpoint. In 1982, before the devolution of the U.S. economy, the United States could sustain a crash program, which would have enabled the U.S. and its allies to rapidly outpace the Soviets in real economic terms. This was the principal stated reason for Soviet opposition. The second reason was that the Soviet Constitution prevented the government from negotiating-away a strategic capability in good faith with a strategic adversary.

They also understood that the key SBMD points I represented to the Soviet government were precisely echoed in the March 23, 1983, Ronald Reagan television address. Both President Reagan and Defense Secretary Caspar Weinberger affirmed this policy repeatedly and publicly thereafter. The Soviets also noted, however, that, as the result of resistance in Britain, the U.S. did rapidly back away from SBMD, into dubious and implicitly obsolete kinetic approaches, though the 1982 feasibility estimates of the more advanced systems were proven correct.

Pacifists are the real war-mongers

Now we approach the question of SBMD anew seven to eight years later. The current strategic reality contains dramatically new elements, although some things remain constant. The question of war avoidance must be considered

in the new circumstances of structural changes and institutional changes in the communist and other sectors, and of the rising great economic collapse globally. In these revised circumstances, we must define a pathway of war avoidance not based on the utopian sentimentalism of the pacifists and arms-control negotiators. The Soviet Union and the Western powers are major military adversaries still, regardless of self-deluding denials.

We face in reality an ongoing physical economic collapse in the Warsaw Pact, Communist China, Yugoslavia, at the same time that there is a less advanced, but equally significant collapse in the United Kingdom, the United States, and much of the British Commonwealth. This economic collapse is the principal energy driving social and political eruptions, regardless of other causes. The military potentialities of the Soviets and the Anglo-Americans might engage in a war which both sides now delude themselves as being impossible and unthinkable. The collapse of great empires and powers from internal reasons has been the pathway in history for wars of the greatest destruction. Rome, Byzantium, and the turn-of-the-century Czarist Russian, Ottoman, and Austro-Hungarian empires, are examples of empires destroyed through such processes.

Therefore, the idea that peace is breaking out is so dangerous a delusion, that we must consider pacifists to be the true war-mongers.

We must therefore look at the present situation from my standpoint as a Western strategic planner. This is the most useful framework for a discussion with both my Western colleagues and Mr. Aleksandrov and those forces in Moscow whom he represents.

The most likely war scenario today is the Soviet Union, especially the Russian Federation, finding the core empire imperiled by internal economic-driven instability, being impelled to use military superiority for an external solution in its existential crisis. Thus, war avoidance means defining for the Russian Federation (which represents half the total Soviet population and a preponderance of decision-makers) a safe route to survival, alternative to the perils of war.

A question of physical economy

This brings us to the issue of political economy.

Competent strategic planning begins with the premise: "To the devil with ideologies—Marx, Lenin, and Adam Smith." Rather, emphasis must be placed on the work of Leibniz, a figure not unknown to Russian historians. In the United States and Germany, the same Leibnizian current is associated with Alexander Hamilton, the Careys, Benjamin Franklin, and Friedrich List. In France, the reference point is the American System of political economy and the contributions of Carnot, Monge, Chaptal, Ferrier, and Dupin. By invoking these reference points, we demonstrate our disgust with monetarists' utopian ideas and our commitment to proceed from the standpoint of physical economy.

This brings us immediately to a key connecting point. Competent U.S. and Soviet military planners privately don't have to debate SBMD based on new physical principles. We know how it works, and know that this represents the only alternative to the ultimate chaos brought about by nuclear war. The inclusion of SBMD is the only deterrent, as we approach the end of this century.

The focus must be on the issue of physical economy and the relationship of SBMD to the economy. This is a topic which most so-called economists today, who have no understanding of elementary principles of political economy, may see as a seemingly academic issue irrelevant to policy deliberation.

The essential distinction which sets man above the beasts is the creative capacity of individual human minds, through which individuals radiate valid scientific discovery to the effect of increasing the capacity of labor by this knowledge. The economic role of SDI situates this. Details of how creativity is transformed into societal advances are contained in many published locations. The laboratory apparatus which proves the crucial experiment is the reference point of design for machine tools. Machine tools echoing laboratory successes define technology. The challenge is how to convert science into technology, and thereby cause the proliferation of technological advances throughout the society, such that they increase the productive powers of labor.

Returning to the battlefield of Eurasia, the role of SBMD as a deterrent to war is essential. SBMD is critical to the enhancement of deterrence. However, the danger is that even the enhanced deterrent is superimposed on an ever hotter kettle—and the limits of the safety valve may be surpassed. As necessary as the military side of war avoidance is, the key is using the crash program for SDI as a solution in the domain of physical economy.

If we correctly define new physical principles, the technologies we will need to perfect will be the technologies that give us the greatest rate of growth in the productive powers of labor. This in turn will give us, with greater speed, the greatest solutions to the political economic dimensions of the global strategic crisis. Thus, the political-social solutions become realizable as well.

This should be the core of the doctrine and the ensuing discussion. An exemplification of this approach is found in the proposal for an economic development triangle running among Paris-Berlin-Vienna (including Prague). This proposal defines the highest rate of action in energy per capita or energy per square kilometer anywhere today. The stream of energy and transport systems services a 400-500 million person market and provides a means, aided by new transport, for solving the internal economic problems of Moscow, Leningrad, Kiev, etc.

If the Soviets and others are interested in avoiding war, it will be useful if the proposals outlined by Aleksandrov are discussed in the general framework outlined in this response.

Weinberger flings cold water on Gorbymania

by Leo F. Scanlon

Lyndon LaRouche's article (p. 37) on the true history of the SDI program points to the real factors which are shaping Soviet actions at the moment; they have nothing to do with the utopian theories which are being presented to the Congress in support of the Bush administration's defense budget. One voice conspicuous by its absence in congressional hearing rooms, is that of Caspar Weinberger, the secretary of defense who shepherded the Reagan administration's push to create the SDI.

Below are excerpts from a debate sponsored by the University of Tennessee in December, moderated by newsman Hedrick Smith, in which Weinberger counterposed his view of strategic events to those of James R. Schlesinger, Robert Strange McNamara, and other former secretaries of defense—an exercise which makes it clear why he has not been called to brief the Congress on these matters.

First, on the nature of Soviet strategy and deception, and what value can be placed on the current Conventional Forces in Europe (CFE) negotiations:

Weinberger: The Soviets are now using a different tactic. They haven't changed the strategy. The strategy has been to end NATO. Previously, they tried to do it by threat and intimidation, and moving their submarines closer to the United States if we didn't do what they liked, or if we deployed, and so on. Now they're trying to show there's no threat to NATO because they present this smiling face, this kinder, gentler Soviet Union that's letting all of its satellites go their own way. And that does not remove the threat.

McNamara: . . . The CFE . . . will make us better off. . . . I believe that we can go down this path, we can run the risk that Gorbachov fails and is succeeded by Stalin, and not endanger ourselves in the process. . . .

Weinberger: I'd like to say a little bit about this idea of—that we aren't really taking any risk. The Soviet Union is a country in which you can take 500,000 people out of the Central Front and turn them into farmers overnight, and you can turn them back into soldiers also overnight. And we can't do that. And we cannot make this quick recovery from deep, deep cuts that may or may not be being made in the Soviet Union overnight. It takes us about seven, eight, nine years to do it. . . . So, we have a lot to worry about if we rush into any idea that the threat is down and that it is perfectly all right to make the deep, deep reductions, which are so hard to recover from for us, and so easy for the Soviets. . . .

Bringing your troops home, saying the Cold War is over, on the basis of some kind of assumption that everything that the Soviets are now saying, or one man in the Soviets is saying, is true and is going to be permanent. And if you do that you're going to run into all kinds of problems.

Have Soviet objectives changed?

Equally specious, Weinberger points out, are the arguments which assert that Soviet objectives in Europe have altered from their historic course:

Weinberger: What you're seeing is a situation in which there may be an occasional dip for a short time but the secular trend is indeed up. And as far as their being able to reconvert quickly or not, the problem that we really have had all this time is that they spend about 23 to 25%, that we know about, of their gross national product on military matters. And they do have easily convertible factories. . . . It is very easy for them. . . . And so, you've got all of these things pointing toward a lack of permanence in what we're seeing now that we like. And we've only been seeing it for a very few months. And we must never forget that that can shift.

A blunt warning about the East bloc

While the Congress and administration have concluded that the time is ripe to abandon Europe militarily, Weinberger questioned one premise of the common wisdom in Washington, the idea that American isolationism will have no effect on the course of events in the East bloc:

Weinberger: I think we have a tremendous interest in how it comes out. And there are 424,000 Soviet troops in East Germany right now. If it comes out in such a way that there is domination by East Germany of the new unified Germany, it would pose an absolute. . . .

Smith: Can you really conceive of that? [hubbub]

Weinberger: Everybody talks about what they can't conceive of. But nobody could conceive of a few things that happened in China. And nobody could conceive of the fact that Gorbachov—

Smith: You can conceive of 17 million East Germans dominating 63 million West Germans?

Weinberger: No. I can conceive of 17 million East Germans, augmented by 400,000 or 500,000 Soviet troops, with the United States out and NATO out, because everybody says it's no longer necessary. That would be a series that you'd have to worry about.

Schlesinger: Well, you see a million and a half East Germans fleeing to West Germany in order to establish Communist control in West Germany. [laughter]

Weinberger: With Germany unified, with Germany unified on a basis that ensured that Western ideals and the ideals that are followed now by the Federal Republic, the West German Republic, would prevail. And that is a very vital point. And it is not, I think, despite all of the easy sophistries now, it's not guaranteed.

LaRouche: We shall not forget Africa or the martyrs of African development

The release of African National Congress leader Nelson Mandela from a South African prison on Feb. 11 prompted economist Lyndon LaRouche, a jailed political prisoner himself, to reaffirm his commitment to the development of Africa in a Feb. 12 statement. LaRouche questioned whether the release of Mandela would lead toward positive developments or Dionysiac frenzy since, as development programs come closer to realization, their advocates, such as Jürgen Ponto and Hanns-Martin Schleyer, the heads of the Dresdner Bank and the West German Employers Association, respectively, who were assassinated in 1977, are eliminated by terrorists backed both by Moscow and Western oligarchs.

On Feb. 13, LaRouche also warned that there are malicious forces opposed to the economic development of the southern Africa region who might seek to trigger a New Dark Age, a "Sarajevo," by assassinating Mandela.

"The release of Nelson Mandela ends one problem in South Africa, but brings another to the fore," LaRouche said. "The question now is, how do we fulfill the just aspirations of the people of the southern Africa region as a whole?"

"The problem is developing a high-technology structure, to build up the basic economic infrastructure and the social, that is, educational and medical infrastructure, required to elevate the entirety of the population of the region, beginning with South Africa itself, to a level of cultural potential and economic potential for proliferation of small, relatively high-technology firms, and including the development of an independent flourishing African agriculture to match the quality of the Afrikaaner farms in that region.

"This is a great problem," LaRouche warned. "It is a political problem, it is a social problem; it's not a racial problem as much as it is a tribal problem. The importance of Nelson Mandela's role at this time and the people around him, is that he has the potential to become a unifying figure together with people like Kwazulu chieftain Buthelezi, and other leaders, to address the national economic requirements and regional economic requirements, and to pull people away from a kind of Dionysiac explosion which will happen unless something is done to give the newly won freedom a positive economic and social direction."

Mandela appeals for discipline, calm

Taking a positive step, Mandela made a powerful appeal for discipline to a crowd of over 100,000 people which he addressed on Feb. 13 in Cape Town, Soweto. He called for calm and unity, and condemned crime and mindless violence. "Not a single hair, not a single window will be broken when we leave this place," he said.

Mandela also strongly urged blacks to go back to school and study, despite the inadequacies of the segregated South African education system.

"I have been greatly shocked by the statistics of crime," Mandela also declared. "The level of crime in the townships is unacceptable and must be eliminated as a matter of urgency."

Addressing social needs of blacks, Mandela called for an end to the inferiority of black housing, education, and social services. "Our people need proper housing, not ghettos like Soweto."

Mandela said on Feb. 12 that the ANC would address white fears about their future in a one-person-one-vote South Africa. "We understand those feelings and the ANC is concerned to address that problem and to find a solution which will suit both blacks and whites in this country," Mandela said. "No man or woman who has abandoned apartheid will be excluded from our movement toward a non-racial, united, and democratic South Africa, based on one person, one vote on a common voters' roll," he said. "Let each and every one of you and all of the people give the enemies of liberty no space to take us back to the dark hell of apartheid. It is only disciplined mass action that assures us of the victory we seek."

In the first government reaction to Mandela's speeches, Constitutional Development and Planning Minister Gerrit Viljoen said, "This statement bodes well for the possibility of reasonable discussions in the negotiating process."

Viljoen criticized remarks Mandela made upon being released from prison that "Our resort to the armed struggle in 1960 . . . was a purely defensive action against the violence of apartheid. We have no option but to continue." But, said Viljoen, "We must give the ANC a chance to sort their views out." The ANC executive committee is scheduled to meet

during the third week in February, and an ANC conference is scheduled for June, when a leadership framework for the movement, split for decades by exile and imprisonment, is likely to be formed.

Mandela characterized South African President de Klerk as "a man of integrity. He seems to be fully aware of the dangers to a public figure of making undertakings that he cannot fulfill. . . . I am confident that if he can carry the [ruling white] National Party with him, he will be able to normalize the situation."

Mandela's remarks on economic policy, however, did not calm some circles. Mandela said Feb. 13 he knew his call for nationalizing South Africa's mines and major industries had scared investors, but he stood by the ANC policy of support for redistribution of wealth.

"We believe that apartheid has created a heinous system of exploitation in which a racist minority monopolizes economic wealth, while the vast majority of oppressed black people are condemned to poverty," Mandela said. "The ANC is just as committed to economic growth and productivity as the present employers claim to be. Yet they are also committed to ensure that a democratic government has the resources to address the inequalities caused by apartheid."

"South Africa is a wealthy country. It is the labor of black workers that had made the cities, roads, and factories. They cannot be excluded from sharing this wealth," he added.

The comments on the nationalization of mines and other major industries shook South African markets Feb. 12-13, causing the price of shares and bonds to fall, according to Reuters.

The South African economy has seen its inflation-adjusted growth of gross domestic product drop to an average of less than 2% in the 1980s, from around 4% in the 1970s and nearly 6% in the 1960s.

Development advocates assassinated

LaRouche said that he has been concerned with the development of Africa "for a number of years," and reflected upon the obstacles encountered to a viable development program, especially since 1977.

LaRouche tied the 1977 assassinations of Ponto and Schleyer in with the 1989 assassination of Deutsche Bank head Alfred Herrhausen, who was killed while playing a similar, crucial role in the economic development and democratization of East Germany and Eastern Europe.

"Separated by 12 years," LaRouche said, these assassinations were of leading German bankers "specifically dedicated in practice to the classical function of industrial banking of promoting progress in less-developed countries. You might call it 'moral banking' as opposed to the commonplace type we find in New York City or London these recent decades."

LaRouche identified "Soviet assets in West Germany, operating under the guise of the Baader-Meinhof gang," as responsible for the Ponto assassination. But he warned that

there is also a "Western aspect," an "Anglo-American connection" to these assassinations going back to "the old Communist International" and "the Anglo-Soviet Trust."

LaRouche said he had been "anticipating some kind of terrorism" on the basis that Soviet assets in France were meeting, particularly in June 1977, "to declare that nuclear energy was fascism." This terrorist offensive "culminated first in the assassination of Dresdner Bank's Jürgen Ponto," and shortly thereafter, LaRouche said, he had "received reports, later corroborated from the highest levels of U.S. intelligence, that I was number two, approximately, on what might be called 'the list' of the Baader-Meinhof gang for this operation, and that there were other on the same so-called list."

LaRouche said he survived because intelligence agencies of four nations provided a "steel shield" to keep him alive, while a third person, Hanns-Martin Schleyer, did not survive.

"Now what was the thing that unified all three of us? Why should we three and others be on the same list?" LaRouche asked.

"Well, in the case of Ponto and I, it might be argued that Ponto was for development, classical economic development of developing countries. His work in Brazil is merely exemplary of that, and if one knows his personal history, one understands the basis on which he proceeded. We were both particularly interested in the use of nuclear energy as a means of raising the level of developing nations.

"But, then, there was something else in the wind. We also had another common denominator, which Ponto shared with Schleyer. Ponto had developed a southern African Development Fund, into which he had organized nationals of various countries, including Schleyer, to contribute to a kind of pilot fund to create a kind of banking institution throughout southern Africa for the positive, classical economic development of the southern African region as a whole.

"The inclusion of Schleyer on the so-called list with myself and Ponto back in 1977, indicated grave Soviet and possibly other displeasure with any European and American effort to impart a classical economic development, and, presumably a peaceful economic development, progressive social and political development as well as economic, to the region of southern Africa," what LaRouche termed the "Southern African shield."

LaRouche said that from the standpoint of Soviet strategic planning and of certain evil fellows from Britain and elsewhere who were sympathetic to Soviet thinking, "the strategic minerals of the southern African shield were affected. The Soviets wished, and were negotiating, with some Israeli channels and others, to establish an agreement between the Soviet Union and southern Africa, particularly the Republic of South Africa, to establish a kind of strategic minerals cartel, which would have obvious military and related advantage to the Soviet Union, vis-à-vis Western Europe

and the United States.”

LaRouche said that what he, Ponto, and Schleyer were independently proposing “was a classical development which would have frustrated that kind of nonsense, and in which the strategic mineral resources in that part of the world would be used as a lever to foster the classical form of economic development, and political social development for the entire region in a cooperative venture.”

LaRouche recalled that a meeting between Ponto and himself, based upon their “convergence” on nuclear energy, southern Africa, and related Third World development—the classical conception of positive industrialized sector aid to provide development opportunities for developing nations—had been scheduled for the week following Ponto’s assassination.

Economic development is key to freedom

“That problem, which was posed then, comes to the fore now,” LaRouche said. “Shall we have a meaningless sort of freedom, which ends in bloody tribal fratricide, and Dionysiac chaos, or shall we provide to the people of an Africa already threatened with the worst onslaught of the HIV pandemic, shall we provide Africa the means of coming out of the mess, and obtaining at large what black Africa has been denied for thousands of years of the slave trade, beginning with the Dravidian slave trade preceding the Phoenicians? The right to a genuine internal positive economic development and the political and social stability and progress which goes with such development?”

“Ponto was trying in 1977, and he was murdered. I was trying then, I’ve been trying since. What we did, variously, people like Ponto on the one side and my friends and I on the other, are the efforts we have made to that end, to be thrown aside? If so, then the Soviets of 1977, the backers of the Baader-Meinhoff gang, will have won, and all of southern Africa will be turned into bloody, Dionysiac mass murderous chaos, from which no one, black, white, will benefit.

“Let us honor people such as Ponto and Schleyer from 1977 and let us be able to look in their faces, so to speak, the memory of their faces. We haven’t forgotten. You had a moral commitment to Africa. We haven’t forgotten. As we develop the triangle of economic power in Central Europe through integration of the economic potentials of Czechoslovakia, East Germany, West Germany, France, Austria, and so forth, we shall not forget Africa. We shall provide it what pioneers such as Ponto and Schleyer, the martyrs of such a cause, attempted to commit Europe to provide to southern Africa in particular.

“I recommend this message to the attention of Mr. Nelson Mandela, so that he and others will know that there are people in this world who understand and who are committed to a result which we prefer were measured finally by the grandchildren and their grandchildren of today’s living generations, both in Europe and in Southern Africa.”

Namibian freedom: a test of stability

by Jeffrey Steinberg

With Independence Day scheduled for March 21, the climate in the southern African nation of Namibia is one of enthusiasm and optimism. Many of the fears among the German settlers who make up the core of the white minority population in the South African colony-turned Africa’s newest nation have been dispelled in the past months by an attitude of cooperation on the part of the leadership of the South West African Peoples Organization (SWAPO), the Anglo-Soviet-sponsored black nationalist movement that waged a 20-year guerilla war against the South African-backed government. That mood of cooperation, fueled by the recent events in Eastern Europe, has led to a rapid drafting of a Western-style constitution, out of which emerged a power-sharing arrangement drawing in all segments of the population. The successful constitutional assembly made an early independence day a reality.

Some senior officials of the former provisional government in Windhoek, which will soon be replaced by a constitutionally elected government, believe that the Eastern European events, combined with the rapid pace of reform in the Republic of South Africa, culminating in the release of Nelson Mandela from prison, has afforded Namibia an opportunity to carve out a path of independence largely free of outside interference.

Danger of genocidal war

At the same time, these sources point to the outbreak of intensive fighting in Angola between liberation forces of UNITA under the direction of Dr. Jonas Savimbi, and the Soviet-backed MPLA regime in Luanda as a possible trigger for a nationwide destabilization that could easily spill over into Namibia.

For the past month, MPLA forces, once again backed up by Cuban troops, have been engaged in a full-scale offensive against the UNITA stronghold of Jamba in southeast Angola. The assault on Jamba was launched when a severe drought delayed the rainy season, allowing MPLA armored units to move into the area. At the point when the offensive was launched, Dr. Savimbi was on a tour of Western Europe. He abruptly canceled his meetings and returned to the front line.

As the fighting reached levels unseen in three years, the rainy season began. MPLA forces became bogged down, and according to regional sources, UNITA was able to capi-

talize on its superior irregular warfare capabilities to defeat the MPLA onslaught. However, as the result of the levels of fighting, UNITA significantly depleted its stockpiles of arms. The sources were unable to confirm whether or not the Bush administration has yet made good on its commitment to continue arming UNITA, particularly with Stinger missiles, which have effectively neutralized the MPLA air force.

In the midst of the MPLA offensive, Fidel Castro announced that he was putting off his withdrawal of Cuban troops, which had been a cornerstone of the Angola-South Africa-Cuba Brazzaville Accords of December 1988, under which Namibian independence was approved. Over 20,000 Cuban soldiers remain in Angola. Furthermore, some regional military experts have voiced concern that several hundred combat-trained Cuban pilots who left Angola but simply took up temporary assignments in South Yemen, could be brought back on short notice. The inexperienced MPLA pilots who replaced them reportedly have been ineffective in air strikes against UNITA positions during the current battle around Jamba.

Sources in Windhoek say that the first real test of SWAPO's independence from its former Soviet bloc supporters will take place on Independence Day, March 21. It is expected that the Angolan regime will seek permission from the Namibian government to allow MPLA forces to pass through Namibian territory in order to encircle the UNITA stronghold from the south. Such a two-front attack, up to now always prevented by the presence of South African military units along the Angolan-Namibian border, would radically alter the military situation for Dr. Savimbi, and would jeopardize the fragile basis for the entire regional peace arrangement.

It is here that the Windhoek observers underscore the outside factors. They believe that, left to their own devices, the SWAPO leadership, who will dominate the first independent government in Namibia, will seek to retain the peace and stability that has characterized the past six months of elections and constitution drafting, and will focus on rebuilding the country's flagging economy. Outside forces hostile to such a course—both in the Soviet sphere and in the Anglo-American domain—could wreak havoc if they successfully shape the agenda.

As *EIR* has warned repeatedly over the past year, British circles associated with Tiny Rowland's Lonrho represent one major source of such potential interference. (See *EIR* series, "The 'Tiny' Rowland File," Nov. 3, Nov. 10, Nov. 24, and Dec. 8, 1989.) Following a visit to Zimbabwe by British Prime Minister Margaret Thatcher last year, rumors spread throughout the Windhoek business community that Rowland and South African Harry Oppenheimer of the Anglo-American Corporation had proposed a series of looting schemes to SWAPO head Sam Ujoma, which would have turned over virtually all of the raw material wealth of the country to the two British multinationals.

Was PanAm 103 an 'allowable casualty'?

by Jeffrey Steinberg

In an exclusive interview published in the Jan. 20 newsletter of *Middle East Insider*, Dr. Jim Swire, the chairman of U.K. Families Flight 103, which represents the families of 35 British nationals who were killed on Dec. 21, 1988 when the Pan American World Airways jetliner was blown up over Lockerbie, Scotland, offered the observation that the massacre may have been an "allowable casualty" based on an agreement between the American government and the Ayatollah.

"It does begin to look suspiciously to us, as though there may have been some tradeoff, about which we would know very little. One can imagine a scenario, where someone like President Bush—who, as we know, has released some \$60 million to Iran, [and] has paid some \$30 million for the Iranian Airbus [shot down by the *USS Vincennes* in July 1988] would wish not to have any obstruction to his attempts to repair relations between the two countries.

"For all we know, it may be that some Iranian source whispered in somebody's American ear: 'Look, we are not going to get anywhere until we have revenge for the Airbus.'

"It could be American policy, that no special steps should be taken to prevent that from happening, in the interest that better relations between the two countries could be established. . . . [With] the number of warnings that we now know about, coupled with the total lack of sensible response to those warnings, it is hard to believe that it could just be incompetence.

"One begins to wonder about whether there was some positive reason why it was deliberately engineered to occur in this way. It is all supposition, we cannot prove it, but we are certainly bent on trying to get to the truth, because none of us accepts that the death of members of our families is a reasonable price to pay for any diplomatic or economic advantage which may have been gained by any country through the disaster happening."

A 'Dr. Strangelove' scenario

As far-fetched as Dr. Swire's hypothesis of "allowable casualties" might seem at first blush, a precedent in fact exists for precisely such a callous tradeoff of lives for global balance of power diplomacy.

In 1958, at the point when the Anglo-Americans and the Soviets were working on forging a post-Stalin set of global rules of engagement, Dr. Leo Szilard (who was popularized

in the movie "Dr. Strangelove") addressed a crucial meeting of the Pugwash Conference. Dr. Szilard proposed that an agreement be struck between Washington and Moscow that, should either side ever carry out a nuclear attack against a major population center in the other country, a reciprocal attack would be "permitted" against a similar size city to avert all-out thermonuclear war.

Such mad logic has been a recurring theme in superpower relations ever since the launching of the Pugwash charnel. Dr. Henry A. Kissinger is one of the preeminent Pugwash participants whose policies have gained wide prominence in the present Bush administration.

Whether Dr. Swire's view proves to be accurate or not, recurring evidence does now exist that both the Bush and Thatcher regimes have been engaged in a top-down coverup of the Lockerbie tragedy. In a recent syndicated column, Jack Anderson charged that in April 1989, Bush and Thatcher spoke by phone and agreed to conceal the fact that both U.S. and British intelligence knew with "95% certainty" that the PanAm 103 bombing had been carried out on orders from Ayatollah Khomeini and current Iranian President Hashemi Rafsanjani, the man whom official Washington has labeled a "moderate," with the logistical backing of the Syrian regime and the active participation of the PFLP-General Command of Ahmed Jibril.

Since the Bush-Thatcher conversation, both U.S. and British intelligence have worked to systematically cover up the Lockerbie massacre.

In late January, a team of investigators, an attorney, and a polygraph specialist for Pan American World Airways traveled to London, where they interviewed three PanAm employees who were working in the baggage area of Frankfurt International Airport the day of the bombing. According to sources close to the investigation, at least one of the three, a Turkish-born West German citizen, failed the polygraph test. When a PanAm attorney attempted to pass the findings of the polygraph on to Scottish investigators, he was reportedly visited by Scotland Yard agents and was threatened with arrest for interfering in an official investigation.

Upon the group's return to the United States, the polygraph specialist was immediately served with a subpoena to appear before a federal grand jury in Washington, D.C., according to news accounts. Ostensibly convened to gather evidence on the Lockerbie massacre, the grand jury has been identified as a key part of the Bush administration's damage-control effort.

The grand jury probe is being headed by Department of Justice attorney Brian Murtaugh, a former U.S. Attorney in North Carolina who gained some notoriety for his prosecution of Dr. Jeffrey McDonald, a retired Green Beret physician who was convicted of murdering his family. Sources close to the McDonald case believe that the prosecution covered up a Manson-like murder cult which actually did the murders and seriously wounded Dr. McDonald.

The Cartagena Summit

Andean nations reject Bush military sprees

by José Restrepo

Although the U.S. news media presented the Feb. 15 Cartagena anti-drug summit as a big success for the war against drug trafficking, and the U.S. President George Bush said, "we have in fact created the first anti-drug cartel," the reality is that the Presidents of Colombia, Peru, and Bolivia rejected Bush's main proposal: using U.S. military personnel to control the air space over and in the international waters around the Andean countries.

Colombian President Virgilio Barco opened the summit with a reminder: "We Colombians are on the firing line. For us, it's more than a war of words. We are upholding our convictions in order to defend the very essence of our democracy. We shall move forward in spite of the sacrifices that we have had to take on. No, Colombia will not weaken. We will not let the death of thousands of Colombians be in vain." However, Barco stressed that in order to win the war, Colombia needs economic justice and that the advanced sector must crack down on drug consumption and money laundering with the same seriousness with which Colombia is crushing the drug traffickers.

Barco and other moral Ibero-Americans yearn for a United States willing to help win the battle against the narco-terrorists afflicting their countries. But, despite Bush's flashy video bits, they did not find it.

Where's the beef?

"For Colombia," said Barco, "Colombia who has had to bear the very expensive cost of this struggle, the success is not based on only getting more external aid but in receiving fair treatment on our exports and that the United States and the European Community help us." The other two Presidents, Peru's Alan García and Bolivia's Jaime Paz Zamora, also sought trade and economic assistance from the U.S. "Where's the beef?" García asked.

President Barco especially remonstrated the United States for undermining the International Coffee Pact which used to guarantee reasonable prices for Colombia's biggest legal export and for impending U.S. tariff sanctions against Colombia's second top legal export, cut flowers.

However, Bush, at the press conference after the meeting, said that although the United States will help these coun-

tries fight drugs, the U.S. will make no commitment to offer greater trade opportunities for the products which are critical for their economies.

In a Feb. 14 NBC interview, Barco said U.S. military deployments inside Colombia or U.S. warships around it would not be "accepted by the Colombian people." "It's as if we were to send our troops to Washington; that would not be acceptable," he said. When Barco was asked about the possibility of U.S. naval drug interdiction operations and U.S. military intervention, he replied that Colombia does not need foreign troops to fight drugs.

For Colombians and other Ibero-Americans, U.S. military intervention evokes the image of Bush's December 1989 Panama invasion. That is a particularly sensitive matter for Colombians, who had their former Panama province stolen from them "fair and square" by Teddy Roosevelt's gunboats in 1903. "We Colombians will not applaud Marines in any Latin American country and much less on our territory," the four labor federations proclaimed at a Feb. 14 protest march of 10,000 workers against Bush's visit. "Tomorrow's visit by the North American President to our country is *non grata* to us," they declared.

In his opening speech, Barco outlined what the program to fight drugs should be: "We have to offer economic and social alternatives to the peasants that grow coca. We have to dismantle the cartels and their infrastructure for processing and trafficking drugs, we have to stop the flow of chemical input from industrialized countries. We have to control the sale of arms used by the criminals for violence. And fundamentally, we have to reduce the demand for drugs in the big cities of the developed countries."

Bush's Panama invasion poisoned the well for what could have been productive U.S. military collaboration with the Andean countries against the drug traffickers. Barco has staked his presidency on winning a shooting war against the drug cartels, because they threatened the sovereignty of his republic. Now, an imperial Bush threatens and rips up the sovereignty of U.S. allies. After what happened to Panama, no nation dares to allow a U.S. military presence.

At the summit, Bush proposed a string of radar bases manned by U.S. military personnel, in the Andes Mountains. At the short press conference on leaving Cartagena, The colombian press quoted Bush, "But the stories about the U.S. mission are so distorted that I felt it better to continue speaking in general terms about our military efforts, instead of asking the cooperation of any of those three countries. . . . They were very frank with us on things that maybe they wanted me to do more or disagreed with. But I think interdiction is very important. . . . Therefore, we are not going to insist."

U.S. accepts talks with narco-terrorists

On the eve of the summit, Bush's ambassador to Colombia Thomas McNamara, said the U.S. government would not

object if the Colombian government were to reverse course and begin negotiations with the drug traffickers, according to daily *La Prensa*. McNamara insisted the U.S. would not interfere in any future agreement Colombia could make with the cartels. He thereby offered a green light to former President Alfonso López Michelsen and presidential candidate Ernesto Samper Pizano to continue helping drug kingpin Pablo Escobar and the so-called Extraditables force Barco to negotiate peaceful coexistence with the drug cartels.

Samper and others took the opportunity of the Cartagena summit to ask again for the legalization of narcotics. Samper published an ad in *El Tiempo* which said there must be a clear commitment by the drug-consuming countries to control consumption "or we must enter into discussion for international legalization."

Enrique Santos Calderón, publisher of *El Tiempo* newspaper, said that if the U.S. is not ready to put its hands in its pockets, it would "be better to think of the legalization alternative." Others, who before the U.S. ambassador's green light did not dare to call for that policy, such as Francisco Santos, one of *El Tiempo's* columnists, and Jaime Castro, a minor Liberal Party presidential aspirant, are now also promoting legalization.

In the opening statement in the press conference in Cartagena, President Barco reiterated: "Before beginning this dialogue, I want to deny the rumors on supposed negotiations with the narco-terrorists. Those rumors are completely and totally false. The government's policy has *not* changed; that is quite clear. The drug traffickers have to end their illegal trade, turn themselves in and submit to justice. Colombian law is not negotiable."

Documentation

Bush, spokesman for a drug-dependent empire

The following joint declaration of the Andean Labor Party, the Mexican Labor Party, the Venezuelan Labor Party, and the Independent Solidarity Movement (of Peru) was released on Feb. 11:

The anti-drug summit in Cartagena attended by Presidents Virgilio Barco, George Bush, Alan García and Jaime Paz Zamora is, first and foremost, an insult to the intelligence of the Ibero-American people. It is abundantly clear that the meeting was not intended for serious discussion. It will be a fleeting encounter, of less than six hours duration, conceived by Bush's public relations staff as a spectacle for United

States' television viewers.

Above all, it is futile for Ibero-American heads of state to gather together to discuss a war on drugs with the man directly responsible for having installed in Panama—through military aggression—a government intimately tied to the laundering of money from the drug-trafficking cartels.

In fact, the U.S. occupation forces are in Panama to support a triumvirate of narco-politicians. The scandal is so outrageous that it has even reached the front-page of the *New York Times*, which published on Feb. 6 a portion of the evidence linking Guillermo Endara, Ricardo Arias Calderón, and Billy Ford to drug-money laundering and, specifically, to the Cali Cartel and its chief, Gilberto Rodríguez Orejuela.

This is not to say that the war on drugs directed by Colombian President Virgilio Barco has not won some important

victories. It has delivered some magnificent blows to the drug trade. It has dislocated a portion of its logistical and communications apparatus, it has considerably damaged its military capability, and it has managed to extradite to the United States a number of the drug traffickers demanded by that country.

But while Colombia's soldiers and police officers are giving and risking their lives in that war, U.S. diplomatic spokesmen are openly sabotaging it. For example, U.S. Ambassador to Colombia Thomas McNamara told the press that "the solution to the drug trafficking problem is not extradition," a statement which constitutes nothing less than a transparent offer to negotiate the issue with the drug mafias, just as they have been demanding.

In Peru, Political Attaché to the U.S. Embassy Mark

Bush economics keeps Peru hooked on cocaine production

President George Bush's Feb. 15 "war on drugs" summit with the Presidents of Colombia, Peru, and Bolivia was bound to be a cruel joke. While Colombian President Virgilio Barco is indeed waging a war to the death against the traffickers, the other three Presidents are, at best, trying to limit the world's \$600 billion a year narcotics economy. Behind the media show of military interdiction and the substitution of coca fields by other export crops lies a cynical toleration for drug production, money laundering, and consumption.

Peruvian President Alan García stated in the Feb. 12 *Caretas* magazine, "After 10 years, we know that police repression and penal sanction have failed against the economic profits" brought by the drug economy. He contended, "Although illegal, the sale of coca brings in foreign exchange and resources to society." He warned that if Peru stopped producing cocaine, its currency would lose more than three-quarters of its current value. He thus embraced the logic economist Guido Pennano uses to conclude that the narcotics trade should be legalized. García also approved Feb. 12 "free enterprise" advocate Hernando de Soto's idea of legalizing the 200,000 coca leaf growers.

García even brought three leaders of the coca growers with him to negotiate with Bush's delegation at the Cartagena "war on drugs" summit, with the acquiescence of

National Security Advisor Brent Scowcroft. Scowcroft evidently is seeking a backroom deal with the cocaine cartels, similar to the one he and his "former" boss Henry Kissinger cut with the world's biggest heroin traffickers, the Chinese Communists.

Washington's bipartisan brain defect may be seen in a year-long study by a Senate subcommittee headed by Sen. Sam Nunn (D-Ga.) and William Roth (R-Del.). Its report approvingly states, "The democratically elected governments of Peru and Bolivia are and will continue to be preoccupied with problems that pose a more immediate threat to their countries than drugs." The State Department openly accepts Peru's line that coca growers should not be antagonized until terrorism is defeated.

Nunn and Connecticut Democrat Joseph L. Lieberman wrote a piece entitled, "Hooked on Coca" in the *Washington Post* Feb. 14. They say no Andean country can stop farmers from planting coca. "This failure stems from two factors: the desperate economic conditions in that part of the world and the consequent political instability. . . . All three countries have become financially hooked on the foreign exchange from their drug trade."

Cocaine causes economic cancer

Poverty and drugs do go together. But the big lie that poverty causes drugs is used by Nunn and the U.S. media to fool people into thinking legalization is the only solution. The Peruvian and Bolivian experiences prove the opposite: Drug money flows are a cancer to national economies. They can bring a certain kind of "growth," but they twist and destroy the organism's whole metabolism in the process. You don't fight cancer by replacing it with something else to keep the organism as it is. It is absurd to think countries in which the cocaine economy is as big as the legal one can be helped by gradually replacing coca

Dion gave a press conference to explain why the war on drugs must be put off indefinitely. According to Dion, it is more appropriate for Peru to dedicate itself "first to solving the economic crisis, and to the defeat of terrorism." As if the Peruvian economic crisis and that of other nations in the region were not in great measure a result of the decomposition sown by the drug economy! As if terrorism and the drug trade were not intimately linked!

Presidents Alan García and Jaime Paz Zamora argue that to eradicate the drug trade, one must concentrate on crop substitution and not on military operations. They point to the fact that there are thousands of impoverished peasants who dedicate themselves to coca cultivation to survive, and suggest that these be given the resources to earn their living another way. What they overlook is the reality that it is not

the impoverished peasant who has organized the lucrative drug trade, nor who is its beneficiary.

It is not a matter of waging war against the peasant. What must be destroyed is the entire military, logistical, banking and communications apparatus of the drug trade, which exercises control over the peasants, exploiting them and degrading them by forcing them into an illegal activity that is destroying the lives of millions of human beings while ruining their own nation. Destroy the drug mafias' apparatus and you shut down the flow of narcotics to the drug markets; the mafias can no longer exercise their power over the peasants; and then there can be crop substitution. A total war by each sovereign nation against the drug-trafficking mafias is also a war of liberation for the oppressed peasant.

Nothing should be expected of George Bush and his ad-

bushes with coffee or cocoa trees, as García and Nunn propose.

At least \$2.5-3 billion a year is paid to Peruvians for cocaine. The bigger traffickers launder their money through the big Lima banks and transfer it directly into their accounts in the United States, Cayman Islands, etc. Part of the cash is paid out in the jungle. Peruvian financiers fly daily to the jungle towns with suitcases full of Peruvian intis and return to Lima with a load of dollars.

The whole economy now revolves around those dollars. The Lima banks open at 9 a.m. At 10, bank employees go out to the street with wads of intis and buy dollars, pushing the dollar's value up a bit. Before the bank closes at 12:30, they are back out, buying back their depositors' intis, perhaps at a small profit. A few years ago, black market operations were concentrated on Lima's Ocoña Street; now there are black markets in every business district.

The exchange rate fluctuates wildly. Everytime the dollar goes up, so do prices of everything. This "free market" of narco-dollars guarantees that no government economy policy could save the real economy.

In 1985 and 1986, when García was chasing the drug traffickers out of the country and repressing Ocoña Street, Peru's production of the food and industrial products needed for its society's consumption grew 8% and it had a healthy surplus for export. Since García capitulated to the drug money launderers in 1988, the economy has gone into free-fall. Last year, production fell another 12% and consumer prices increased 2,775%, by official count.

García responded to the economic crisis by sacrificing more and more of the real economy to International Monetary Fund policies supported by President Bush. He propitiated the international narco-bankers by paying the IMF \$42.3 million in arrears in December. There is 26% less

money, in real terms, circulating in the economy today than a year ago, according to the bank association. The illiquidity has driven up interest rates, harming industry, mining, and fishing.

Sachs shock

García's disastrous attempts at IMF austerity are not enough for Washington, which makes clear that only a government which gains full IMF approval will get even the token economic aid to help crop substitution discussed at Cartagena.

Peruvian neoliberal ideologue Hernando de Soto penned a commentary in the *Wall Street Journal* Feb. 13, championing the legalization of coca growing peasants in the jungle. De Soto, financed by the National Endowment for Democracy and praised as a model by George Bush, advocates Peru receiving the same Nazi shock policies Harvard University professor Jeffrey Sachs applied to Bolivia starting in 1985. A reporter for Peru's *Clave* magazine agreed with de Soto that Sachs's policies had reduced inflation in Bolivia, "but with 25,000 unemployed miners working growing coca." De Soto responded, "You are telling me about costs, but the objective—lowering inflation—is achieved."

Clearly, Bush economics drives 10 workers into cocaine trafficking for every one who might be taken out by "crop substitution" programs. By usurping much of Peru's best land and agricultural capital, the cocaine boom has thrust Peru into the world's 15 worst nourished populations. Every year, 85,000 children die of malnutrition alone. Do García, Bush, or Nunn propose the great projects which could double Peru's food production? Hardly. García suggests that the U.S. aid production of chocolate and instant coffee in the jungle for export to the United States.—Mark Sonnenblick

ministration. Bush has no war plan against the drug trade. His plan is little more than to limit the flow of drugs into the United States, not to crush it. William Bennett, the Bush administration's drug czar, is the man who said that all he hopes and expects to achieve is a 50% reduction of drugs coming into the United States *over the next 10 years*. By then, our nations will have been destroyed; they will become pathetic drug-producing *haciendas*, administered by the likes of Pablo Escobar.

The Bush administration's lack of interest in a genuine war on drugs corresponds to the simple fact that the Anglo-American financial system subsists on the basis of the laundering of all sorts of illegal revenues, above all those of the drug trade, which represents \$600 billion a year. The broken finances of the United States, the world's largest debtor, depend on that dirty money flow. The United States is in ruins; its industry, formerly the vanguard of the world, is today third class. Americans themselves prefer to buy Japanese products over their own shoddy goods.

Supposed U.S. aid for the war on drugs is ridiculous. For this year, the Bush government has offered Colombia, Peru and Bolivia combined a total of \$250 million for this purpose. Compare that with the \$1.5 billion a year that Colombia has paid on average in servicing its foreign debt over the past three years; or with the \$1 billion lost to Colombia last year due to the fall in coffee prices resulting from United States' sabotage of the World Coffee Pact. This should give a clear idea of the Bush government's niggardly thinking: a war on drugs that doesn't unbalance the budget!

Since when have wars been waged according to the budget deficit? Wars are fought to be won, and to win a just and necessary war such as the war against drugs, all the money, effort and technical resources available must be unhesitatingly deployed to that end.

Bush's true interest in the matter is to use the pretext of a war on drugs to invade and occupy nations at its whim, in fulfillment of the geopolitical deal his government has struck with Moscow. What interests Bush is using the military strength of his country to collect Ibero-America's debt by force in order to sustain a broken-down empire of usury, speculation and the laundering of filthy, blood-stained money. This is precisely what happened in Panama, where the primary task of the puppet government is to "bring foreign debt payments up to date." All the so-called U.S. aid to Panama is allotted to either debt repayment or to organizing its repayment.

It is, thus, scandalous that Ibero-America's leaders are meeting to discuss a war on drugs with a "narco-tolerant" President representing a "narco-dependent" empire with increasingly less influence on world affairs. There is no greater proof of this narco-tolerance than the fact that the most important anti-drug leader in the United States, Lyndon H. LaRouche, is sitting in jail, a political prisoner of the Bush administration. Back in March of 1985, LaRouche presented

a proposal for fighting the drug trade and narco-terrorism, and described how this war should be waged—jointly and on the basis of respect for national sovereignty.

George Bush represents an empire in decline. Just as in the fairy tale, George Bush is an emperor without clothes. If our nations wish to speak with governments playing a determining role in the world, it would make more sense to sit down with German Chancellor Helmut Kohl or with the Japanese prime minister.

In order to push the war on drugs ahead and to win it, the first thing we must do is stop paying the debt to Anglo-American usurers. With such a move, we would kill two birds with one stone: We would help to sink the money launderers, and we would be releasing for the war on drugs resources far superior to the paltry sums offered by Bush.

We must simultaneously talk with Germany and Japan, nations which still believe in economic development, in industry, in productivity, where there is capital to be invested instead of a desperate need to suck capital, any capital, in. With those governments, we could seriously discuss the great project of a united, prosperous Ibero-America, with a healthy and profitable economy.

There are currently three coexisting worlds: first, the corrupt world of usury and tolerance for drugs, which promises us only looting, narcotics, economic and social destruction, invasions, dissolution of the family and of the nation; second, the communist and socialist world, whose overthrow is already irreversible; and third, the world of industrial development, democracy and well-being which we can see being built with renewed vigor in Germany and Japan.

Free-market capitalism and Marxist collectivism have categorically failed. Only paid agents or incurable madmen like Fidel Castro still cling to them. The only option is the third path of industrial capitalism, formerly known as mercantilism, which fuses freedom, technological progress and social justice.

'From the prison in which the politician's career expires, the influence of the statesman is raised toward the summits of his life's providential course. Since Solon, the Socratic method has become the mark of the great Western statesman. Without the reemergence of that leadership, our imperiled civilization will not survive this century's waning years.'

—Lyndon H. LaRouche, Jr.

In Defense of Common Sense by Lyndon H. LaRouche, Jr.

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Strike ban topples Swedish government

by Tore Fredin

The Feb. 15 resignation of the Swedish Social Democratic regime headed by Premier Ingvar Carlsson, concluding a prolonged crisis that erupted after the cabinet presented its austerity package on Feb. 2, is a striking expression of historical irony. The famous Swedish model, which has been pushed for decades as a model of “democracy” and “social consensus,” is cracking—and that at a time when the Social Democrats internationally are trying hard to peddle their model to the newly liberated countries of Eastern Europe.

The proposed austerity package—a wage and price freeze, enforced by a two-year ban on all strikes—is unheard of in modern Swedish history, and runs totally counter to the tide now sweeping Europe.

Even Carlsson’s timid political opposition has described the proposal as a regression to the Stalinist methods which the populations in formerly communist countries are now liberating themselves from. Smelling a rat, this was likely the reason why Polish labor leader Lech Walesa canceled his planned mid-February visit.

When Carlsson and his finance minister, Kjell-Olof Feldt, spelled out their intention to ban free wage negotiations and the right for workers to strike, they confirmed the old theses that the Swedish model is nothing but “fascism with a democratic face,” and revealed that the Swedish social democratic *nomenklatura* has little idea of what is going on in the population. Proposing such viciously anti-labor austerity measures, Sweden’s totalitarian government now runs the risk of losing power, just like the communist regimes in Eastern Europe.

The leadership of the national blue collar workers trade union confederation (LO), at first supported the cabinet proposal, being themselves part of the *nomenklatura*. But its national chairman, Stig Malm, quickly withdrew his support when the protests exploded in his face. White-collar workers who were in wage negotiations, immediately called for demonstrations.

Soviet-style measure

Banners and pickets denounced the strike ban as a “totalitarian,” “fascist,” and “dictatorial” measure. One of the trade unions for low income wage earners in the public sector, took out a full page advertisement in the conservative daily *Svenska Dagbladet*, headlined, “In Europe the Hour of Freedom Has Struck—In Sweden a Ban on Strikes Is Proposed.”

Blue collar workers were enraged against “their” government and trade union leaders for having agreed to the fascist austerity measures.

The government’s austerity package triggered a predictable response. The population is radicalized, fed up with all kinds of unnecessary dictates from the political bureaucracy. Polls taken even before the strike ban proposal was issued showed the Social Democrats had lost more than 10% of their 45% normal support, and are now at an all-time low.

Although people are furious, and are leaving the Social Democratic party *en masse*, they do not see any viable political alternative. The poll revealed that 20% of the population think that they have no party which they would like to vote for, compared to the normal figure of 5 to 7%. And this cannot be seen as an expression of demoralization, since the very same people who are fed up with the political parties are out in the streets demonstrating, expressing a healthy fighting spirit.

The Social Democrats do not control an absolute majority in the parliament. In order to govern, they have to rely on support from other parties, particularly the small Communist Party, the VPK. For the crisis package, the Social Democrats had turned primarily to the green party for support, which in 1988 entered the parliament.

Rather than calling for early elections which Carlsson suspects he would lose, the cabinet merely handed in its resignation to the speaker of the parliament, Social Democrat Thage G. Peterson, who now has to go through a series of consultations with each of the six parties represented in the parliament. So far, only the liberal party has explicitly called for new elections, and Peterson is likely to spend the next two weeks convincing either Carlsson or one of his opponents to assume the task of trying to form a minority regime which could last until the next regular election in September 1991.

At the same time, the economic crisis is developing into a run on the Swedish currency, while the banks are closed. The bank clerks have been striking for three weeks, and have been locked out. The run against the Swedish krona has been taken as an excuse by the Central Bank to jack up interest rates, which are now above 15%.

Feldt is competing with British Prime Minister Margaret Thatcher over who is the best manager of an anti-industrial policy. This International Monetary Fund policy has been the watchword of the Social Democrats since they got back into power in 1982, and has caused a collapse of industry and agriculture similar to that of the U.K. and U.S. economies.

Behind the scenes, one finds Volvo chairman Pehr G. Gyllenhammar, the Kissinger Associates man in Sweden, who has called for a national unity government to save the nation. Gyllenhammar, joined by other big business leaders, urged the conservative and liberal parties to support the Social Democratic legislation. Gyllenhammar’s call of course got the silent approval of the nation’s leading IMF hack, Finance Minister Feldt.

India and Pakistan wage more than a war of words over Kashmir

by Susan Maitra and Ramtanu Maitra

Notwithstanding repeated pronouncements by top government officials on both sides that neither India nor Pakistan is interested in a war, the situation in Kashmir, located on the border between India, Pakistan, and China, continues to deteriorate, and if measures are not taken promptly, it could well slide into a war between nations.

Two incidents along the "Line of Actual Control" in Kashmir, on Feb. 5 and 11, have further hardened the Indian position on the issue. Frenzied mobs from Pakistan crossed the borders in the face of Indian bullets, proving the point that the Indian government has been trying to establish: namely, that the internal turmoil in the state of Jammu and Kashmir is being fueled by incessant tampering from Pakistan—with or without official connivance.

Though neither the military nor the international political equations favor Pakistan, the high-pitched campaign carried out by a section of the Pakistani media, fundamentalists, and politicians in support of the Kashmiri "liberation fighters" makes it evident that forces interested in pushing the issue to the brink are setting the pace. It further seems there is hardly anyone left who is willing to put his or her political career on the line to stem the rising tide.

Two little 'invasions'

On Feb. 5, about 4,000 people chanting anti-India slogans and displaying banners in support of the "liberators" of Jammu and Kashmir, crossed the border at Ranbirsinghpura, near Jammu. The Pakistani Rangers patrolling the border tried unsuccessfully to stop the mob before it arrived, by shooting into the air. The better-equipped Indian Border Security Force then shot at the mob as it crossed into Indian territory, forcing the protesters to retreat. Three people were killed.

Following the incident, Punjab chief minister and the leading light in the opposition to Pakistan Prime Minister Benazir Bhutto's administration, Mian Nawaz Sharif, boasted that his party, the Islami Jamhoori Ittehad (IJI) had organized the mob. Although New Delhi lodged a strong protest with Islamabad, the Indian Foreign Office was careful to note that the Pakistani Rangers *did* try to stop the mob from illegally entering the Indian part of Kashmir.

The second incident, on Feb. 11 at Chakhoti in the Uri sector, raised new questions. A pattern was being set in which the Pakistani government was proving unable, or un-

willing, to prevent what can be construed as an attempt to invade. At Chakhoti, a group of 15 individuals rushed across a bridge (the Line of Control runs along the middle of the river) to the Indian side, disregarding warning shots fired by Indian security forces. Pakistan's claim that five people were killed was promptly denied by India.

More serious, India claims that unlike the earlier incident at Ranbirshinghpura, this time the Pakistani soldiers not only failed to stop the "invaders," but actually opened fire on their security forces. This was confirmed, in effect, by Pakistan's Chief of Armed Forces Gen. Mirza Aslam Beg, who told newsmen at a reception at the Iranian ambassador's residence in Islamabad on Feb. 12: "When the Indian troops fired at the civilians, we had to fire back. Otherwise, we would have suffered more losses."

Following the incident, the Indian Foreign Office summoned Pakistani High Commissioner Basheer Khan Babar twice, and conveyed to him India's determination to repulse such "human waves" from across the border. Babar was presented with a map pinpointing 46 training camps which Pakistan has allegedly set up to provide arms training to Sikh and Kashmiri secessionists. The claim by the Pakistan-based Jammu and Kashmir Liberation Front chief, Amanullah Khan, that he has 10,000 commandos at his disposal who are willing to cross into Indian Kashmir, was also brought to the ambassador's attention.

On Feb. 12, Indian Foreign Secretary S.K. Singh and Pakistan Foreign Secretary Tanveer Ahmed Khan spoke on the telephone. Singh, who had just returned from Moscow and Washington where he presented a file documenting alleged Pakistani interference in both Punjab and Kashmir, reportedly turned down his counterpart's request to show "restraint" along the border. Khan, who has scheduled his own tour of Washington, Beijing, and other capitals ostensibly to counter India's propaganda, reportedly suggested that troops refrain from using force along the border, even in the case of persistent attempts to intrude illegally.

Little enthusiasm for war

India's decisive military advantage over Pakistan needs no elaboration. And there appears to be little international support for an escalation to war. With the exception of Iran, Pakistan has met with only a lukewarm response from the Muslim nations canvassed on support for a *jihad* (holy war)

over Kashmir. Neither the United States nor the Soviet Union has shown any inclination to beat India with the Kashmiri stick. High-level Soviet officials have endorsed the Simla Agreement as the appropriate forum to settle the Kashmir dispute, adding that Kashmir belongs to India. China has not yet shown its hand, but is expected to back Pakistan, for its own strategic compulsions.

The United States is perhaps the most decisive voice. Besides official statements that the U.S. holds the Indo-Pakistan Simla Agreement paramount in the matter of Kashmir, the Bush administration, including the National Security Council and the State Department, entertained the Indian government's brief. On Feb. 11 a senior State Department official confirmed that Pakistan has been told not to expect U.S. support for any United Nations resolutions on Kashmir. The Indian charges of Pakistani interference in both Punjab and Kashmir will be the subject of hearings in the House Subcommittee on South Asian Affairs beginning Feb. 20.

Islamabad's inability to obtain convincing support from the Muslim nations—even after Prime Minister Bhutto's assertion that the killing of Muslims in the Indian part of Kashmir is a matter of concern to the Muslim *ummah* (nation)—is not as surprising as it might at first seem. The Muslim *ummah* has taken a heavy beating since the Ayatollah Khomeini arrived on the scene with his Shia brand of super-militant Islam. The impact of Khomeini-controlled Iran has been so unnerving to the rest of the *ummah* that in many Arab nations, foreign policymaking has been reduced to an anti-Iran reflex. Teheran's overt interest in the Kashmir issue jinxed any hope Pakistan may have had of rallying the *ummah*.

Moreover, the *ummah* is already facing another crisis: Azerbaijan. Eager to benefit from Soviet economic help to rebuild their war-devastated country and to fight the "Great Satan" in Washington, Iran's President Hashemi Rafsanjani is bending over backwards to accommodate whatever the Soviets do to the Azeris. The systematic slaughter by the Soviet troops when they invaded Baku has been brushed under the rug, and Rafsanjani is even endorsing Moscow's lies that what is happening in Azerbaijan is the result of ethnic violence between the Muslim Azeris and Christian Armenians, and that Soviet troops intervened only to ease this "communal" tension.

Another section of the *ummah*, represented by Saudi Arabia, whose views were reflected in the Saudi press recently, loudly denounces the Soviet operations in Azerbaijan and refuses to indict India over Kashmir. In this view, Soviet power in Azerbaijan must be opposed, because the Soviet communist regime attempts to stamp out the Muslim religion as a matter of state policy, whereas India is not anti-Muslim.

Political dynamite

But even though the military viability of a war over Kashmir from Pakistan's standpoint is not worth discussing, and

even though there is no international support for such an adventure, it may yet occur. This is because of the dangerous political dynamic at work in Pakistan, and the terrible bind in which the government of Prime Minister Benazir Bhutto finds itself.

Bhutto and her Pakistan People's Party, are now facing an onslaught from the opposition led by Punjab Chief Minister Nawaz Sharif. Sharif and his crowd of powerful political forces have seized on Kashmir to challenge the credentials of Bhutto, and are clearly bent upon keeping the pot boiling there. Bhutto has been diverted from even the pretense of moving the country forward since October, when Sharif and company pressed through a no-confidence motion that was only narrowly defeated after an orgy of horse-trading and palm-greasing. She has an economic disaster on her hands, and a fratricidal war in the state of Sindh.

The Pakistani opposition hopes that Kashmir will be the straw that breaks the camel's back. Their gameplan is most likely oriented around the March 20 date, when the power which the late Gen. Mohammed Zia ul-Haq gave the presidency to abolish the government and call new elections at will, will lapse. Sharif and company are aiming to present President Ghulam Ishaq Khan, whom they consider an ally, with a *prima facie* case for dissolving the government before that date. They have recently charged the Bhutto government with abandoning the Kashmiri cause, and with instigating the Sindh violence to distract attention from the "treason" in Kashmir.

The dynamics unleashed have all the characteristics of a Frankenstein monster. On the one hand, Pakistan President Ghulam Ishaq Khan claims publicly that he does not see "any immediate danger" of war. On the other, at the Feb. 10 all-party conference on Kashmir, Prime Minister Bhutto vowed to take all necessary steps in accordance with "the aspirations and wishes" of the people of Pakistan on the issue. She spoke of the close religious and cultural relations between the people of Kashmir and Pakistan and accused India of occupying Kashmir "against the wishes of the people of Kashmir." But in the same breath, Bhutto said that Pakistan did not want to create a war psychosis against India over Kashmir.

The Bhutto government declared Feb. 5 a public holiday—"Kashmir Solidarity Day"—to protest India's repression of Muslims in Kashmir. And on Feb. 12, the joint session of the National Assembly voted unanimously to accept a government resolution accusing India of oppression in Kashmir and calling for a plebiscite there. Both the PPP and IJI parties have organized two big rallies in Rawalpindi, where local leaders demanded a plebiscite in Kashmir and United Nations.

And all the while, Nawaz Sharif's buddy, the "prime minister" of Pakistan-occupied Kashmir, Sardar Sikander Hayat Khan, is working day and night organizing rallies, processions, and little invasions at the border.

Cambridge malthusians run British China policy

by Mary Burdman and Mark Burdman

The visit of British Social Democratic Party leader and Member of Parliament Dr. David Owen to Beijing and Shanghai Feb. 5-11 marks a new level of propitiation by the so-called "Foreign Office mandarins" of the murderous regime in Beijing. Owen was himself Foreign Secretary from 1977-79 under James (now Lord) Callaghan, and thus is the highest-ranking British official to publicly visit Beijing since the June 4, 1989 massacre. Owen was invited by the Chinese People's Institute of Foreign Affairs, to visit Beijing and Shanghai. He also visited Hong Kong.

Dr. Owen spoke before the China People's Institute of Foreign Affairs Feb. 5, and his statements were most conciliatory. The Foreign Office knew of his visit; according to Whitehall sources, the visit was made from the standpoint that it is considered "impossible not to engage in a dialogue with China" at this time, given the Hong Kong situation. Translated into English, that means more British appeasement of Beijing on the Hong Kong issue.

Dr. Owen's speech made quite clear what the future holds not only for the 5.5 million people of Hong Kong, but for the people of all of China, should the "British concept" of China prevail. "Having been victimized by the Cultural Revolution and humiliated and abused by students, it is not hard to see why Deng Xiaoping is cautious in the extreme about political liberalization," Owen said. His purpose, according to the *Daily Telegraph* of Feb. 6, was to convince the Chinese that the "peaceful revolutions" of Eastern Europe, which he focused on in his speech, are not for them. "It is of fundamental importance that when you in China examine, as you must, the events of 1989, not least what happened in Tiananmen Square, and the collapse of communism in Eastern Europe, you never forget that your country has a very different history, development, and value system from that of Europe," Owen stated.

In a follow-up article in the London *Times*, Dr. Owen not only reiterated his support for communism—for the Chinese—but also repeated the most foolish illusions not only of the British establishment, but also of the U.S. George Bush-Henry Kissinger administration, that there is money to be made in China.

"It is tempting to believe that the Communist Party in China is about to suffer the same fate that is befalling Communist parties in Europe. But such a simplistic analogy overlooks the great differences between China and the Soviet Union or the East European countries. . . . Chinese communism is homespun, not imposed from the outside, the product of revolution and civil war," Owen wrote. China is "far more cohesive" than the Soviet Union, and "for 10 years China's leaders have been successfully applying market economics. . . . By contrast with China, the Soviet economy is in dire trouble.

"The best hope for China is that its next generation of leaders understand that political liberalization has lagged too far behind economic modernization. . . . In the meantime, it is strongly in our interests that the present leaders—even if they have the blood of Tiananmen Square on their hands—are held to their present course of keeping China open to the world and continuing with commercial communism."

It is the "freemasonry" of sinophiles at the Foreign Office, in direct alliance with the sinologues at Harvard and Yale in the United States, that was ultimately responsible for the promotion of the Communist victory in China, as well as for the current Foreign Office party-line "policy line" that one must remember the "differences" between China and Eastern Europe. One mouthpiece for this point of view is the degenerate commentator for the *Times* of London, Conor Cruise O'Brien, who has otherwise become notorious for his hysterical attacks on Germany in the past weeks. He wrote on Dec. 29: "The assumption that China and its communist regime must necessarily go the way of the communist regimes in Eastern Europe is fallacious. The Chinese variety of communism, unlike those others, is a native variety, not one imposed by outsiders, and it has a strong appeal to Chinese nationalism. Chinese villagers, who make up more than 80% of the population, may continue to be unresponsive to any further call from the cities for democracy."

This view of "native" communism was later echoed in a column by London's Gerald Segal, of the Royal Institute of International Affairs, also known as Chatham House, which

is closely linked to the Foreign Office.

Why they love the communists

David Owen is a member of the Trilateral Commission and Inter-Action Council, and on the board of the Great Britain-Sasakawa Foundation, patronized by Japanese World War II criminal Ryoichi Sasakawa and former Prime Minister Lord (Harold) Wilson of Rievaulx, whose connections to the communist bloc are notorious. The board's chairman is media magnate Robert Maxwell, who has published so many books and articles praising every communist dictator from Erich Honecker to Todor Zhivkov, that there is now a motion in the British Parliament demanding he make reparations to the impoverished populations of Eastern Europe.

An insider in the Sasakawa-Maxwell circle commented recently that the Chinese communist government should get the highest credit from the West, for its zeal in taking action against the "great problem" that is causing the "greenhouse effect": people. The communists knew back in the 1960s that China was going to have 1 billion people by the end of the century, and took action with such "brilliant gestures" as the "barefoot doctors"—barely trained medical technicians equipped with more advanced medical equipment than Britain has, used to spy into the womb of every woman in China. After praising George Bush's propitiation of the Chinese government, he said, the West must convince China we will not attack them. "The Chinese have much to learn from the West, and they have much to teach us on birth control."

Such are the people preaching patience with communist dictators to the Chinese people, without whose great courage in May and June 1989, there would have been no peaceful revolutions in Europe. Many East German refugees have told *EIR* that it was the news of Tiananmen Square that caused them to act.

Selling out Hong Kong

The appeasers are guilty of the most venal acts in dealing with China. As British Establishment curmudgeon Sir Alfred Sherman wrote in the *Sunday Telegraph* Jan. 21, it was hope of getting back into Shanghai, the real center of British and other Western interests in China, that led to the 1984 Sino-British agreement on Hong Kong in the first place. There was—and is—no basis in law or anything else for the British surrender of Hong Kong, which was leased from China "in perpetuity," but the Hong Kong Cantonese population was considered dispensable by the Foreign Office and by the large British firms in Hong Kong, whose pre-war base was Shanghai.

The Foreign Office "sinophiles" do not consider the Beijing regime a "genuine" communist regime, Sir Alfred wrote. In addition, "The FO mandarins have greater empathy with their Peking counterparts than with Hong Kongers,



Foreign Secretary Douglas Hurd during a Jan. 31 visit to Washington: a pivotal British "mandarin" in the propitiation of the butchers of Beijing.

whom they look down on as vulgar, money-grubbing Cantonese." British companies now located in Hong Kong teach their recruits Mandarin, the language of Beijing and northern China, rather than Cantonese Chinese.

Trinity College, Cambridge

Who are the sinophiles? For them, we must look primarily at one great British center: Trinity College of Cambridge University. Many of the British ambassadors to Beijing were trained at Trinity. (Britain was the earliest Western nation to formally recognize the communist Beijing government, and had diplomatic representation in Beijing from October 1949. By March 1972, before U.S. President Nixon made his first visit to China, but years before the United States recognized the Beijing government, the British mission was upgraded from "chargé d'affaires" to ambassador.)

Trinity College, Cambridge is an important center for controlling the direction of British foreign policy. It was out of the Cambridge Apostles, the most select secret society at the university which recruited from both Trinity and Kings, that the notorious Sir Anthony Blunt-Guy Burgess-Kim Philby Russian spy ring emerged. A key figure in the Trinity-Apostles circle was Lord Victor Rothschild, whose family patronized Blunt and Burgess in various ways, and who has himself been suspected of being the spy ring's "Fifth Man."

Burgess, interestingly enough, became a leading spokesman for the British Foreign Office on policy toward China in the late 1940s, up to the point soon before his defection to Russia in 1952.

Burgess himself was directly involved in shaping policy toward China. In a passage in their book *The Chinese Secret Service*, describing the Foreign Office's failure to heed the warnings of George Blake, their own diplomat in Seoul, about the imminent North Korean invasion in June 1950, authors Roger Faligor and Rémi Kauffer write: "The expert on Red China whose opinion was most valued by British diplomats at the time was none other than Guy Burgess, who had been fascinated by Chinese communism since his student days at Cambridge, and who, together with his friends Philby, Maclean, and Blunt, had been working since then for Stalin's secret services. In the summer of 1949, the Foreign Office asked him to deliver a series of lectures on the Far East and China to university students, but also to agents working for the Secret Intelligence Service."

One conceptual guru of the Apostles was Apostle Bertrand Russell, the most vicious malthusian of the 20th century, and the teacher of both Mao Zedong and Chou En-lai during his sojourn in China in 1923.

The key actors in the present group of Trinity College, Cambridge-trained sinophiles are current British Foreign Secretary Douglas Hurd and Prime Minister Thatcher's intelligence chief, Sir Percy Cradock, head of the powerful Joint Intelligence Committee. Hurd speaks fluent Mandarin.

Cradock made a secret trip to Beijing in early December 1989, as the British press belatedly revealed soon after New Year's Day 1990. Sir Percy's visit was nominally to help restore British-Chinese relations and get the Chinese to accept Britain's policy of giving passports to 50,000 selected Hong Kong families, but, like U.S. National Security Adviser Brent Scowcroft's visit the same month, it was apparently a total failure, because China later denounced the British policy as a "gross violation" of the 1984 Sino-British accord on Hong Kong.

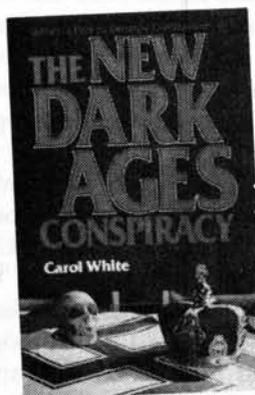
Sir Percy is a long-term China hand: he was in the British mission in Beijing in 1961-62, and was chargé d'affaires there from 1968-69, and led the British delegation which negotiated the handover of Hong Kong to China. He also served as British ambassador to East Germany.

Douglas Hurd has been, if possible, even more central to shaping recent British policy towards China. According to an article in the January issue of the Hong Kong *China Review*, Hurd "almost single-handedly steered [Prime Minister] Edward Heath towards a pro-China policy in the early part of the 1970s, when he was the then Prime Minister's parliamentary private secretary." Exactly at that time (1971-74), Lord Victor Rothschild was the head of the Cabinet Think Tank, and wielded important policy influence over British policy. Sir Percy Cradock was Under-Secretary of the Cabinet Office from 1971 to 1975.

'If a black death could spread throughout the world once in every generation, survivors could procreate freely without making the world too full. The state of affairs might be unpleasant, but what of it?'

—Bertrand Russell

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Will Philippines be Bush's next Panama?

by Lydia Cherry

On Feb. 14, U.S. Ambassador to the Philippines Nicholas Platt lamely attempted to disclaim widespread rumors that the Philippines is next on the Bush administration's hit-list for the "Panama treatment." In a radio broadcast, Platt tried to differentiate between the two countries: "In Panama's case, it was the government itself that was threatening these Americans and, therefore, the U.S. in order to protect Americans had to step in. In the Philippines, the government has undertaken to protect American lives, and we have a lot of confidence in the Philippine government's efforts and willingness to do that."

But Platt's statement is clearly too little and too late in a country where the consensus—right, left, and center—has markedly shifted into agreement on one issue: the assessment that United States is no longer an ally. Philippine Senator Joseph Estrada, as reported by the *Philippine Newsday* Feb. 7, put the issue fairly succinctly: "History has shown the repeated duplicity and treachery of the United States."

Speaking on the floor of the Philippine Senate in early February, Sen. Wigberto Tanada speculated that the United States, if provided with the right reasons and timing, could launch a military operation similar to the one in Panama. "Because American lives and property could be managed to be endangered and the integrity of the [military] bases agreement made to appear threatened, they could launch a version of 'Operation Just Cause' in Panama here in the Philippines," he warned, according to *Newsday*.

More rumors of a coup

Meanwhile, the Philippine military has once again declared a "red alert" amid rumors of a new coup. Armed Forces chief General Renato said it was a precaution against any attempts by mutineers to disrupt the Feb. 18 gathering of political and military leaders at the Philippine Military Academy, and the visit on the following day of U.S. Defense Secretary Richard Cheney. On Feb. 6, the Reform the Armed Forces Movement (RAM), known to have a strong support apparatus in the Philippines, told the United States to stay out of the internal affairs of the Philippines. "The U.S. government will be solely responsible for whatever actions we

might consider to take against them," the RAM statement said.

During the first two weeks of February, U.S.-instigated points of contention, almost as if designed to split the two countries apart, came to the fore in rapid succession. First, just a few weeks before new talks between the two sides on the U.S. bases were to begin, Washington informed Manila that the U.S. side had unilaterally cut \$96 million from the compensation money which had already been promised as part of the \$360 million overall agreement earlier negotiated. Editorials and public statements from across the political spectrum called on President Corazon Aquino to cancel the new base talks. "If the American government continues to treat the Philippines like a mendicant when it comes to funds which it rightfully owns, then there is no use dealing with these Americans," a member of the House committee on foreign affairs, Hernando Perez, is quoted in a debate in the lower house.

On Feb. 6, the Philippines government issued a formal protest to the Bush administration over the U.S. abstention in a vote at the World Bank on whether to lend Manila \$390 million to back energy development. Finance Secretary Jesus Estanislao is quoted by Reuter: "We mind it very much that they're playing around with our economic policy and our economic programs for reasons that are only known to them." He explained he had told U.S. Ambassador Platt: "This is a very bad signal at a very bad time. I don't like these signals . . . it is not the appropriate way of delivering a message—very contradictory to what they say."

President Aquino announced on Feb. 11 that she would not meet with Defense Secretary Cheney when he visits the Philippines in mid-February. Aquino announced in her weekly radio address that her government would demand explanations from Washington on why aid was being cut.

The Bush administration's long-range planning instructions to U.S. military leaders, according to U.S. press coverage, instruct the military services to plan for the possibilities that the U.S. might have to give up its bases in the Philippines and set up new bases in Asia. A senior Defense Department official told the Washington press corps that the document in effect tells the services to start considering Singapore and other places for new Pacific bases and to plan for forces of greater range to compensate for the possible loss of bases in the Philippines after the 1991 expiration date.

The spokesman made no reference to the fact that Subic Bay Naval base, with its deep-water port, is irreplaceable. Without Subic Bay, the only alternative for basing U.S. submarines is to bring them back to the United States.

Some Asian leaders think that it is a given that the United States is pulling out of Asia, and that the only question is whether or not Communist China will take up the slack. "It will be left to China, India, and Japan to contest for the leadership of this region," noted Singapore's Deputy Prime Minister Goh, speaking in Kuala Lumpur Feb. 4.

Shifting alliances

A spectacular reconciliation between Iraq and Syria may lie ahead, with Lebanon's anti-Syrians the first victims.

In their own way, events in the Middle East in coming months will probably reflect the sweeping changes that have taken place in Eastern Europe and the changing nature of the NATO and Warsaw Pact military alliances. Except for the Palestinian uprising, the Intifada, in Israel's occupied territories, this is not, however, expected to involve mass revolts or the overthrow of any government. Rather, it will mean a radical shifting of alliances.

One of the most startling shifts, which could occur before the end of February, is a spectacular reconciliation between Syria and Iraq. While this is being negotiated at the present time, no one is asking how long it might last.

In the aftermath of the Arab mobilization against the Camp David treaty between Israel and Egypt in 1979, there was a temporary reconciliation between Syria and a Iraq. One of the consequences was the elimination of Iraqi President Hassan Bakr, who had increasingly become a mere figurehead, and the consolidation of the power of Saddam Hussein, his successor.

Yet, by the time the Iran-Iraq war erupted in September 1980, the Syrian-Iraqi reconciliation had been long buried. There was no hesitation in Syria's decision to support Ayatollah Khomeini's Iran. In recent years, attempts at even organizing a private meeting between Syrian President Hafez al-Assad and Saddam Hussein during Arab summit conferences failed.

The first public indications that reconciliation was again on the table,

were reports of the return to Damascus of Assad's brother and nominal vice-president, Rifaat al-Assad. One of the reasons for his long exile in France, Spain, and the United States, was the divergence of views between the two brothers concerning Iraq. It was no secret that during his exile, Rifaat al-Assad regularly met with high-ranking Iraqi officials, acting as a back-channel intermediary for his brother.

In recent weeks, Rifaat al-Assad reportedly returned to Damascus along with his family.

Ever since the reconciliation between Egypt and Syria at the beginning of this year, the tempo toward an Iraqi-Syrian reconciliation has been increased. Egypt's President Hosni Mubarak is even reported to have paid a secret visit to Damascus in mid-January to review the case with President Assad.

Saddam Hussein has been meeting intensively in the last two months with both Mubarak and Jordan's King Hussein, his fellow members on the Arab Cooperation Council. Indeed, Syria's membership in the ACC will be the logical outcome of the ongoing reconciliation, and this is expected to have far-reaching consequences.

Why these shifting alliances right at the present time? Syria has evidently drawn the consequences from the changes taking place in the Warsaw Pact. Not only has it lost reliable allies in East Germany and Romania, but it stands to receive less and less support from the Soviet Union itself.

It thus became urgent for Damascus to find other allies. A reconciliation with members of the ACC—Egypt, Jordan, and Iraq—is bound to

be welcome internationally, and will give Syria additional leverage.

Pragmatically speaking, there are two crucial issues for Syria.

First, Turkey: When, in January, the Turkish authorities interrupted the flow of water of the Euphrates River, both Syria and Iraq were affected. This prompted high-level consultations between the two countries, which tended to accelerate the process of normalization. The government in Ankara will obviously monitor carefully these changes on its southern borders.

Secondly, Lebanon has been and remains Syria's main headache. Anti-Syrian nationalist Lebanese forces will obviously be among the first victims of this reconciliation. Iraq would be expected to halt all support to the national army of Gen. Michel Aoun, whose forces are battling the Syrians in an effort to regain sovereignty for Lebanon, against Assad's designs for a "Greater Syria."

In exchange for a reconciliation with Syria, implying an end to the "strategic alliance" between Syria and Iran, Baghdad is not expected to have much hesitation. This could have far-reaching consequences at a time when war rumblings can again be heard between Iran and Iraq. In recent weeks, there was alarm when Iran massed fresh troops on its borders.

And finally, there is the effect of the developments in Syria on the "peace process" between Israel and the Arabs. Syrian membership in the Arab Cooperation Council could well mean that Damascus is ready to join the American-sponsored peace process with Israel and Egypt. This would extend the present negotiations from Israel's occupied territories to the Israeli-annexed Golan Heights. Some are already arguing that by joining the peace process, Syria may derail it.

World ecologists pressure Collor

The President-elect was presented with environmentalist demands from Washington to Paris to Moscow.

During Fernando Collor de Mello's ongoing international tour, the Brazilian President-elect has come under enormous pressure from the world eco-fascist lobby. Starting with his meetings with George Bush and environmental czar William Reilly, where Collor was presented with a laundry list of environmental concerns, through his official meetings in Moscow, Japan, Germany, France, and Italy, he is being told that Brazil's relations with the rest of the world are conditioned on submission to ecological parameters—as defined by the malthusian fascists who run the world's "green lobby."

In Moscow, Soviet Foreign Minister Eduard Shevardnadze "impressed Collor by telling him that the planet spends \$800 billion per year on weapons, enough to resolve all environmental problems once and for all," reported *O Globo* Feb. 2. Shevardnadze also said that he had visited Brazil during the Soviet invasion of Afghanistan, and that he was never attacked for representing a country that had used force. "I wasn't applauded, said the foreign minister, but I was treated very well, with cordiality, with understanding."

Shevardnadze delivered his comments at a moment when various sectors of Brazil, and especially its Armed Forces, had reacted strongly against the U.S. invasion of Panama. The Joint Chiefs of Staff, according to Brazilian press leaks, issued a warning that President Bush's Panama policy could be extended to other areas that Washington might choose to consider its "concern," such as the

Amazon. It would thus appear that Shevardnadze's comments were intended as a message that Brazil could become a minor partner of the developed sector, *if and when* it decides to submit its sovereignty to superpower "interests."

The other side of the pressures was exposed in a Feb. 4 interview with presidential adviser Zelia Cardoso de Mello, which appeared in *Gazeta Mercantil*. Cardoso revealed that international financial aid for Brazil has environmentalist strings attached. His meeting with West Germany's Minister of Economic Cooperation was important, said Cardoso, since "there are various funds at his disposal, all clearly linked to protection of the environment, on the order of \$500 million."

Under these kinds of pressures, President Collor gave a press conference at which he said, "I am surprised by the interest shown in the environment. Undoubtedly, I will be dealing with the same issue today with [West German Chancellor Helmut] Kohl. What I wish is that ecology could be addressed without the political-electoral trappings with which it has been treated in several countries up until now."

Nonetheless, there seem to be contradictions between Collor's team and what he himself has stated. On Feb. 11 the *New York Times* published a euphoric report on Collor's European trip: "Collor was surprisingly conciliatory with the environmentalists." The *Times* attributed to the President's "transition team members" a tendency to accept the highly controversial "debt-for-ecology"

swaps. That proposal has been pushed by the British monarchy, and emphatically rejected by Brazil, especially by its Armed Forces which refuse to endorse any mechanism which imposes the notion of "limited sovereignty" on Brazil.

But in Brasilia, before his departure from Europe, Collor had affirmed that "There are currents which want to couple negotiation of the foreign debt with the question of the Amazon . . . as if it were a matter of buying or selling a pineapple or a handful of bananas. Every country has to clean its own house."

Playing a major role in the attempt to subject Brazilian sovereignty to supranational oversight has been the Brundtland Commission, named after the Social Democratic former prime minister of Norway. The period between now and 1992, when Brazil hosts the U.N. World Conference on the Environment, will be one of extreme pressures.

She presented her malthusian thesis to the daily *Gazeta Mercantil*, in which she pushed her birth reduction policies and directly attacked the notion of national sovereignty: "In this century, and certainly by the next, nation-states will be inadequate to protect the rights of individuals."

The Brundtland/Gorby show in Moscow won one enthusiastic adherent in Brazil: The ultra-liberal former minister Roberto Campos, who attended the Global Forum, was fascinated by Gorbachov's environmental focus, especially because of its potential to eliminate the concept of national sovereignty. Commented Campos on Jan. 28, "What he proposes on ecology is perestroika, a 180° turn away from sick nationalism which rejects any foreign inspection, to a bold internationalism that believes that communities make the jealousies of the nation-state obsolete."

Violence against Cárdenas's PRD

The ruling PRI is employing dirty tricks—including murder—to stop the opposition from replacing it in power.

On Jan. 29, a group of congressmen from Mexico's leading opposition party, the Party of the Democratic Revolution (PRD), presented the Carlos Salinas de Gortari government with a list of 56 party members who were assassinated during 1989, the majority of which cases have yet to be solved by government authorities. Last December alone, 21 PRD members in the states of Michoacán and Guerrero were murdered by the thugs of political grouplets associated with the ruling Institutional Revolutionary Party (PRI).

The wave of assassinations followed state elections in Guerrero and Michoacán held in early December, in which the PRD won by a landslide. However, state authorities, in coordination with the Salinas government, refused to recognize the PRD's electoral victory in a desperate attempt to keep the PRD from taking over the governorships of those states. In Michoacán, the PRD managed to force the government to recognize its election victories in more than 50 cities, including the state capital, through a series of mobilizations of thousands of its followers. During the protest rallies and marches, however, violent and sometimes armed confrontations occurred which left several dead. Despite this, PRD followers were not intimidated and the mobilizations escalated.

PRD leader Cuauhtémoc Cárdenas, whose presidential victory in 1988 was stolen, was barely able to restrain his followers from resorting to violence themselves. Although the

state government is now acknowledging many of the PRD's local victories, it is still holding on to the state government. Current PRI Gov. Genovevo Figueroa was not even chosen by vote, but was appointed to replace his predecessor, who had resigned the post.

Groups linked to the PRI in Michoacán have used a leftist group of shock troops known as Antorcha Campesina (Peasant Torch) against PRD sympathizers. Antorcha surfaced in Mexico's political life among the poorest layers of the Mexican peasantry, organized by such radical leftist groups as the National Federation of Bolshevik Organizations, which went down in history for their armed actions toward the end of the 1970s. The ideologues of Antorcha Campesina were educated at the University of Chapingo, which is controlled by the Rockefeller Foundation.

In Guerrero, the situation is also highly tense. In last December's election, the PRD won overwhelmingly, but state Gov. Francisco Ruiz Massieu only recognized the PRD's victories in nine cities, which triggered explosions of violence and protest demonstrations throughout the state. Ruiz Massieu asserted that he would not recognize an election victory under pressure, but his advisers have privately commented that "We didn't win a thing."

To accept the PRD's triumph in Guerrero would be a major blow to Ruiz Massieu's political career. In view of his personal association with President Salinas de Gortari—he is

the President's brother-in-law—Ruiz Massieu is considered a possible presidential contender in the future.

At the same time, Ruiz is hoping to use the conflict as justification for militarizing the state and for generalized repression against the PRD's state and national leaders—including Cárdenas—as the first step in preventing the PRD from any chance at a future presidential bid.

On Feb. 9, the national Army patrolled the state's most important cities, while 20 armored cars plus 50 anti-riot vehicles of the military police stationed themselves alongside the government building where Ruiz gave his "state of the state" report. Political circles in Mexico City were heard to comment that the Army, in fact, wanted nothing to do with the state's internal political situation, out of fear of triggering a guerrilla outbreak in the state. During the 1960s and 1970s, Guerrero was the center of the most famous guerrilla movement in the country.

PRD policy is explicitly opposed to the guerrilla "option" to which the party is being pushed. During a tour of Colombia, Cárdenas declared Feb. 8 that "Neither I nor the PRD are going to become guerrillas." His statement was in response to a question as to whether his movement would go underground if the government continues to deny its electoral victories.

Cárdenas declared that the PRD is in "frontal opposition to the government" due to its "economic policy of neo-liberal and monetarist recipes." We oppose, he said, "the hegemonic pretensions of conditioning our sovereignty."

During Cárdenas's lightning visit to Bogotá, he met with Colombian President Virgilio Barco and the presidential candidates of that country, including Liberal Party front-runner César Gaviria Trujillo.

Another narco given top job

Bush's frantic efforts to cover the drug ties of the puppet regime come unglued.

Panama's U.S.-installed regime has appointed yet another partner of the drug cartels to a high government post. Alvin Wedeen was named chief magistrate of a new tribunal established by the illegal regime of Guillermo Endara, "to investigate misappropriation of funds by officials of the former government."

Wedeen is a dirty-jobs man for the drug syndicate, whose appointment, announced Feb. 13, further confirms that the U.S. "war on drugs" is a sham. It also confirms that the main qualification for serving in the Bush-installed government of Panama is to be a member of the drug cartels.

Wedeen personally transported more than a half-million dollars for drug trafficker Antonio "Tony" Fernández, sentenced in 1985 to 50 years in jail in the famous Dadeland Bank of Florida-Steven Samos money-laundering case. In 1985 Alvin and his brother, George Wedeen Gamboa, who runs the family's bank, Banco Wedeen of Costa Rica, laundered \$10 million, \$4 million of that just in the month of September.

Alvin was also the attorney for Hugo Spadafora, a Panamanian mercenary who was part of the Nicaraguan Contra operations financed by drug financier Robert Vesco in Costa Rica. Spadafora, who was involved in arms smuggling and, reportedly, in drug trafficking, was killed in 1985 after he misappropriated funds intended for insurgents in Central America, and after too many people became convinced that he was a CIA agent.

Wedeen's appointment may unravel frantic U.S. efforts to prevent

further damage from the public exposure of the drug ties of the troika of Guillermo Endara, Ricardo Arias Calderón, and Guillermo "Billy" Ford, installed as Panama's government by the Dec. 20 invasion. After many exposés in *EIR* and other media, the *New York Times* reported Feb. 6 that "Endara has for years been a director of a Panamanian bank used extensively by Colombia's Medellín drug traffickers," Banco Interoceánico de Panamá. It also cited Ford's ties to "Dadeland Bank of Florida, which was named in a court case two years ago as a central financial institution for one of the biggest Medellín launderers, Gonzalo Mora."

The *Times* also reported the links of Rogelio Cruz, the Attorney General, to Gilberto Rodríguez Orejuela, one of the bosses of the Cali drug gang in Colombia, and that the families of Vice President Ricardo Arias Calderón and Finance Minister Mario Galindo are also heavily involved in banking. It added: "Mr. Endara, a corporate lawyer before becoming President, is a close friend of Carlos Eleta, a Panamanian businessman who was arrested in Atlanta in April on charges of conspiring to set up a major cocaine smuggling ring. Released on bail, he is now awaiting trial."

Following the *Times* exposé, Endara's envoy to Bush, Carlos Rodríguez, chief executive of Dadeland Bank, resigned his ambassadorial post, possibly to avoid more damaging revelations. Dadeland has received much unwanted publicity for its role in the cases of drug trafficker Fernández, of Gonzalo Mora of the Medellín Cartel, and for its ties to

BCCI, a bank convicted of money laundering.

On Feb. 13, the *Times* printed a "correction" saying that Vice President Ford is not a partner of Dadeland bank. That is true. But he was a partner at the time Fernández was using it to launder drug money. Nor has Ford mended his ways. On Feb. 15, he was quoted in a *Wall Street Journal* article, "Panama's Hong Kong Vision," saying: "We are going to push private enterprise here in every way, shape and form."

The Bush administration also announced on Feb. 13 that it had dropped all drug-trafficking and money-laundering charges against Endara's business partner and CIA agent, Carlos Eleta, for insufficient evidence. The undercover investigation that led to Eleta's arrest included audio and video tapes showing him agreeing to set up "shell corporations" to launder the money, law enforcement officials confirmed Feb. 15. So why were the charges dropped?

"That was a decision taken by the U.S. Attorney General and the U.S. Attorney for Georgia," Ed Ennis, said one law enforcement official. Asked why the government had not proceeded with the case given the filmed evidence, another law enforcement official said "talk to Ed." Calls to the office of U.S. Attorney Ed Ennis were not returned.

The case against Eleta was undercut when two of his accomplices, who pleaded guilty, recanted their testimony. In affidavits given Eleta's lawyer, Gregory Craig, they swore that Eleta, the bagman for the CIA's illegal funds to buy Panama's 1989 elections, did not know the money-laundering scam involved drugs. Craig is a partner in the Washington law firm of Williams and Connolly of the late Edward Bennett Williams, who had extensive links to the CIA.

International Intelligence

British paper hits U.S. treatment of LaRouche

Keith Botsford, a commentator for the London *Independent*, wrote in his "In America" column on Feb. 10 that the U.S. government is treating jailed political figure Lyndon LaRouche like a "non-person" for "political reasons." Titled, "Please Say Our Son Is Still Mad," the article discusses the case of Lewis du Pont Smith, the du Pont family heir whose parents had a judge declare him mentally incompetent, because he donated \$212,000 to LaRouche's political movement.

This is the first article to appear in the British press since LaRouche and six associates were jailed more than one year ago, to criticize the way the U.S. government has acted in the case.

Botsford wrote: "The U.S. Government's pursuit of Mr. LaRouche (for whom I hold no personal brief, apart from being a civil libertarian of the old type) has been so total as to suggest that for political reasons, it was necessary to make him into a non-person," by giving him a 15-year jail sentence on "conspiracy" charges.

As for Smith, "St. Francis of Assisi was fortunate not to live in Paoli, Pennsylvania [where Judge Lawrence Wood declared Smith incompetent]: not only did he give his money away, but he also talked to birds. . . . For all the ups and downs in Mr. Smith's career . . . those who have interviewed him say he tells his side of the story with 'clarity, anger and humor.' . . .

"It is his parents . . . who prefer a legally insane son to the loss of a fortune that is not theirs. Is that rational? . . . As for the young man in question, he says, at the stove, that 'anyone who can cook Gnocchi alla Gorgonzola can't be incompetent.' I agree."

Tunisian leader is targeted in legal frameup

A strange trial may take place on Feb. 27 in Tunisia. It will involve Ahmed Kedidi, a

former Tunisian parliamentarian, who had been from 1980 to 1986 a member of the Central Committee of the ruling Dastour party under President Habib Bourguiba, and who directed the party's daily newspaper *Al Amal*. Evidence points to the fact that the trial was initiated in November 1987 by Prime Minister Hedi Bakouh as a political vendetta, because of Kedidi's close relations with former Prime Minister Mohamed M'zali, who had a falling-out with President Bourguiba in July 1986. Both Kedidi and M'zali have been living in exile since that time.

The first indictment of Kedidi involved charges of corruption and misappropriation of state properties. They were dismissed by the magistrate; but Bakouh had the case reopened.

In 1985, Kedidi had been the target of a series of letter bombs, during a terror wave that led to the break of diplomatic relations between Tunisia and Libya. Later investigations also showed that Tunisian fundamentalist networks, associated with both Iran and Libya, had been involved. On July 6, 1986, a fundamentalist, Jalal Jebali, confessed that the campaign had been part of an assassination plot targeting then State Secretary for Security Zin el Abidin Ben Ali, today's President, and Kedidi.

As part of the negotiations held between Bakouh and the fundamentalists in 1987 and 1988 for a "national reconciliation," the fundamentalists asked for Kedidi's head. However, Bakouh was himself dismissed at the end of 1989 by President Ben Ali, shortly after he announced his refusal to legalize the fundamentalist opposition.

South Korea looks to its own defense

South Korean President Noh Tae Woo, stressing that the time has come for the country to defend itself entirely on its own, called on Feb. 7 for the "Koreanization" of defense, to prepare for the withdrawal of U.S. troops, the news agency Yonhap reports.

"As we have seen in the partial readjust-

ment of U.S. forces stationed in Korea, the U.S. role has to be limited to providing help and we should defend our nation with our own blood and sweat," he said, during a briefing by Defense Minister Yi Sang-hun on defense programs for 1990.

Korean officials say the U.S. may either withdraw 2,000-3,000 members of the 2nd Infantry Division or reduce the number of non-combatants assigned to the division and other units stationed in Korea by the end of this year.

Ukraine's Rukh denounces Pamyat anti-Semitism

The Ukrainian national movement Rukh is warning that forces in Moscow are trying to organize pogroms against Ukraine's sizable Jewish community. The warning was delivered Feb. 11, when Rukh leader Anatoli Dotsenko addressed a crowd of 70,000 in Kiev, the largest demonstration ever held against anti-Semitism.

Dotsenko warned that "Moscow circles" and "conservative forces" are attempting to fuel "extreme nationalism" and "anti-Semitism," on Ukrainian territory, so as to try and create "fissures along national and religious lines" in Ukraine. Dotsenko denounced the Russian chauvinist organization Pamyat as exemplary of the forces he was referring to.

The demonstration was the first authorized demonstration of Rukh, which only on Feb. 9, after months of lobbying, was registered as a legal "informal association."

Presidential elections factionalizing Taiwan

The fight over the upcoming presidential elections is factionalizing the Republic of China (R.O.C.), including the ruling Kuomintang (KMT) party. The National Assembly will elect the President in March, and it is most likely that Lee Teng-hui, who became President in February 1988 after the death of Chiang Ching-kuo, the eldest son of

the late Chiang Kai-shek, will be reelected. The political fight now is over who will be nominated vice-president by the KMT.

National Assembly member Gen. Teng Chieh, a leader of the "mainland deputies" who were elected to the National Assembly before the communist takeover in 1949, and a close adviser to Chiang Kai-shek during World War II, has formed a group called the People's Democracy United Front. The group announced at a press conference at the beginning of February that they are supporting Gen. Wego Chiang, the sole surviving son of Chiang Kai-shek, for vice-president. President Lee has let it be known that he is considering nominating Mr. Lee, who is the secretary of the presidential office and a law scholar from the National University.

General Teng spelled out his criteria for the candidate. He must 1) have a wide knowledge of the military situation and science, 2) be well known both in and outside the R.O.C., 3) be recognized by the mainland Chinese, 4) be able to lead the R.O.C. back to the mainland. Under these criteria, General Teng said, only Wego Chiang is suitable.

Soviet military welcomes Bush stand on troops

In a Jan. 30 attack on Czechoslovak and Hungarian demands for the speedy withdrawal of Soviet troops from their territory, the Soviet military daily *Krasnaya Zvezda* invoked Bush administration support for the Soviet refusal to hurry. Commentator Vasili Pustov wrote, "I for one am very worried by the impatience and haste displayed. . . . A unilateral withdrawal of troops . . . may lead to the disruption of military stability" and "threatens to harm the process of the Vienna talks" on conventional force reduction.

Pustov invoked the views of Bush administration arms adviser Edward Rowney, as in agreement with the Soviet notion that force moves should be determined by the superpowers, not smaller nations: "Rowny . . . expressed concern in connection with the unilateral withdrawal of Soviet troops

from East and Central Europe, now under discussion, declaring that this could lead to intensified political pressure for force reductions by the West. It would be better to effect the withdrawal of troops, he said, within the framework of the agreements now being negotiated between NATO and the Warsaw Pact."

The Endara government's lynch mob 'justice'

Pro-government mobs nearly set off a riot on Feb. 9 in Panama City, forcing U.S.-installed "President" Guillermo Endara and First Vice President Ricardo Arias Calderón to personally intervene to cool the situation.

The incident took place in front of the Attorney General's office. As former legislator Rigoberto Paredes was leaving the building with his attorney after being brought in for questioning, a mob attacked them. Efforts by the police and the Attorney General to disperse the crowd failed, and finally, Endara and Arias Calderón had to calm them down.

This was the third such attempted lynching in one week, all of them provoked by the government itself. The policy of the regime is to hold officials of the former government in "preventive detention," and then to make appeals for anyone who has a grievance to file charges, "because otherwise we will have to let them go free." Once someone comes forward and files charges, the former officials are taken from their jail cells for questioning, and the government-controlled media announce the time and place of the interrogation, calling on their audience to show up to "demand justice."

Most of the Endara-controlled media slanted their coverage of the Paredes incident in favor of the lynch mob. "We must, as in the times of the Roman Circus, throw one Christian to the lions," said Panama's Radio Exitosa; this is necessary to satisfy "the people's cry for justice."

Paredes, who has been held without official charges since Dec. 25, 1989, was accused by an unknown woman of "stealing election tallies."

Briefly

● **DENG XIAOPING** is so senile he can barely recognize even his most groveling American friends, Chinese sources report. When National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger arrived in Beijing in December, Deng received them at the Great Hall of the People. But he had trouble remembering which U.S. President they represented. "I am happy to welcome the representatives of my old friend Jimmy Carter," he said in his speech.

● **ISRAELI HARDLINE** Trade and Industry Minister Ariel Sharon announced on Feb. 12 that he was resigning in opposition to the "peace policy" of the government. Sharon will remain as Likud party chairman and member of parliament.

● **BORIS YELTSIN** told the Feb. 11 *Sunday Times* of London that the Soviet Union could face a Romanian-style revolution if the Communist Party does not reform itself more quickly. He said that people would take to the streets and a bloody revolution would follow, with the KGB secret police fighting to maintain the old order.

● **KWAZULU CHIEF** Mangosuthu Buthelezi made an impassioned plea for an end to economic sanctions against South Africa. Appearing on ABC News's "Nightline" on Feb. 8, Buthelezi said that the sanctions have done terrible damage to black South Africans, and that it was meaningless to talk about political agreements, unless the South African economy was given a chance to revive.

● **THE NEWSPAPER** of the patriotic resistance in Panama, *El Periódico*, appeared on the streets of Panama City on Feb. 7. The issue includes a statement by West German professor F.A. Baron von der Heydte on how the invasion was an atrocity against international law; the statement first appeared in *EIR* on Feb. 2.

Bush Democrats emerge in Virginia electoral campaign

When the excitement calmed down after the Virginia Democratic Central Committee meeting in Richmond Feb. 10, there stood on the political landscape a new political phenomenon. Ruling the Virginia party with a style reminiscent of East German and Soviet communists were the Bush Democrats.

Under the leadership of the Bush Democrats, the Central Committee made a series of decisions aimed at guaranteeing the re-election of Bush Republican incumbent U.S. Senator John Warner. Lest one think that this is an ordinary event, it should be noted that Virginia Democrats have never let a Republican senator have a free ride before in this century.

Even more outrageous was the fact that the Democratic Central Committee decided to declare the only declared Democratic opponent of Warner a "non-person," and deny her the right to address any official body of the state party. While highly embarrassed by LaRouche Democrat Nancy Spannaus's demand that she get the right to speak, the party leadership nonetheless went right ahead to endorse rule changes that virtually guarantee that she, or any other Democrat, will not be nominated without the blessing of the Democratic Party *Nomenklatura*.

The significance of the Bush Democrats' decision was underscored by the fact that it was covered throughout the nation, and in some international press as well, as a concession to Senator Warner. One of the most pungent commentators on the event was noted consumer advocate Ralph Nader, who saw the move as the sign of a disturbing political trend.

"It looks like there will be a higher turnover in the Soviet Parliament than there is going to be in the U.S. Congress," Nader said. "If the Democratic Party cannot field a candidate against an incumbent senator in the state of Virginia, this has to be considered a serious abdication of a public obligation

by the opposing party to provide adequate competition and choice for the voters in a very important election."

The Virginia Democrats' decision not to challenge Warner reflects an alarming consensus within the U.S.'s political elite, to proceed with economic and strategic policies which have led to the dramatic decline in the United States. Indeed, Democratic Party policy differs little from that of Kissinger Republicans like Warner.

Warner, who announced his bid for a third term as senator on Feb. 5, is best known for his erstwhile marriage to Hollywood witch Elizabeth Taylor. As the minority leader on the Senate Armed Services Committee, the former Secretary of the Navy has dutifully followed the line of the Kissinger men, all the while putting himself forward as "pro-defense." Next to defense issues, Warner is most vocal in fighting for "tougher environmental laws," laws which have already bankrupted several industries for no other reason but the demands of the environmental lunatics.

Warner apparently would not be caught dead taking a moral stand. He voted against the Chinese students, at the President's demand; adamantly refused to take a stand on abortion; and claims that the Constitution condones the spread of Satanism in the military.

The Bush Democrats of Virginia apparently have no problem with these policies of Senator Warner. They claim that he is overwhelmingly popular in the state, and that it is not worth spending the money to challenge him. Some even argue that keeping Warner in is a good deal, since he has promised to mitigate the defense budget cuts for the Commonwealth. Others point to a deal between Warner and the party because the senator refused to back Republican Marshall Coleman's legal challenge to the election of Democratic governor L. Douglas Wilder.

The Spannaus challenge

By deciding not to challenge Warner, however, the Democratic Party is in fact turning its back on the vast majority of the party's base in the state. Labor, family farmers, and the black population have been under devastating assault by the policies of usury and the post-industrial society being implemented by the federal government. Due to these insane policies, the new Democratic administration of the Commonwealth is being forced to announce severe budget cuts against the very people who voted it into office.

It is among these layers that Nancy Spannaus, a LaRouche Democrat and editor of *New Federalist* newspaper, has conducted a vigorous campaign for Senate from February 1989 onward. Local party officials, as well as unionists and civil rights organizations, have expressed intense interest in the LaRouche program for emergency economic recovery, and have indicated an intense distrust of, if not animosity toward, Senator Warner.

Spannaus's program is identical to that of Lyndon LaRouche, who is running for the Democratic nomination in the 10th Congressional District of Virginia. That program calls for a drastic shift in policy back to that evinced by Presidents John Kennedy in 1963, and Franklin Roosevelt in the 1930s: adoption of government credit policies that would pour billions of dollars into infrastructure construction, and a turn away from environmentalist destruction of U.S. productive investment.

Communist tactics

Aware of the appeal of the LaRouche program to the party base, the Bush Democratic Committee was determined that Spannaus not even get a chance to address the Central Committee meeting, much less win the nomination. Party chief Paul Goldman ducked all contact with Spannaus until immediately before the session began. At that point he told her point blank: "You will not address the meeting."

Thus when Goldman began his report on how it was the "unanimous opinion" of the "search committee" that "there was no Democrat who wanted to run for the Senate and there was no viable candidate," Spannaus challenged him. "That's a lie," she said, touching off a chorus of demands that she be permitted to speak. When Goldman attempted to proceed without recognizing her, Spannaus and campaign workers Alan Ogden and Jerry Belsky, went to the front of the room to seek to address the meeting. Goldman, too terrified even to pound his gavel, simply dissolved the meeting—leaving chaos to reign for at least 10 minutes.

During the chaos, Spannaus and Ogden confronted the Central Committee. "Why won't you listen to her? What are you afraid of? You're like the Communists in East Germany. . . . John Warner and George Bush are destroying this country," Ogden shouted.

Spannaus's point was underlined by a statement that had been distributed at the meeting from one of East Germany's

revolutionary leaders, Peter Albach. Albach, a leader of the Demokratische Aufbruch (Democratic Revolution) in Thuringia, said: "I have learned with great dismay, that the party apparatus of the Democratic Party in Virginia, U.S.A., intends to use shady tactics to prevent 'LaRouche Democrat' Nancy Spannaus from running for office. We in the G.D.R. know those tactics from our own situation very, very well. If the will of the party base is betrayed, then not only does democracy inside the party get destroyed, but democracy in general. . . ."

"For me and my countrymen, who right now are engaged in overthrowing the hated SED regime and are fighting for freedom from communism, it is alarming to see, that such shady SED practices are also used in the country which we, up to now, have considered the essence of democracy and freedom."

Virginia's 'Article 6'

After Spannaus and some supporters were escorted from the meeting, the Central Committee proceeded to vote up the Bush Democrats' equivalent of Article 6 of the Soviet Constitution. That article, which enshrines the Communist Party as the dominant party in the state, is now echoed by Virginia's Article 10, which permits the party to cancel citizen participation in choosing a Democratic candidate, and leave it to the Central Committee.

Article 10, listed under "General Provisions," reads as follows: "If a majority of delegates elected to the State Convention have prefiled a preference that no candidate be nominated by the Democratic Party, or if no candidate has received the commitment of at least 20% of the delegates to the convention within one week after the mass meeting, the State Party Chairman may cancel the convention and declare that there shall be no nominee of the Democratic Party unless the Democratic State Central Committee nominates a candidate by two-thirds majority vote."

What that means, in fact, is that a candidate must get *over 50%* of the delegates precommitted to him or her, in order to prevent the party leadership from canceling the convention allegedly set up to find a candidate against Warner. Conventions, compared to primaries, are usually easy for the party hacks to rig. This one is set up to be rigged so that there is either no candidate, or one picked by the *Nomenklatura*.

In a statement released Feb. 15, congressional candidate Lyndon LaRouche noted that the Bush Democrats of Virginia seem to be going through self-destructive contortions trying to prevent him and his associates from running in the election.

"It's as if they were afraid that in the 1990 Virginia elections, that we might sweep the state. I hadn't calculated that, and maybe they know something I don't know, but they certainly are running very afraid that I'll take over this state, whether they have a basis for this fear or whether they're paranoid, I don't yet know."

Kissinger out of PFIAB; score one for LaRouche

by Scott Thompson

At the end of January, still consumed by rage, Henry Kissinger finally threw in the towel and demanded that President George Bush accept his resignation at once from the President's Foreign Intelligence Advisory Board (PFIAB). Score one for investigative journalism and for *EIR*, whose founder, Lyndon H. LaRouche, Jr., had asserted last year after two employees of Kissinger's global influence-peddling firm, Kissinger Associates, Inc., had entered high posts in the Bush administration: "Everything I said about Henry Kissinger is true."

Well, a number of top investigative journalists appear to have agreed with LaRouche, at least so far as believing that Henry had been lining his pockets by using his position on PFIAB to shape U.S. policies for the profit of his banking and corporate clients.

With the appointment in January 1989 of Kissinger Associates president Larry Eagleburger to be deputy secretary of state, and of the firm's vice chairman, Gen. Brent Scowcroft, to be assistant to the President for national security affairs, it seemed like Henry would not only run foreign policy, but, while he also remained in charge of Kissinger Associates, make a fortune as he did so. Kissinger's Waterloo was the courageous stand of unarmed, revolutionary Chinese students at Tiananmen Square, when, on June 4, Deng Xiaoping send tanks to crush the "Goddess of Democracy" and thousands of the students who had erected this symbol of their desire for real change in China. Before the blood had dried on the paving stones, Henry lauded Deng Xiaoping, whom the students dubbed "the butcher of Beijing," as the "symbol of Chinese reform" and denounced the students as a "chaotic element." Even Henry's strongest defenders began to realize that the reason why he smelled was because he was rotten.

It was the martyrdom of these courageous students that won the battle against Henry Kissinger and ultimately drove him from office. As Lyndon LaRouche, against whom Kissinger's friends on PFIAB had directed a "Get LaRouche" task force starting in 1983, which resulted in LaRouche being "railroaded" to jail by 1989, said, "After Tiananmen Square, a river of blood separates Henry Kissinger from the moral outrage of humanity."

The Senate Foreign Relations Committee tried half-heartedly in Eagleburger's March 1989 confirmation hearings, to lay bare the multitude of conflicts of interest that arose from his previous post at Kissinger Associates, Inc. While the

Senate ultimately could not even force Eagleburger to make public the full list of Kissinger's clients, *EIR* and investigative journalists went to work on the question.

On April 30, Jeff Gerth and Sarah Bartlett wrote a front-page piece for the *New York Times* titled "Kissinger and Friends and Revolving Doors." They raised the issue of how Kissinger had used his post on PFIAB to influence arms development and other policies on behalf of his clients. Kissinger wrote an editorial for the *Washington Post* on Aug. 1, denouncing Congress for having "voted overwhelmingly to impose sanctions against China going well beyond the measures already taken by President Bush." *Post* journalist Richard Cohen responded on Aug. 29 with a piece titled, "Kissinger: Pragmatism or Profit?" that questioned whether Kissinger's anti-sanctions call had been because his clients had vast investments there.

It's blood money

On Sept. 15, John Fialka laid bare Kissinger's stake in kowtowing to the butchers of Beijing in a front-page piece in the *Wall Street Journal* relating how Kissinger was chairman of China Ventures, Inc., a joint venture with the merchant-banking arm of the Chinese government that had pooled \$75 million for investment in China.

After Kissinger reported back to President George Bush from his November trip to Beijing, apparently telling Bush not to keep tough economic sanctions, because the attitude of the Communist Chinese regime had become more positive, Walter Pincus wrote in the Dec. 14 the *Washington Post* that Kissinger's clients had billions at risk in China investments. Kissinger denied that his trip had had a role in President Bush's decision to send the Scowcroft-Eagleburger duo to Beijing on a public mission on Dec. 2. Already, the charges of "blood money" were beginning to take their toll, because as Pincus wrote: "Kissinger . . . described as 'McCarthyism' any linking of his views on China to his business interests."

The drop-by-drop exposés of Henry, accelerated by exposés in *EIR*'s Kissinger Watch column, continued until Henry decided in early January to quit. Even close friends like Rep. Steve Solarz (D-N.Y.) and columnists Rowland Evans and Robert Novak had been incensed by his immorality over China. Evans and Novak blasted him on Dec. 18 in a column entitled "Secret Information and Private Interests."

By the timing of his resignation, Kissinger escaped a repeat grilling on conflict-of-interest questions of his former employee, now Deputy Secretary Eagleburger, by Sen. Jesse Helms (R-N.C.), in Senate Foreign Relations Committee hearings on Feb. 6 to discover what underlay the "Scowledgeburger duo's" two trips to Beijing since the massacre. Moreover, now that he has resigned from PFIAB, removing his conflict-of-interest bind, Henry is in a position to collect his blood money: The board of China Ventures, Inc. is scheduled to meet in late February or early March to decide whether to renew business deals with China.

Defense plan repeats Acheson's blunders

by Kathleen Klenetsky

A new national defense guidance, signed by Defense Secretary Richard Cheney and intended to shape American strategic policy from 1992-97, brings the United States perilously close to repeating the insanity which led to the Korean War.

No one will soon forget the infamous pronouncement, delivered by Secretary of State Dean Acheson in January 1950, that excluded Korea and Formosa from the American "defense perimeter" in Asia. This statement was interpreted to mean that the United States would not come to these countries' defense in the event they were attacked by communist powers. Six months later, the North Koreans accepted Acheson's invitation, launching the war against the South, which was eventually to cost 2.5 million lives, increase the political and military clout of the People's Republic of China, and leave the United States with a strategic black eye.

Yet the new defense guidance shows that the Bush administration has decided to ignore the lessons of Korea, or worse, to draw the wrong ones.

As reported by news leaks in the *Washington Post* and other news outlets in early February, the 28-page classified document draws the U.S. defense perimeter so narrowly, that areas of absolutely crucial strategic significance are to be totally abandoned. The guidance attempts to justify this, by invoking the now-standard Bush administration line that the Soviet Union no longer represents a significant military threat, and, thus, the United States no longer needs to project its military power to anywhere near the same extent that it has since the end of World War II.

The Defense Policy Guidance goes hand-in-glove with the defense budget which Cheney presented to Congress in January. The first budget prepared entirely by the Bush administration projects a continuous decline in defense spending through 1994, at which point there will have been a full 25% reduction in the size of U.S. military forces and spending from the levels reached in 1985. The budget represents a cut of \$231 billion from the spending levels envisaged for 1990 by the Reagan administration.

Handing Iran to Moscow

One of the document's most startling features, is its instructions to U.S. military leaders to drop longstanding U.S.

contingency plans to defend Iran in the event of a Soviet invasion. The guidance states that the United States would continue to "consider the contingency of the Soviet attack into Iran," but would no longer make the "large investments to support forces in Iran."

A senior defense official quoted in the press explained this decision, on the grounds that Iran's intensely anti-American regime makes it unrealistic to assume U.S. forces would deploy there in a U.S.-Soviet crisis. Further, the official revealed that Pentagon experts had concluded that the threat of a Soviet drive through the Persian Gulf oilfields was "not credible."

The guidance's treatment of Iran graphically underscores the fundamental lunacy of its overall approach. With the violent eruptions in the Baku region over the past two months, and the collapse of the Soviet economy, it has become increasingly apparent to observers—at least those not blinded by the need to toe the Bush line about a diminished Soviet threat—that the danger of a Soviet invasion of Iran is actually greater now than perhaps at any point in the past.

Iran and its oilfields are not the only areas to be handed over, under the new strategic outlook. The guidance concludes that the United States might have to give up its bases in the Philippines, and reportedly instructs the military to start considering Singapore and other places for new Pacific bases, and to plan for forces of greater range to compensate for withdrawal from the Philippines.

The document also lays the basis for the withdrawal of at least some American forces from South Korea and Japan, stating that it assumes these two countries would take greater responsibility for their own defense, implying at least a partial withdrawal of U.S. forces from these areas as well. A separate Pacific strategy plan under preparation at the Pentagon, reportedly recommends that the United States pull out 10-12% of its military forces from the Philippines, Japan, and South Korea over the next three years.

Western Europe, too, finds itself outside the U.S. defense perimeter under the new planning document. Assuming the successful negotiation and implementation of a conventional arms reduction treaty, the guidance directs the services to draw up plans through 1997 for significant reductions in U.S. military deployments in Europe.

Again, the document chooses to believe that the economic and political crises in the Soviet Union will negate military adventurism, ignoring the historical evidence that crises more often than not impel empires to loot their neighbors to stave off collapse. The United States can afford to reduce its conventional arms in Europe, at "acceptable level of risk," because of the "fundamental transformation of the Warsaw Pact," the document insists, arguing further that "non-Soviet elements of the Warsaw Pact would cease to have very much offensive military capability against Western Europe" because of political developments in the bloc.

One of the most egregious aspects of the report lies in its treatment of the Strategic Defense Initiative. Contrary to media hype that the *relatively* large budget allocated to the Strategic Defense Initiative in the FY1991 military spending plan proves that the Bush administration is committed to the program, the Cheney guidance calls for the SDI to be seen primarily as a defense against the development of nuclear weapons by Third World countries, and not as the single-most important element in the U.S.-Soviet strategic equation. This view conforms entirely with the ALPS (Accidental Launch Protection System) proposal cooked up by Sen. Sam Nunn (D-Ga.) as a means of deemphasizing and downgrading the SDI, and favored by key administration officials, including National Security Adviser Brent Scowcroft.

Trotskyite defense

The Cheney document not only reflects the continued commitment on the part of the Bush administration to the global condominium with Moscow. It also illustrates the extent to which "Chekist" elements have penetrated the U.S. defense establishment.

The guidance de facto implements the recommendations of the "Discriminate Deterrence" report, issued in January 1988. It is the product of a high-level policy planning task force headed by then-Undersecretary of Defense Fred Iklé, and outside consultant Albert Wohlstetter, a "former" Trotskyist who has wielded great influence over the shaping of U.S. strategic doctrine during the past three decades.

The Iklé-Wohlstetter report foreshadowed Cheney's Defense Policy Guidance in its insistence that the United States should reorient its strategic posture away from facing down possible Soviet military strikes, toward fighting regional wars in Third World hot-spots. A key recommendation of the Cheney document is that the United States put major emphasis on beefing up special operations forces for use in Third World conflicts.

Iklé recently acknowledged to a journalist that the defense guidance mirrors "Discriminate Deterrence" in many important respects. "The entire concept of downgrading the threat from the Warsaw Pact that is being implemented through arms control negotiations and Secretary Cheney's new Defense Policy Guidance, can be traced back to the 'Discriminate Deterrence' report," he said. "Every element of that report with regard to diminishing the priority for the defense of Western Europe has been true.

"Another aspect of the report that is being implemented has been the necessity to prepare for wars in the Third World."

Asked whether the recent invasion of Panama was the sort of war envisioned by the report, Dr. Iklé said: "Yes, the question of the need to prepare for war in the Third World was elaborated in follow-on reports to 'Discriminate Deterrence' that were prepared by the same team. Panama is an example of what we were talking about."

CIA-KGB in 'New Age' of collaboration

In mid-January, John Marks, the guru of the New Age outfit Search for Common Ground, showed up in Moscow to push a pet project: KGB-CIA collusion.

Marks, a former State Department intelligence aide to ex-CIA figure Ray Cline, has gone through more changes in identity than Liz Taylor has husbands. After co-authoring one scathingly anti-CIA book with Victor Marchetti, Marks penned his own exposé of CIA brainwashing experiments, *The Search for the Manchurian Candidate*. According to former associates, Marks then went through a mind conversion and became a devotee of Werner Erhart's New Age psychoanalytic sect, est. He no longer likes to talk about his research into the CIA's mind control efforts. Some ex-colleagues speculate that he now works for the Agency.

During a Jan. 31 Radio Moscow broadcast, Marks said his efforts at bringing the CIA and the KGB together have a "two-year history with the blessings of the two governments." His January visit, like earlier treks to Moscow, was sponsored by Search for Common Ground, a New Age outfit founded by Marks himself which enjoys the financial backing of the Esalen Institute and an Esalen spinoff called Soviet-American Dialogue. The latter group, housed in Bellevue, Washington, publishes a quarterly journal called *Glasnost* and has more or less supplanted the Communist Party U.S.A. in sponsoring "anniversary tours" of the Soviet Union.

In February 1988, Soviet-American Dialogue hosted over 100 Soviet citizens for a conference in Alexandria, Virginia at which Marks's Search for Common Ground was prominently featured. One Soviet participant, the head of the Soviet Peace Council and the brother-in-law of KGB chief Vladimir Kryuchkov, carried with him a personal message of greeting from Mikhail Gorbachov.

According to one of its founders, the Soviet-American Dialogue grew out of the Soviet government's efforts to thwart President Ronald Reagan's Strategic Defense Initiative, announced on March 23, 1983. Not two months later, 24 top Soviet propagandists led by *Literaturnaya Gazeta* editor and Yuri Andropov publicist Fyodor Burlatsky came to Minneapolis, to join with an equal number of American pacifists and New Age activists led by Bishop Paul Moore of the Episcopal Cathedral of St. John the Divine in New York to plot out the anti-SDI campaign.

Marks told Radio Moscow: "We are looking for ways for the U.S. and Soviets to cooperate, particularly in areas where there have been a lot of adversarial relationships. Terrorism is one of the prime areas. While it can't be prevented, ways should be found to turn terrorism into a 'shared problem' between the two superpowers."—*Jeffrey Steinberg*

Civil rights struggle returns to Selma

by Marianna Wertz

Twenty-five years after the “Bloody Sunday” March across Edmund Pettus Bridge in Selma, Alabama, a new civil rights protest in Selma is gaining national prominence, even as the date for the planned reenactment of “Bloody Sunday” draws near. This small southern city of 27,000 residents is embroiled in a bitter struggle between black and white citizens for control over the city and its school board, whose outcome will apparently only be decided through direct confrontation.

“Bloody Sunday” refers to the first March to Montgomery by civil rights activists on March 7, 1965, when hundreds of black and white marchers were met on Edmund Pettus Bridge by mounted police and Alabama state troopers, who clubbed, gassed, and beat them. Dr. Martin Luther King catalyzed the national outrage at this action into a successful march on Montgomery later that year, and into the successful passage of the Voting Rights Act of 1965.

In December 1989, black parents and students in Selma were shocked by the news of the firing of Selma’s first black school superintendent, Dr. Norward Roussell, by the white majority on the school board. The five black school board members had been excluded from the school board’s meeting where the six white members voted to fire Dr. Roussell. The reason given for Roussell’s firing was that he “lacks the necessary leadership skills.” Black spokesmen claim that the real reason was that Dr. Roussell was firing teachers who refused to change the biased tracking system which is used in the Selma High School.

According to Alice Boynton, President of the Best Education Support Team (BEST), the parent organization which is leading the demonstrations, students were tracked into ability-level classes according to where they live. “They’d look at the student’s address, and put him in track one, two, or three accordingly,” she said. As a result, most black and poor students were tracked into the non-college curriculum, and most white and wealthier students were tracked into the pre-college courses. Dr. Roussell had been working with BEST to eliminate this “leveling” system, she said, and that was the real reason for his firing.

Demonstrations and a sit-in at Selma High School in the second week of February forced the school board, which is nominated by the city council, to restore Dr. Roussell’s job, but just for the remainder of the 1989-90 school year. On Feb. 14, the sit-in ended, out of concern that Dr. Roussell

would again be fired. Some 200 civilian reserve troops and FBI agents have now moved into Selma High School to maintain order. Demonstrators have moved to City Hall, where they remain to this date, demanding that Dr. Roussell be given a full contract.

While Selma city attorneys are demanding a restraining order against further demonstrations, no judge has yet been willing to grant it. Asked what would happen should a restraining order be granted, J.L. Chestnut, attorney for the demonstrators said, “Dr. Lowery, one of the co-convenors [of the upcoming reenactment], was here Saturday marching and demonstrating and meeting with the Mayor, and telling him that injunctions are made to be broken.”

‘This is our South Africa’

Amelia Boynton Robinson, veteran of the 1965 march and a leader in the Schiller Institute today, was in Selma in mid-February and gave this picture of the situation. She called the ongoing mass meetings and demonstrations “our South Africa,” referring to the outpouring of support for the freed African National Congress leader Nelson Mandela, which occurred in the same week as the Selma demonstrations peaked.

“The world is watching,” she told demonstrators. “Don’t let up, for God’s sake don’t let up,” she exhorted them, because “we’ve awakened the whole world.”

Mrs. Robinson, who was beaten, gassed, and left for dead on Edmund Pettus Bridge 25 years ago, will play a major role in the March 3 reenactment. Following that, she plans a speaking tour in Eastern and Western Europe sponsored by the Schiller Institute, to bring the message of Selma and the battle for civil rights in America to the fight for freedom there.

The demonstrations are expected to continue up to the planned reenactment and beyond, until their demands are won. The commemorative march and reenactment is expected to draw thousands of participants, who could potentially be drawn into the ongoing struggle. Already on Feb. 11, hundreds of students from surrounding colleges joined a support march in Selma, estimated at 1,500 strong.

The Schiller Institute has sent a message of support to the demonstrators, which stated, in part:

“On this birthday of President Abraham Lincoln, whose Emancipation Proclamation decreed that all Americans shall be free and shall participate fully in the political life of this nation, we send our greetings and support to your demonstration.

“Civil rights and economic justice go hand in hand. Without economic justice, and the right to a quality education, there are no civil rights. The education of our children to their fullest potential is the most sacred right and obligation of a democratic republic. Any nation that allows race to determine who does and who does not get a quality education, is a nation that is dooming itself to destruction.”

GOP shifts to local re-election strategy

Republican electoral strategists seem to be shifting to a more local-oriented election strategy this year, abandoning their previous reliance on major national issues like defense, crime, and taxes.

Candidate recruitment is also focusing on bringing in candidates with strong local reputations. Republicans have not made any gains in congressional elections since the Republican breakthrough of 1982, when seats were won in the wake of the general enthusiasm of the "Reagan revolution."

Republicans don't feel that they will make much headway in 1990, although they hope they will at least break their losing trend. Many feel that even minor gains this year will give them the momentum for a major sweep in 1992 when they hope to hang onto the coattails of the Bush re-election bid. This, of course, presupposes that Bush is successful. As things look now, with the onset of a financial collapse, there is a distinct possibility that after four years of George Bush's "kindler, gentler" police state, Americans will reject both him and his congressional entourage.

Pro-life Republican flip-flops on issue

Rep. James Courter (R-N.J.), a longtime opponent of abortion who lost the New Jersey governor's race last year, announced that he had "changed his mind" and now supports a woman's "right" to abortion, according to the *Washington Times*.

Courter's legislative aide, Bob Friant, said that it had been an "excruciating" experience for Courter to

change his mind on the issue. The day after his loss to James Florio, Courter said he would reconsider his position on abortion. "He is now stating he will vote pro-choice on all relevant legislation," said Friant.

Congress turning against deregulation

As the breakdown of the savings and loan system proceeds, accelerated by the deregulation of the industry initiated by the passage of the Garn Bill (which eliminated previous restrictions on the type of investments S&Ls were allowed to make), the S&L bailout is becoming more expensive than was originally calculated. The looming bailout costs are prompting Democrats to attack the Bush administration for their handling of the problem.

House Banking Committee chairman Rep. Henry Gonzalez (D-Tex.) attacked the "disarray and indecision" of the administration on the issue, and said it will "do nothing but increase the cost of the bailout and delay the resolution of the pending cases."

Sen. Donald Reigle (D-Mich.), the chairman of the Senate Banking Committee, issued a statement lamenting the resignation of Resolution Trust Corp. oversight board president Daniel Kearney and criticizing the White House for laxity.

"There is very strong sentiment in Congress that deregulation was essentially wrong," said Kenneth A. Guenther, the executive vice president of the Independent Bankers' Association.

Congress to take on drug-money laundering?

On Feb. 8, a report was released by Sen. John Kerry (D-Mass.) and Sen.

Mitch McConnell (R-Ky.) that said U.S. efforts to stop drug sales will be futile without international cooperation to monitor the drug cartels' enormous cash transactions. They urged President Bush to negotiate international banking laws to match tighter U.S. rules passed by Congress in 1988.

"Money laundering may be the most important segment of white-collar crime in this country," said Kerry. "But this is not a priority because of big money, big profits and big questions about the international banking structure."

"Every effort should be made to target money-laundering activities and deprive the cartels of their financial security," said McConnell.

The extent of money laundering first achieved notoriety with the 1978 publication of *Dope, Inc.*, a study commissioned by Lyndon LaRouche, in which many of the money-laundering banks were named. This led to a campaign initiated by the dope banks to discredit the book. In Venezuela, as a result of pressure from one of the *Dope, Inc.*-families there, the Spanish edition of the book was banned and all extant copies confiscated.

Although little has been done to go after the drug banks since the initial launching of the Reagan war on drugs, there is now obvious interest in the issue on Capitol Hill. Whether they are willing to take a fight with some of the bigger, more politically prominent, fish in the money-laundering operations still remains to be seen.

Black Rep. targeted on conspiracy, mail fraud

In what seems to be becoming a *modus operandi* of political life in these United States, Rep. Harold Ford (D-

Tenn.), a black, is being brought to trial on 19 counts of conspiracy, bank fraud, and mail fraud.

Ford was indicted in April 1987, and his case has taken nearly three years to come to trial. Ford, a popular congressman with a strong political base in his hometown of Memphis, heads up an independent black political machine, the type of independent political machine which has been targeted for elimination by the Thornburgh Justice Department in its attempt to create a police state.

Dems move to gut MX, Midgetman

Rep. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee, on Feb. 8 warned the Bush administration that it would find itself in an awkward situation if it signed an arms-control agreement which would allow strategic weapons that Congress won't fund.

The administration has requested \$9 billion in Fiscal Year 1991 for funding of the rail-based MX and the truck-mounted Midgetman missiles and five B-2 Stealth bombers.

Aspin said the developments in Eastern Europe could prompt Congress to scratch one of the ICBMs and seriously curtail or even cancel the B-2. Aspin's statements were part of an overall Democratic offensive against the Bush defense proposals, branding the \$295.1 billion budget as too large in the face of the alleged decrease in the Soviet threat.

The Bush proposal represents a 2.6% decline over 1990 spending after inflation.

Even so-called pro-defense Democrats like Sen. Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee, are accusing the ad-

ministration of lacking a "broader vision" on defense. Commenting on the Bush program on NBC's "Meet the Press" on Feb. 11, Nunn said, "I don't think in Congress there's going to be a lot of receptivity to going forward with huge weapon systems unless there is a strategic concept that fits into the arms control."

Nunn proposes that the United States get rid of the MX in exchange for the Soviets eliminating the SS-24. Aspin and Nunn have suggested that as much as \$10 billion will be slashed from defense outlays.

Ford and three co-defendants are charged with conspiring to funnel political payoffs to the congressman through bogus loans from some of the 40 lending institutions once run by East Tennessee bankers Jake and C.H. Butcher. The Butchers are presently serving 20-year prison terms after convictions on other bank fraud charges. The Butcher convictions were part of a political operation targeting key layers of the Tennessee Democratic Party.

Many aspects of the Ford case are reminiscent of the Department of Justice railroad conviction of Lyndon LaRouche and his associates.

The government began the investigation in Memphis, but would have been unable to get an indictment there, since it is heavily black and Democratic Party-controlled. The government then took the case to Knoxville, which is predominantly white and Republican.

Defense attorneys were successful in getting the case transferred back to Memphis. Ford requested access to the grand jury testimony of FBI Special Agent Donald MacDonald and C.H. Butcher, but the requests were denied, with the judge claiming that the defense had failed to show a particular need to justify the disclosure. A

gag order was placed on Ford and the other defendants, but was amended when Ford asserted that his constitutional rights were being violated. A series of pre-trial motions by the defense led to accusations that these were simply "delaying tactics."

Ford has stated that racism and politics lie behind the actions brought against him.

Moynihan Social Security proposal opposed

The much-publicized proposal of Sen. Daniel Moynihan (D-N.Y.) to cut the Social Security tax is coming under heavy fire even from Moynihan's own party colleagues.

Sen. Lloyd Bentsen (D-Tex.), chairman of the Senate Finance Committee, said on Feb. 7, "I refuse to support it, because that kind of a loss of revenue would lead to some extremely serious problems. . . . There'd be an enormous increase in the deficit, and you would have foreigners beginning to question whether we could manage our economy."

Sen. Donald Riegle (D-Mich.), chairman of the Senate Committee on Housing, Banking, and Urban Affairs, said he too was ambivalent and needed more time to study the measure.

Polls show the public solidly opposed to cutting Social Security taxes. Even Moynihan seems to be backing away from his proposal, commenting that he felt that he had accomplished his main objective by exposing "misuse" of the Social Security trust fund. House Majority Whip Rep. William Gray III (D-Pa.) said on Feb. 7 that the House leadership probably will not endorse the tax cut, but will recommend that Social Security be taken out of the deficit calculation.

National News

Richardson asks world eco-fascist treaty

Eastern Establishment spokesman Elliot Richardson called for "an international treaty, perhaps modeled on the Law of the Sea treaty, to coordinate and enforce international action on the environment," in the Feb. 7 *New York Times*.

"Whether the international institution is given power to enforce rather than merely recommend regulations" will depend on political battles leading up to the 1992 Brazilian conference on the environment, Richardson said. He claimed that criticism of Bush's speech before the recent intergovernmental panel on climate change is ill-founded, since Bush can not really act until a "global Environmental Protection Agency" is in place.

N. Y. judge sentences Robert Primack

The first of three associates of Lyndon LaRouche who were convicted last Aug. 31 in the courtroom of New York Supreme Court Justice Stephen G. Crane, was sentenced on Feb. 8. Robert Primack, convicted on one count of conspiracy and one of scheme to defraud in the New York Attorney General's "Get LaRouche" case, was sentenced to a state prison term of one to three years. Crane ordered him to pay \$36,000 restitution to lenders whom LaRouche-associated companies had been unable to repay. Primack is free on bond.

Before pronouncing sentence, Crane called Primack an idealist dedicated to many good ideas—"some of them ahead of their time"—and said he found having to sentence him "very painful." Crane blasted what he called "revolting" behavior on the part of "some federal agents," and commented that he had been disturbed by FBI Agent Richard Egan's actions in destroying documents which the defense asserted would have been material to their case.

Primack's sentence is stayed pending the conclusion of co-defendant Marielle Kronberg's Kastigar hearing, which Judge

Crane projected would take "months." Kronberg had been given immunity and compelled to testify at the Alexandria grand jury and trial which railroaded LaRouche into prison. The hearing is meant to ascertain whether Kronberg's immunity was violated in the New York trial.

DoJ sues General Dynamics over M-1 tank

The Justice Department filed suit against General Dynamics on Feb. 8 in its latest attack on defense industry, claiming the company defrauded the Army on contracts for its M-1 Abrams tank.

The case charges that the firm deliberately overestimated the costs for parts on the tank in 1983, increasing the price from \$289,000 to \$299,000. The M-1 is the second-largest weapons system slated for outright termination by the Bush FY91 budget released 10 days ago.

The most heralded criminal case against the company, alleging fraud on the Sgt. York anti-aircraft gun and targeting then-NASA Administrator James Beggs, blew up in the DoJ's face in 1987, when the government was forced to admit that company officers had acted in good faith and the case should never have been brought.

"The Justice Department has chased General Dynamics down so many dead ends that they have no credibility," one stockbroker told the *Washington Times*.

Hospital crises critical in N.Y.

Five years ago, waiting in an emergency room of a crowded New York City hospital for a hospital bed would have been unimaginable; now it is common, physicians acknowledged in a *Washington Post* article Feb. 11.

Reeling under the weight of overlapping epidemics of AIDS, drug abuse violence, homelessness, and mental illness, New York City's massive hospital system, by far

the nation's largest, is on the verge of collapse.

Dennis Andrulis, vice president of the National Association of Public Hospitals, notes other cities are following rapidly. "Nearly every place you look, the system has blown a fuse," he said. "They are almost not hospitals anymore. New York is clearly the most dramatic example of this social disaster. But the poverty, the lack of basic health care and the financial neglect that have caused this crisis can be found in any city in the nation."

DoE plans shutdown of plutonium reactor

The Department of Energy plans to shut down the nation's most modern reactor, the Fast Flux Test Facility at the Hanford, Washington nuclear complex. The FFTF is the only military reactor able to meet federal standards for commercial nuclear reactors, and has been more reliable than commercial plants.

Though only eight years old, the DoE claims it would be cheaper to shift production of plutonium needed for the military and the space program, to 30-year-old plants at Savannah River, Georgia—which are now scheduled to be shut down for extensive repairs. The DoE asserts that modifying the FFTF to produce plutonium would cost \$1 billion through Fiscal Year 1995, while repairing Savannah River will cost only \$172 million. Even though they are the only reactors left able to produce plutonium, it is doubtful whether the Savannah River plants would ever be restarted because of age and safety concerns.

Shutting down the FFTF will eliminate about 1,000 jobs at Hanford, which has already lost 2,000 jobs as plutonium production for nuclear weapons is discontinued.

USDA admits political tampering with study

The U.S. Department of Agriculture admitted that it rewrote and downplayed a study

proving the success of the Women and Infant Care program (WIC) to try to cut the program's funding, according to testimony before the House Select Committee on Hunger and the Senate Agriculture Committee, the Feb. 2 issue of *Science* magazine reported.

The principal investigator of the study, Dr. David Rush, Professor of Nutrition and Community Health and Head of the Epidemiology Program at Tufts University, charged that the USDA deleted conclusions, eliminated facts, and refocused results. "Any reader would be misled as to the actual findings of the study," he said.

Keith O. Fultz of the Government Accounting Office charged that the USDA changed the conclusions of a GAO study demonstrating program's effectiveness, substituted its own conclusions, and delayed the release of the report.

The 1986 study found that the \$2 billion a year program, which helps state agencies provide food to 3.4 million indigent pregnant women and their children with the aim of improving mental development with good diet early in life, had reduced fetal mortality between 1972 and 1980.

A USDA official conceded that the former USDA Food and Nutrition chief and his special assistant had made this "mistake." At the time, the Reagan administration had impounded WIC funds and "was trying to persuade Congress not to restore them," *Science* reports.

Democratic Party guru preaches austerity

Lester Thurow, considered by many to be the economist most influential in the Democratic Party, called for a consensus among political leaders to promote lower living standards as the basis for U.S. economic renewal and long-term growth, in a commentary in the Feb. 11 *Washington Post*.

Thurow—whom critics have dubbed "Less-Than-Thorough" for his slipshod research—is best known for his book, *The Zero-Sum Society*. It held that the U.S. is hopelessly caught in economic stagnation, that the gains of one group inevitably come at the expense of all others, and that the

essence of economic policy boils down to dividing the fixed pool of wealth by social compact—a framework susceptible to corporatist social organization.

Thurow insists that economic growth can only be financed through "savings"—i.e., lowered living standards. Emanating an air of "non-partisanship," or a Dukakis-like appeal of being "beyond ideology," Thurow says, "Technically, there are many solutions to our three deficits [investment, trade, education]—some liberal, some conservative. The problem is getting serious about implementing some of them."

Austerity is couched in a proposal for "a real system of tax-free savings accounts [which] might be designed where individuals would get tax breaks only if they could demonstrate that their consumption was less than their income."

"The politicians now talk about more saving but we will know that they are serious when they are willing to talk about less consumption," he argues, and added that we will "have to organize our society so that consumption [grows] more slowly than income for a substantial period of time."

Thornburgh assaults longshoremen's union

The Department of Justice filed suit against six longshoremen's union locals and a group of alleged Mafia leaders on the New York and New Jersey waterfront on Feb. 14, and asked the court to remove from office all International Longshoremen's Association officers found to have violated the Racketeering Influenced and Corrupt Organizations Act (RICO).

The suit also asks the court to appoint trustees whose primary responsibilities will be to ensure "fair elections" of ILA local officers and to "discipline current officers found guilty of wrongdoing."

In what appears to be an attempt to permanently take over trade unions using "legal" means, Thornburgh said the civil remedies being sought would allow the court to intervene on a continuous basis to try and rid the union of mob activities, instead of criminal charges where only a one-time sentence could be imposed.

Briefly

● **WILLIAM REILLY**, head of the Environmental Protection Agency, "is seen by colleagues as the enemy within," columnists Evans and Novak said Feb. 14. "Reilly favors either a radical, unilateral shutdown of the U.S. economy or a global regulatory regime. He does not accept economic reality and does not accept scientific reality," they quoted a colleague as saying.

● **VICE PRESIDENT Dan Quayle** met with NASA managers on Feb. 12 to reiterate that space is a priority for the administration. He stressed the importance of the space program for education, and said it "inspires students to study science and math."

● **VOYAGER 1** was scheduled to take a "family portrait" of the Solar System Feb. 13, when it was 3.7 billion miles from Earth and above and beyond the orbits of all of the planets. The pictures will be downlinked in March.

● **LEWIS DU PONT Smith's** attempt to overturn a 1986 decision of mental incompetency, and his charge that he was ruled incompetent based solely on his political beliefs in support of ideas championed by Lyndon LaRouche, was reported on by *USA Today* Feb. 12. It said LaRouche will be allowed to provide videotaped testimony on Smith's behalf.

● **PROJECT DEMOCRACY** launched a new journal, the *Journal of Democracy*, as part of its attempt to misdirect the revolutionary upsurges around the globe. Samuel Huntington, author of the Trilateral Commission's *The Crisis of Democracy* attack on republican institutions, and former Young Communist Joshua Muravchik, are on the board.

● **MANUEL NORIEGA'S** lawyers are seeking papers and diaries from former Presidents Bush, Ronald Reagan, Jimmy Carter, Gerald Ford, and Richard Nixon in an effort to defend Noriega against drug charges, in a court motion unsealed Feb. 9.

Editorial

Watching your back

The murder of Herr Alfred Herrhausen of Deutsche Bank on Nov. 29, 1989 was attributed to the terrorist Red Army Faction—a group believed to be Syrian-trained and -controlled. The assassination has even been linked through the explosives used, to the Syrian arms dealer Monzer Al-Kassar, otherwise under suspicion for complicity in the Pan American 103 bombing over Lockerbie, Scotland.

Twelve years ago another German banker, Jürgen Ponto was similarly assassinated, as was the head of the West German Employers' Association, Hanns-Martin Schleyer. Both Ponto and Herrhausen were far-seeing proponents of world economic development; indeed, Herr Herrhausen was working closely with Chancellor Helmut Kohl in planning for the new German miracle which should follow upon reunification of the east zone with the Federal Republic.

These were bankers in the classical sense, who used their function to promote progress in less-developed countries; they were investment rather than speculative bankers. They practiced a kind of "moral banking" not generally found in New York City or in London over recent decades.

Ponto was murdered by the Baader-Meinhof terrorists in the summer of 1977, as part of a Soviet-directed terrorist targeting of key figures associated with nuclear energy. This targeting had been announced from France, and was directed against West Germany, where Ponto was a leading banking figure associated with the promotion of the export of nuclear energy.

Herrhausen of Deutsche Bank was committed to excellent ideas and was a powerful influence for them, in the same stripe, the same general direction, as Ponto, the martyr of 1977. Herrhausen was also ostensibly murdered by the same general networks.

But there's another aspect to it. Just as the Lockerbie bombing has pointed to the role of CIA networks in sanctioning the operation which was carried out by Syrian networks, so, too, there is the possibility of Western complicity in the Herrhausen murder.

In the case of the Baader-Meinhof gang, there has

always been a link not only of Soviet, but of Anglo-American connections—high-level connections. This link pertains to the roots and aftermath of the old Communist International, and to interests involved with Nikolai Bukharin, for example, back in the 1920s, in what was called the Anglo-Soviet Trust.

This is the crowd with which the vicious malthusian Bertrand Russell was identified, along with his Pugwash sidekick Leo Szilard. This is Henry Kissinger's gang today. They oppose everything which Ponto and Herrhausen represented, just as they are violently opposed to the kind of economic miracle which is potentially embedded in German reunification allied to French and Japanese economic potential.

This is what is known today as the Soviet and Anglo-American condominium between Thatcher and Bush on the one hand, and Gorbachov on the other. It is highly credible that the authors of these condominium policies also agree upon the need to use terrorism in order to enforce them—the kind of terrorism which killed Ponto, Schleyer, and Herrhausen.

The Bush administration would have us believe that the Soviets are no longer U.S. adversaries. They prefer to consider a *victory* in Panama as the model for enemies of the future. This is, of course, nonsense. The only truth in the matter, is that it is a mistake to single the Soviets out as the enemy of Western civilization. That adversary is, in fact, the oligarchical tendency represented by the condominium today known as the Trust.

This force is best called oligarchism. It doesn't care too much whether the form of society it represents is simple barbarism, or the communist form of barbarism, or Adam Smith kinds of barbarism as we have in the Anglo-American sector. This is an old oligarchical tradition which we can trace back to pre-Christian Greece, at the time of Lycurgus's rule in Sparta, and to the worst features of the empires of Mesopotamia of ancient times. This oligarchism is characterized by the dominance of a ruling class, ruling families who consider themselves to be a law unto themselves.

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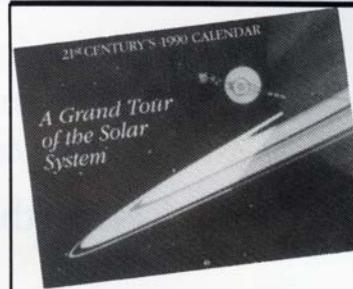
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