

# EIR

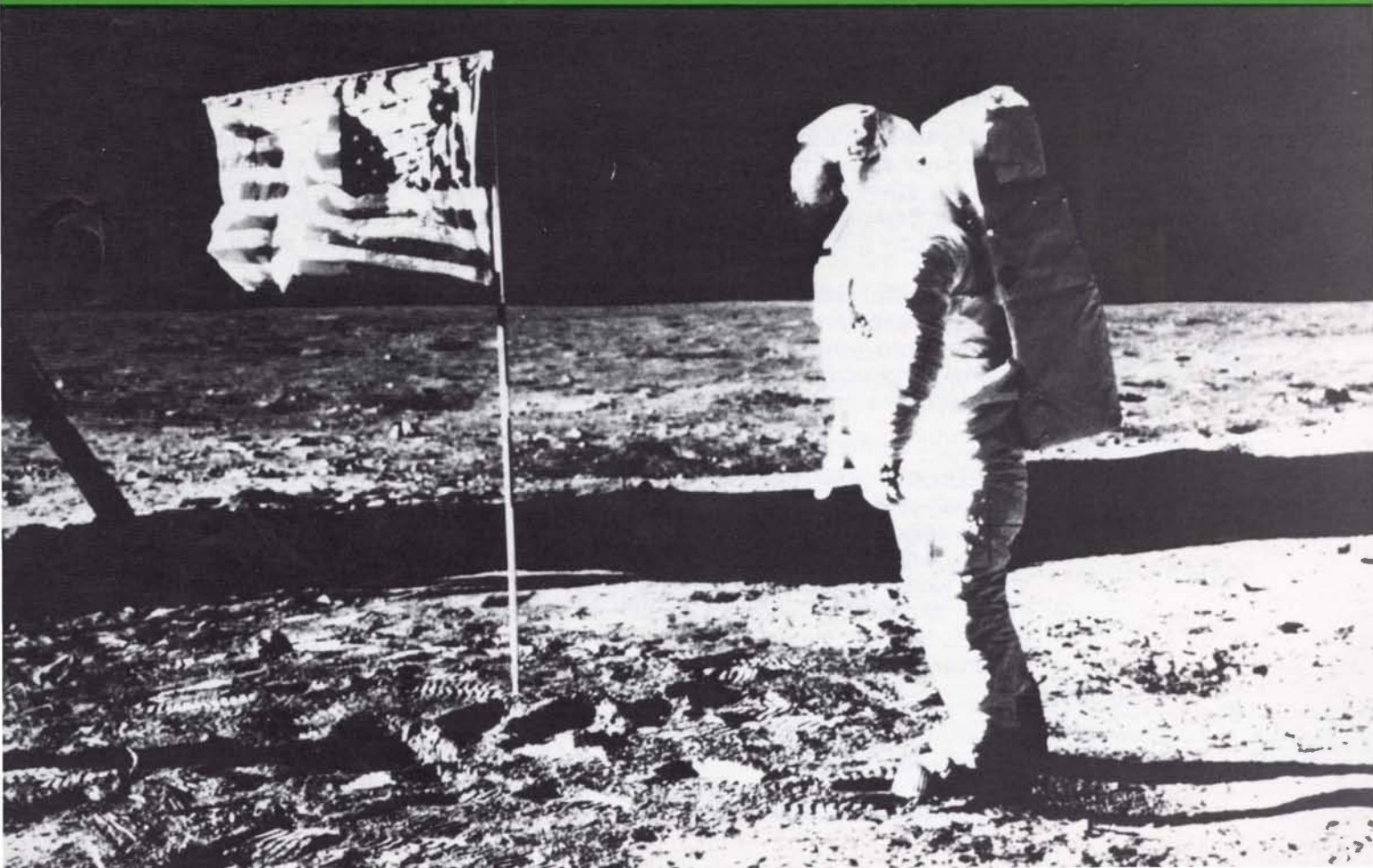
Executive Intelligence Review

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Russia exploits insane U.S. economic policy  
Weinberger takes on the decouplers  
Reagan State of the Union: beginning of the end?

**How much should the Allies  
spend on military R&D?**



**REALITY  
CATCHES  
UP WITH  
THE  
MYTH-  
MAKERS**



● **“One-third of a nation,”** to use FDR’s famous phrase, “is ill-clothed, ill-housed, and ill-fed” again today, as in the 1930s. The good news about the “Reagan recovery” is that the official unemployment rate is way down. The bad news is that the figures are faked, and represent displacement of the workforce into low-pay, low-benefit jobs, or involuntary part-time jobs. It represents personal credit-card debt, jobless workers without unemployment benefits, hungry persons without food stamps, underemployed or unemployed workers seeking food charity, homeless persons, and rapidly growing poverty.

● **One year ago,** *EIR* warned that the U.S. physical economy would begin a 15-25% annual rate of decline sometime in 1986. We argued that such a decline could be slowed, by available political means, but even if slowed, would not be held back beyond the last quarter of the year. In June, the first evidence came in confirming our prediction. In December, again, we were right on the button.

● **The political climate** in which the administration has been able to peddle the lies that underpinned the recovery myth has itself changed. November’s mid-term elections were a crushing defeat for candidates, especially Republican Party senatorial candidates, who were identified by the electorate as supporters of the administration’s economic policies.

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- Appendix: the ‘LaRouche-Riemann method’—by Lyndon H. LaRouche, Jr.

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## From the Editor

A very *big* constellation of forces is lining up internationally to block the Soviets' drive for world domination and their cohorts in the Trilateral Commission, who are still determined to hand Western Europe over to Moscow's rule. The good news this week is:

● Lyndon H. LaRouche, Jr. announced that he is "speeding up" his presidential campaign, with a kickoff press conference in New Hampshire on Jan. 26. At a moment when some patriots let themselves get depressed about the Reagan administration's dizzying failures, LaRouche is building the political machine to carry out his program to reverse the destruction of the West. (See *Feature*, page 24, for the principles involved.)

● The Papacy's statement on an ethical approach to the foreign debt puts the political muscle of hundreds of millions of Roman Catholics in Ibero-America behind an economic morality that happens to coincide with the practical programs of LaRouche and *EIR*, for reorganizing the debt in order to spur massive economic development. See page 4 for a report on the Vatican statement, and page 18 for the latest installment of "Operation Juárez," the LaRouche-inspired program for development of Ibero-America after debt moratorium. The Vatican document will add incalculable momentum to Ibero-America's "debt bomb" of \$350 billion. A debt moratorium could destroy, virtually overnight, the illicit power of the Trilateral Commission bankers to continue their evil policies.

● Caspar Weinberger, the U.S. Defense Secretary, has demonstrated that he's listening to what *EIR* has to say, in his fight to block the sellout of Western defense by the "New Yalta" crowd. Excerpted in our *Document* (page 56) are recent speeches by Weinberger with very strong statements on why we must be in Europe; what terrorism is all about as a Soviet state-sponsored phenomenon (at the policy level); why we need the SDI; and the Socratic foundations of America.

● Moves are afoot in Congress and the military to oust key figures of the illicit "parallel government" responsible for the Iran-Contra policy fiasco. The "dump Don Regan" movement has been revived (see page 60); and more and more people think Assistant Secretary of State Elliott Abrams has to be fired fast if we are to salvage anything in Central America (page 62).

*Nora Hamerman*

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Neil Armstrong/NASA

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## Vatican calls for international debt reform

On Jan. 27 in Rome, the Vatican's Pontifical Commission, "Justitia et Pax," released a ringing call for the immediate reform of the international monetary system, to ensure the sanctity of human lives now being sacrificed upon the altar of usury. Commissioned by Pope John Paul II, the 31-page document, *At the Service of the Human Community: An Ethical Approach to the International Debt Question*, has been delivered to Presidents, cabinet ministers, and financial leaders in virtually every country of the globe by the Catholic Church's official representatives.

International financiers have already felt its sting. Newspapers in developing sector countries, such as *Jornal do Brasil*, announced with banner headlines, "The Vatican Condemns IMF Policies." Wire services carried across the globe the document's central message: "Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity. . . . Economic structures and financial mechanisms are at the service of the human person and not vice versa," the Vatican's document reminds, and when they fail that criteria, they "can be reformed."

*An Ethical Approach* condemns the International Monetary Fund's "authoritarian and technocratic" policies, stressing that those monetarist policies have brought the world to the brink of an imminent global financial collapse, in which all will suffer. Entire nations in Africa and Latin America have been brought to the edge of survival itself, the document argues, an "intolerable" situation which responsible leaders of the industrialized countries must finally face. Reform must come soon, to prevent unilateral actions which can bring

down the entire system, *An Ethical Approach* warns.

Financial interests are furious. In the industrialized countries, news of the Vatican document has been so limited, that one can almost hear the angry orders delivered from Swiss capitals, "Black it out!" The City of London's favorite Argentine newspaper, *Ambito Financiero*, tried lying. *Ambito* asserted that the document backed the so-called Baker Plan, because it speaks of the debtor's "co-responsibility" with the creditors for the crisis. Indeed, *An Ethical Approach* does criticize debtor nations—for their "negligence" in prohibiting usury—"fiscal fraud, corruption, monetary speculation, private capital flight!"

These financial interests fear that the addition of the moral authority of the Papacy to developing countries' demands for debt relief, may indeed "rekindle hope," and with hope, coordinated action by those countries along the lines of that adopted by Peru's Alan García. As Italy's national television reported on Jan. 27, the Vatican's document argues, "The solution is neither Castro, nor the IMF program, but that of the young President of Peru, Alan García."

The echoes of the Schiller Institute's slogan, "Neither Kissinger, Nor Castro, Long Live García," painted across capitals from Europe to the United States, and cities throughout Ibero-America, are unmistakable.

It is the practice of usury itself which the Vatican demands be driven from human practice, and mankind return to the principles of justice dictated by God's Natural Law. Debts must be recognized in full, the Vatican argues, "except when the loans were granted with usurious interest rates," or used fraudulently, "cases in which in all justice, revision can be requested."

# The Vatican's document

*The following are excerpts from "At the Service of the Human Community: An Ethical Approach to the International Debt Question," issued by the Vatican's Pontifical Commission "Justitia et Pax."*

## Presentation

The phenomenon of international indebtedness has sharply increased in the last few years, presenting new challenges to the international community both because of its size and its implications. . . . The accumulation of payments due has reached such a level that many countries are no longer in a position to honor their agreements, and find themselves forced to seek further loans. . . .

Debtor countries, in fact, find themselves caught in a vicious circle. In order to pay back their debts, they are obliged to transfer ever greater amounts of money outside of the country. These are resources which should have been available for internal purposes and investment and therefore for their own development. . . .

External factors heavily condition the evolution of the debt of developing countries. In particular, floating and unstable exchange rates, the variations in interest rates. . . .

When credit agencies consider the situation solely from the economic and monetary angle, they often impose on the debtor countries terms, in exchange for accrued credit, that can contribute, at least in the short term, to unemployment, recession, and a drastic reduction in the standard of living. This causes suffering, first of all for the poorest as well as for certain sectors of the middle class. In brief, it is a situation that is intolerable, and, in the medium term, disastrous for the creditors themselves. Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity.

Faced with demands that are often contradictory, the countries in question have not hesitated to react. . . . Some have advocated radical unilateral solutions. But the majority have taken into account the globality of the problem and its profound implications, not only on the economic and financial level, but also in its social and human dimensions which place before the responsible parties ethical choices.

It is to this ethical aspect of the problem that John Paul II has frequently called the attention of international leaders. . . . Conscious of her mission to shed the light of the Gospel on situations involving the responsibilities of men and women, the Church once again invites all the parties

involved to examine the ethical implications of the question of the external debt of developing countries, in order to arrive at just solutions that respect the dignity of those who would be most strongly affected by its consequences. . . . The Pontifical Commission "Justitia et Pax" expresses its fervent hope that this document might contribute to a clarification of the choices to be made by those who exercise responsibility in this area. . . .

The Commission also nourishes the hope that these reflections will give renewed confidence to those persons and nations most severely tested, by once again strongly repeating that economic structures and financial mechanisms are at the service of the human person and not vice versa, and that relationships of exchange and the mechanisms of finance which go with them can be reformed before shortsightedness and egoisms—be they private or collective—degenerate into irremediable conflicts.

## Introduction

. . . The debt levels of the developing countries constitute a serious, urgent and complex problem due to their social, economic and political repercussions. The development of the debtor countries and, at times, their very independence are endangered. The living conditions in the poorest countries have become worse, and the international financial system is going through a series of unsettling shocks. . . .

At the same time that current economic conditions have affected the situation of developing countries to the point that some of them, especially in Latin America and Africa, are on the breaking point because of their inability to meet their debt servicing obligations, the international financial and monetary structures are also being challenged. . . .

## Action in emergency situations

In the case of some developing countries, the total amount of the debts contracted, and especially the interest and principal payments due each year, are so high in relation to available financial resources, that meeting these obligations would cause severe damage to their economies and the standard of living of their populations, particularly the poorest classes. In addition, this critical situation is worsened by external circumstances which tend to lower their export revenues (drop in the prices of raw materials, difficulties in access to protected foreign markets) or make their debts all the more difficult to service (high and unstable interest rates, excessive and unpredictable fluctuations in exchange rates). Unable to meet their commitments to their various creditors, some of these countries are on the very brink of bankruptcy. International solidarity calls for emergency measures to ensure the survival of these countries.

The first thing to do is to foster dialogue and cooperation on the part of all. . . . It is also necessary to avoid payment defaults which could destabilize the international financial system, with the attendant risks of a generalized crisis.

Therefore, an ethics of survival should guide attitudes and decisions: avoid breaches between creditors and debtors as well as any unilateral termination of prior commitments; respect the insolvent debtor and do not burden him with immediate and intolerable demands which he cannot meet. Even if such demands are legal, they can become an abuse. With the Gospel as the source of inspiration, other types of action could also be contemplated such as granting extensions, partial or even total remission of debts, or helping the debtor to regain solvency. . . .

Because of their mandate, certain international organizations bear a special responsibility. For example, the International Monetary Fund (IMF) is responsible for helping member States to redress deficits in their balance of payments and to resolve their monetary difficulties. To this end, the IMF has at its disposal the necessary financial resources. . . . In numerous cases, however, the IMF's decisions have been ill-received by the leaders and the general public of countries in difficulty; the decisions in question may seem to have been imposed in an authoritarian and technocratic way without due consideration for urgent social requirements and the specific features of each situation. . . .

### Joint assumption of responsibility for the future

. . . The Church . . . restates the priority to be granted to people and their needs, above and beyond the constraints and financial mechanism often advanced as the only imperatives. Inter-state organizations must take care to respect the dignity and sovereignty of each nation, above all the poorest ones. . . .

It is up to the member States, especially the ones with preponderant influence in the decision-making process because of their economic power and level of contributions . . . to turn these sites of power into centers of dialogue and cooperation for the international common good.

### Final proposal

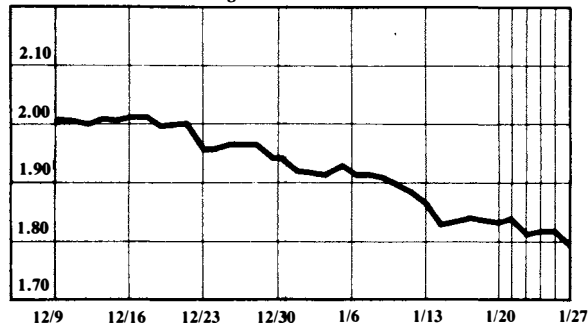
. . . Has the time not come for the industrialized countries to draw up a broad plan of cooperation and assistance for the good of the developing countries?

Without drawing a parallel with what was done after World War II to accelerate the reconstruction and economic recovery of countries seriously damaged during that conflict, is it not imperative to start working on a new system of aid from the industrialized countries to the less prosperous ones, in the interests of all and especially because it would mean restoring hope to suffering populations? Such a contribution, which would constitute a commitment of several years, would seem indispensable in order to enable the developing countries to launch and conclude successfully, in cooperation with the industrialized countries and the international organizations, the long-term programs they need to undertake as soon as possible. May our appeal be heeded before it is too late!

## Currency Rates

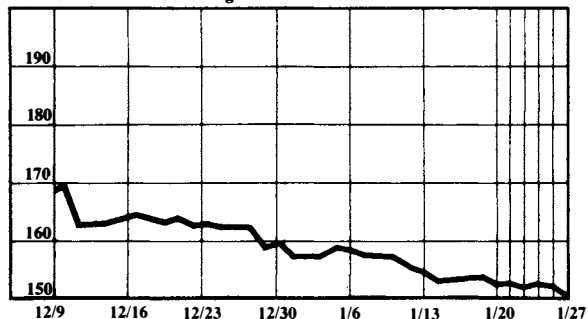
### The dollar in deutschemarks

New York late afternoon fixing



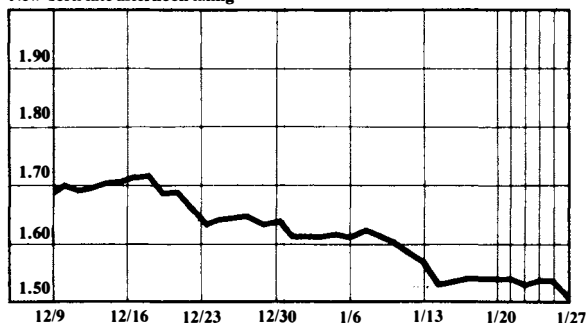
### The dollar in yen

New York late afternoon fixing



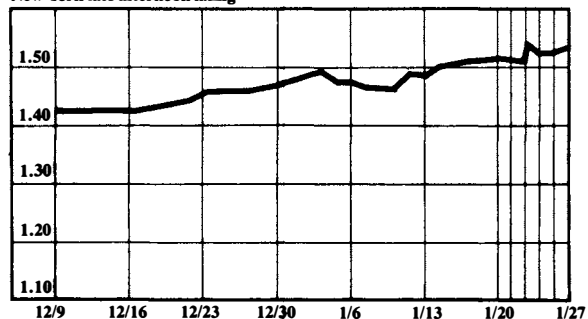
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing





# How the debt crisis was created

*In late 1986, a small pamphlet on the international debt crisis was circulated in Manila, entitled: "Third World's War: The Debt Fall-out." Its author, economist and business leader Antonio Valdez, is now a leader of the Nacionalista Party of the Philippines, whose chairman is former Defense Minister Juan Ponce Enrile.*

*The pamphlet fueled a growing debate in the Philippines and its government over how the country's debt crisis would be handled. Various members of the government, grouping around Solita Monsod, head of the National Economic Development Authority, have called for a "Peruvian solution" to the \$26 billion debt—the limiting of the Philippines' annual debt service to 10% of its export earnings, and the use of the funds thereby saved for projects that will raise agricultural productivity and revitalize industry. On the other side, Finance Minister Jaime Ongpin and Central Bank chairman José Fernández are holding the line for the International Monetary Fund and bankers' austerity program for the Philippines—a non-solution that will deliver the country into the hands of the Theology of Liberation New People's Army.*

*"Third World's War: The Debt Fall-out" examines the way in which the debt crisis of the developing countries was the end result of a staged conspiracy by the World Bank and IMF. We print here sections of the pamphlet analyzing the source of the debt crisis and its rebounding back into the U.S. economy:*

The U.S. breakaway from the Bretton Woods System [in 1971] accomplished two compelling necessities for the conspiracy that otherwise would have been impossibilities under the Bretton Woods System—instant availability of international liquidity for the planned international lending explosion to Third World nations and the devaluation of the dollar. Hence, the onslaught on the Third World was launched. . . .

The scenario, in an overview, envisaged the inducement of a calculated and calibrated lending to the Third World countries, in which U.S. banks would play a dominant and major role. By advocating the policy of deficit spending and compensatory financing as fiscal tools of development, for-

eign borrowing would be aggressively promoted to the point when Third World debtor nations would become far too dependent on foreign borrowing. In the course of the lending explosion, influence on debtor countries' economic policy-making would be exerted through forceful intervention, utilizing financing as leverage for adjustments and policy reform.

### Target 'countries of concentration'

The political and economic significance of Third World countries in relation to the U.S. economic, political, and security interest varied widely, and the funds available for international lending were not limitless. The conspirators, therefore, had to concentrate their assault on Third World nations of strategic political and economic importance to the U.S. The criteria for choosing the "countries of concentration" were obvious: the relative size of the economy, primary export products, geographical location in relation to the U.S. and communist states, the presence and threat of communist insurgency, U.S. business presence and U.S. investment potentials, and U.S. security considerations such as the presence of U.S. military bases and installations.

These explain the heavy indebtedness of certain specific Third World nations. They had been targeted as "countries of concentration." Brazil, Mexico, Argentina, Venezuela, and Colombia are the five largest economies of Latin America in descending order, with Mexico sharing thousands of miles of common border with the U.S. . . .

The strategic, political and economic importance of the Philippines is obvious. In the early 1970s, it was the third largest economy in East Asia and the Pacific, behind Indonesia and South Korea, and it had the largest U.S. business presence in the whole of Southeast Asia. It had been among the primary product exporters. More importantly, it hosts the two largest U.S. military bases outside the U.S. . . .

### International lending explosion in 1970s

The debt bomb that exploded in 1982 signaling the onset of the debt crisis in the Third World was the inevitable outcome of the international lending explosion to developing nations during the immediately preceding decade. From 1970 to 1981, long-term lending to 107 DRS (Debt Reporting System of the World Bank)—reporting developing countries rose from \$66.45 billion to \$489.99 billion, or at an average annual rate of increase of 19.9%. Borrowing from the financial markets exhibited the highest annual growth rate (31.9%) during the period, rising more than 21 times over from \$9.21 billion in 1970 to \$194.58 billion in 1981.

While the developing countries turned more and more to the financial markets as borrowing source, their use of IMF credit had also been increasing during this period. IMF credit rose more than 18 times over from \$177.9 million in 1970 to \$14.3 billion in 1981, or an average of 30.3% increase annually. This meant that commercial bank borrowings were

made easily available even to developing countries with balance of payments problems.

## Stages of assault

The domination, subjugation, and integration of the Third World economies was expected to be a slow process, with the conspiracy having to constantly contend with obstacles and opposition posed by the nationalists of the Third World. The conspiracy, therefore, planned a long-drawn staged assault on these economies and, in retrospect, this phased assault is more clearly seen now than it was during the 1970s. Four stages of assault are clearly discernible, though applied under varied time-frames in the Third World nations, except the final stage which applied simultaneously to all. . . .

**The beachhead stage:** The entry or “beachhead” stage pertained to the period from the World Bank Group’s dramatic entry, or more pronounced presence, in the target countries up to the setting in place of beachheads for accelerated lending. The establishment of a beachhead meant basically the successful advocacy of the policy of deficit spending in development finance along the World Bank prescribed path of development. It also called for the significant entry or increased presence by U.S. banks in the Third World economies primarily to ensure U.S. banks’ dominant position during the lending explosion.

The international lending explosion to the Philippines coincided with the martial law years from 1972 to 1980. It was during this period when the government launched a policy of deficit spending, embarking on a series of five-year development plans anchored on foreign borrowing. Total public debt rose dramatically from P8.3 billion in 1972 to P67.7 billion in 1980, or an average annual rate of increase of 29.9%. During the same period, public foreign debt soared from P1.7 billion (or 20.9% of total public debt) in 1972, to P50.8 billion (or 60% of total public debt) in 1980, or an average annual increase of 52.5%. Total external debt rose from \$1.1 billion in 1972 to \$8.3 billion in 1980, or at an average annual rate of increase of 27.8%.

Accelerated lending by private foreign banks occurred during periods 1972-76, and 1978-80. The significant increase in U.S. banks’ presence in the country, which occurred in 1972 following the World Bank-IMF financial reform that led to the accommodation of foreign banks into Philippine commercial banks constituted part of the beachhead for this accelerated international lending.

**Saturation stage:** The “blitz” or saturation stage corresponded to the marked acceleration of international lending from all sources, though at a more rapid pace on the part of the private banks. The underlying medium-term objective of accelerated lending was to encourage and directly support deficit-spending by debtor governments to unsustainable levels, thereby creating an irresistible momentum for, and dependence upon, foreign borrowing. This situation would place

the IMF and the World Bank in commanding positions to effectively utilize financing as leverage to orchestrate the adjustment and policy reforms in the Third World economies.

The global patterns of phased assault on target Third World “countries of concentration” are clear. The rate of growth of foreign borrowing by debtor countries during the period 1975-1978 was higher (23%) than during the previous five-year period. With private banks accelerating their lending at an average growth rate of 36.6% in 1975-78, compared with 34.9% in 1970-75. The heavy concentration of lending to target Third World countries occurred earlier (1972-75), as reflected by the high 1973-74 average debt service ratios of Western Hemisphere nations (21.5%, or past the solvency threshold of 20%) and the 15 heavily indebted countries (18.2%) and high ratios of external debt to exports of 139.8% and 123.8% respectively.

Accelerated borrowing in 1975-78 led to the rapid deterioration of these target debtor countries’ average debt service ratio to 33.3% for Western Hemisphere countries and 28.6% for the 15 heavily indebted countries, crossing the solvency danger threshold. . . .

**The consolidation stage:** The trends towards the period of instabilities and the devastating impact on the Third World economies did not escape the attention of and appraisal by the conspiracy. But, as the instabilities spelled troubles for the debtor countries, the conspiracy saw them as an opportunity to precipitate the debt crisis under a “suitable” general economic condition that would provide the smokescreen for their ulterior motives.

The shift into the consolidation stage was compelled by developments in the Third World that threatened the conspiracy as well as adverse developments in the U.S. Towards the end of the 1970s, the political climate in many Third World nations became increasingly unstable causing many governments to vacillate in dismantling their protectionist systems—the real acid test for the conspiracy. What appeared to them as a bleaker development, however, was the reemergence of nationalist sentiments that took the form of strong insistence for encouraging import substitution in intermediate and capital goods, as exemplified by the Philippines’ unveiling of its industrial projects—a direct contradiction to the conspiracy’s underlying objective. The conspirators’ fears heightened when in the summer of 1980 a wave of bombing incidents turned out to be the work of the nationalist industrialist class that was most adversely affected by the World Bank and IMF-promoted liberalization measures and was then starting to lean toward leftist-oriented opposition to the Marcos regime.

On the homefront, the conspirators were not blind to the adverse developments taking place in U.S. trade and industry, mainly representing the worsening of the trends since the 1950s. The international competitive strength of U.S. indus-

try and trade continued to be weakened by increasing flow of imports. Since 1978, the once-great productive sectors of the economy such as the steel and automobile had throttled to a virtual halt. The agriculture sector was on the verge of collapse, with about one-third of the nation's farmers facing debt crisis. The U.S. urgently needed to expand its exports but the remaining protectionist systems in the Third World had proved still formidable obstacles, thus, the need to speed up "liberalization" in these economies.

The conspirators, moreover, were anticipating a Republican victory in the U.S. 1980 presidential elections. The implications of a U.S. foreign policy based on "Reaganomics" should lay the basic framework of their action. The ultimate dismantling of protectionism in the Third World economies should recreate the opportunities for U.S. export industries, the international competitiveness of which would be boosted by the tax relief under "Reaganomics." Furthermore, the prospects of increased federal deficits and borrowings would mean lesser funding available from U.S. banks for international lending. These considerations favored forcing through a debt crisis.

Thus explained the conspiracy's preparations to precipitate the debt crisis. The consolidation was set in place. The World Bank's Structural Adjustment Loan was unveiled in December 1979 to reinforce the IMF's program loans and gain added leverage in the planned armtwisting and screws-tightening. Ultimatums were raised against vacillating governments, the Philippines included, and calls for stronger protectionist measures were exhorted in the developed nations. The IMF quota of the U.S. was raised in 1980 to \$12.61 billion from \$8.41 billion in 1978 and still another increase was envisioned when the debt bomb would have exploded.

The conspiracy successfully launched and sustained an era of deficit spending based and foreign borrowing dependent development in the Third World through 1981. For a while, as their traditional exports enjoyed relatively stable prices in the world markets and as some of them gained varying measures of success with non-traditional exports, the developing nations' export earnings were generally sufficient to pay for their essential imports and fully meet debt servicing. The IMF was always ready with compensatory financing facility to take care of any BOP disturbances. Encouraged by the open access to financial markets the developing nations increasingly resorted to foreign borrowing. . . .

Serious troubles for the developing nations started shaping up in 1978 when instabilities gripped the developed economies, most notably the U.S. inflation, though relatively mild, set the tone that year for other economic instabilities ahead. Interest rates jumped dramatically in 1978 through 1980; the discount rate soared from 6% in 1977 to 9.5% in 1978 and through 13% in 1980. . . . By the end of 1982, the level of industrial production was lower than in 1979.

The instabilities in the U.S. and the rest of the industrial

nations exacted a heavy toll on the developing economies, largely contributing to the debt crisis. While initially the developing nations benefited from the inflation in the developed nations in terms of increased prices of their commodity exports, the subsequent recession dampened import demand and caused commodity prices to plummet even as internal pressures of protectionist policies intensified in the developed countries. . . . The steep rise in interest rates jacked up interest on the developing nations' external debt and drew capital outflows from their economies.

During this period, the debtor countries' debt servicing capabilities rapidly deteriorated as the combined result of increasing debt service burden, mounting deficits, widening trade gaps due to decelerating or negative export growth, and worsening BOP and international reserve positions. The cutback in new lending in 1982 disabled the debtor countries to roll over their maturing loans. Against a 37.3% increase in 1981, the 25% (\$20.7 billion) reduction in net long-term lending from all sources in 1982 was a shocker and of sufficient force to detonate the debt bomb.

**The kill stage:** The cutback in new lendings by all sources in 1982 was both a concerted effort influenced by the conspiracy as well as forced action on the part of U.S. credit—the unprecedented U.S. federal deficit in 1982 of \$125.7 billion, representing a 60% increase from the previous year's level, necessitated heavy government borrowing from U.S. financial markets. U.S. banks increased their net lending to the federal government by \$20.0 billion in 1982 and an additional \$57.4 billion in 1983.

The tight credit situation in 1982 and 1983 delayed the approval of the additional increase in the U.S. quota in IMF, undermining the financial institution's role at the most crucial moment of need. . . .

## How debt crisis affects U.S. economy

As the debtor countries have pinned their hopes for shaking their economic slumps on significant improvements in the performance of their exports to developed countries, fast emerging adverse trends in the U.S. have been generating a high level of anxiety and uncertainty. In the face of the dollar sinking, the U.S. trade gap has continued to widen, in baffling contradiction of accepted modern economic tenets. At the current pace the trade deficit is swelling and is expected to hit a record \$175 billion, up 18% from last year's level. Meanwhile, the dollar has already dropped by about 30% against an average of major foreign currencies during the past 18 months, is still plunging to further depths.

The growing trade deficit has placed the U.S. economy in increasingly difficult and dangerous circumstances. The escalating fears that its effects can push the U.S. into a critical situation now appears well founded, particularly if one reflects on certain unfavorable developments currently taking place, namely: the steep fall of U.S. farm exports, with the

U.S. turning into a net importer of agricultural products during May and June for the first time since 1971; the reduction in corporate investment expected this year; the still growing number of American industries that have been all but destroyed by low-cost foreign competition; and the recent marked slowdown in GNP growth. . . .

Meanwhile, the rising costs of U.S. imports brought about by the declining value of the dollar have elicited pressure for a possible resurgence of inflation. U.S. economists have cautioned against the further sinking of the dollar and called for forceful measures to rein in the bloating federal budget deficit, which is to hit a record \$207 billion in 1985 up 16.3% from previous year's \$178 billion. Government borrowing from both domestic and foreign sources, which has been increasing at an average annual rate of 16% during the past 15 years, has siphoned off a large portion of available savings and forced interest rates higher than they otherwise would have been. But the fear of recession that a reduction in government spending may trigger has apparently exerted the more forceful influence on current U.S. fiscal policy, expectations of legislation by U.S. Congress calling for a ceiling on budget deficit in 1987 notwithstanding.

The continuing deterioration in the U.S. trade position and its adverse impact on U.S. industry is showcased by the collapsing U.S. steel industry. The inroads into the U.S. market made by raw steel imports from the other major industrial nations as well as from the newly industrializing developing countries like Brazil and Venezuela have forced the shutting down of blast-furnace steel plants in the U.S. and rendered the U.S. dangerously dependent on foreign imports and incapable in the near term of meeting its own national defense requirements. The U.S. raw steel production of 91 million net tons in 1984 represented merely 60% of its 1973 production level. And although the 1984 output level showed a 7.5% increase over the previous year's level, the basis for the increase was a transformation of the industry from ore-reducing to steel-scrap recycling.

### **Backfire on the U.S. economy**

While the U.S. has been incurring trade deficits in 13 of the last 15 years (i.e., except in 1973 and 1975), the trend towards an increasingly widening trade gap started in 1982-83, coinciding with the time the IMF had concluded economic adjustment programs for the heavily indebted developing countries, particularly Latin American countries. What actually happened was that the creditor banks' and IMF's strategy of handling the debt crisis in 1982 had only enriched the U.S. money-center banks while shutting down the traditional markets for food and industrial exports from the U.S. to the Latin American countries, thereby bankrupting U.S. farmers and farm banks, and throwing U.S. industrial workers out of their jobs, and impoverishing the peoples of Latin America.

In the renegotiation agreements between debtor Latin American countries and the creditor banks and IMF, the latter

moved to guarantee their own interests (i.e., to preserve short-term bank profits) by imposing on the debtor countries a policy of forced exports and drastically reduced imports.

In 1981, U.S. agricultural exports to Latin America amounted to \$6.9 billion, representing 15% of total U.S. agricultural exports that year. By 1985, U.S. agricultural exports to this continent had declined by one-third to \$4.5 billion. This drop in exports accounted for one-fifth of the overall drop in U.S. farm exports over the same four-year period. . . .

### **The Peruvian solution**

The consideration of repudiation as the quick and easy solution to a country's debt problem is very much influenced by the Peruvian "10% solution," whereby the Latin American nation unilaterally pegged its debt repayment to 10% of its export receipts. The shock wave that this bold decision, made by such a relatively small developing country, is still felt throughout both the developed world and the Third World. . . . To the international financial community, the Peruvian shocker may yet be a foreshadow of similar courses of events in the Third World.

But what really tends to embolden the most desperate of debt-ridden countries to follow this example is not the boldness of the Peruvian decision itself but rather the indecisiveness of the international financial community's response, which has so far been practically limited to making repeated threats of sanctions against the repudiating debtor country and exhortatory appeals, with veiled threats, to other debtor countries seriously considering Peru's action. Meanwhile, the Latin American country enjoys the fruit of its bold decision: a real GNP growth of 3.6% in the first half of this year, a slowed down inflation rate (from 163% to 60%); increase in international reserves; growth in industrial and other productive sectors in the economy, and rising employment.

Peru's present experience must, therefore, be viewed as a clear demonstration of favoring growth in favor of maintaining or regaining one country's creditworthiness. Only from growth, not additional debt, will a debt-ridden country be able to regain its debt servicing capability. . . .

### **National sovereignty and nationalism**

All free peoples have sovereign rights to nationalism. Each free nation must respect all other free nations' exercise of such sovereign rights.

The infringement of Third World national sovereignties by the conspiracy has spawned growing disillusionment with and hostile feelings against the U.S. and its people, foreshadowing the same developments that led to the U.S. debacle in Vietnam. The U.S. can set a new tone in reshaping its relations with the Third World nations, with a footing very much different from what the conspiracy has established. But, first and foremost, the U.S. must dismantle and destroy the conspiracy.

## A 'bonus' to return land to the wild

*The U.S. Department of Agriculture ought to be renamed the "U.S. Department of Wilderness."*

On Jan. 20, Secretary of Agriculture Richard Lyng made one of his first policy announcements of the new year, and it was typical of his subservience to the food-cartel companies. Lyng offered a financial bonus for those corn growers who enroll in a special program to retire their corn acreage from production for at least 10 years.

The bonus plan will pay \$2.00 per bushel for the corn you don't grow the first year after enrolling. The sign-up period for the new program is Feb. 9-27, and the bonus can be paid for either the 1987 or the 1988 crop. The land retired under the program goes into the "Conservation Reserve," a fancy name for land "un-improvement," that was established by the infamous "National Food Security Act of 1985."

Most pleased with this new Lyng program is the environmentalist lobby in Washington. It serves as a front for food-cartel interests, by claiming that food "overproduction" causes soil erosion. And, "therefore," food production should be reduced. Old oligarchical interests behind the food-trade companies are moving now to reduce independent food output potential here and abroad, and to dominate remaining food production and trade.

Speaking for this viewpoint, but in acceptable, "environmentalist" language, a spokesman for the Conservation Foundation, Kenneth Cook, said he was "highly pleased" with Lyng's corn land conversion deal. "This is the way to reduce that competition and place more and more of

the weight of production control on the conservation reserve."

The Conservation Foundation wrote the script for the crazy "Conservation Reserve Program" land-retirement scheme that Congress passed in December 1985. The goal of this program is to remove 45 million acres from U.S. crop production, out of a total of 410 million total acres farmed—17%! In the three enrollment periods over 1986, farmers removed 8.9 million acres from production under the "Reserve" scheme. USDA officials forecast that another 6 million acres will be enrolled this year.

Farmers who contract to remove corn land from production will get their acreage "bonus" on top of any other compensation they may receive for putting this and other crop acreage into the Conservation Reserve Program. The corn growers will be paid in generic "crop certificates," with which they can obtain grain from government stocks, or, more commonly, sell the certificates to the grain cartel companies, which then redeem them for government food stocks, whenever and wherever the trade companies wish, all at government expense.

With a straight face, Lyng repeated all the "conservationist" litany: The purpose of the corn land removal "bonus" is to reduce food production, and to save soils: "Since a paid land diversion is in effect under the 1987 feed grain program to restrain further build-up of corn stocks, this rental payment is being offered to encourage highly erodible, excess corn acreage into

long-term conservation use."

But the real problem with erosion and land deterioration is that farmers have not had the income in recent years to carry out necessary land improvements. Farm buildings, farm equipment, and farm families themselves are also worn out.

The acreage reduction planned for the 1987 U.S. season, in addition to the mass shutdown of farms because of the depression, spells catastrophe. Lyng has put into effect the maximum land set-aside requirements for corn and other crops, in order for farmers to participate in the most minimal subsidy programs. And, it is the USDA's purpose to take this land out of production permanently.

As the Conservation Foundation knows, the immediate impact of these measures is to accelerate shutdown of the country's farm infrastructure. Farm input suppliers—seed, fertilizer, and equipment merchants, among others—are all going under.

The charge that all this is necessary in order to reduce "burdensome crop surpluses" is simply a lie. No "surpluses" exist, especially of corn—the prime animal feedstock. What is happening is that there is a temporary pile-up and carryover of corn in the United States because world trade volume has collapsed, at the same time that domestic utilization of corn for livestock has also decreased—meat animal numbers (cattle and hogs) are at their lowest levels in 20 years. According to USDA figures, there will be a record corn supply of 5.7 billion bushels before the 1987 harvest. This may sound large, compared to the 6.6 billion bushels of corn that will be sold this season. But any serious grain reserve coupled with a serious livestock building program, would literally "eat up" the carryover.

# Russians seek to exploit U.S. trade and monetary insanities

by Chris White

It's now official. The Russians are moving to exploit the insanities in especially the United States's Trilateral Commission-dominated trade and monetary policy.

This intention was recently published in the Soviet Communist Party daily *Pravda*. Not surprisingly, while Western media outlets were giving big play to the crisis developing around the dollar on international markets, and to the related burgeoning of the Trilateral Commission's trade war with allied nations in Western Europe, these same media conveniently chose to overlook the Russians' policy initiative.

And the cited development is a policy initiative indeed, not just the opinion of some party hack journalistic scribbler. Yuri Ivanov, the present head of the Soviets' Moscow-based Foreign Trade Bank, writing in *Pravda* Jan. 23, put forward a proposal to create an international monetary alternative to the United States dollar. Ivanov accused the United States of imposing its "will" on leading trading partners with its dollar policy. He noted, "This dollar policy has made the political process more difficult in France and West Germany."

According to European sources, close to the heart of the Brussels supranational bureaucracy, the Russians are currently studying two options for such a dollar replacement. The options are political rather than purely monetary, and both might function in coordinated fashion. One option would include aligning the transferable ruble version of the Russians' own credit system, used within the Comecon, with the European Unit of Account, the gold-backed accounting unit of the European Monetary System. Such an arrangement would be mediated through the European Community (EC) commissioners in Brussels, above the level of what these characters think of as "mere" national governments.

The other would involve an arrangement for the Russians to join what is being called an "expanded deutschemark currency bloc." This would depend on the conclusion of "arrangements" with the present government of West Germany, along the lines prefigured by the recent economic diplomacy of Germany's Armand Hammer: Otto Wolf von Amerongen. Von Amerongen has just completed a widely publicized trip to Moscow in which he negotiated the revival of the almost moribund German-Soviet Economic Commission, now set

to meet in Moscow during early April, and scheduled an international conference on economic and security policy for Valentine's Day. The February conference would also be held in Moscow.

The diplomacy surrounding the trip featured, for the first time in many months, extensive Soviet press coverage of the potentials for expanded East-West trade. The Russians have not been slow to cynically point out that export-dependent West Germany needs a market for its production, and that the Russian war economy can provide such a market.

The Russians are putting a significant emphasis on the planned February conference, entitled "Peace in a World Without Nuclear Weapons." They intend that as many as 500 Western leaders will attend. First-class air tickets are being laid on, as well as free hotel accommodations for participants. The attendees will include prominent international influentials from the policy-making circles represented by the Trilateral Commission, such as Fiat's Gianni Agnelli, Montedison's Schimberni, and Otto Wolf von Amerongen himself. Among the four sessions of the conference, one will take up the question of economic policy and trade.

Many of the expected attendees at the conference were also in attendance at back-to-back conferences held at Venice's Cini Foundation on the island of San Giorgio Maggiore in early September 1986. At that time the crew gathered with the chairman of the U.S. Federal Reserve Board, Paul Volcker, and other ranking Western monetary officials, to discuss the financial blow-out looming for the period after the November U.S. elections. Then the attendees later turned their attention to the prospects for expanding economic relations with the East.

This pattern of treasonous diplomacy, over years not months, is now combined with Trilateral Commission promoted efforts to foment trade and currency wars between the United States and its Western allies. Those organizing such wars, such as European negotiator Willy de Clerq and his U.S. counterpart Clayton Yuetter, on both sides of the Atlantic, represent the same capitulationist policy intent. The more the dollar falls, the more the United States acts to constrict European, and in particular, West German export markets,



the more the resulting contraction of Germany's export-dependent internal capacity will be forced to reorient toward the East.

In this scheme, West Germany, with the rest of the European Community in tow, is being driven straight into the waiting embrace of the Russians, all thanks to the idiocies which pervade U.S. economic policy. If that course is allowed to proceed uninterrupted to its envisioned end, the United States can say goodbye to its status as a front-rank world power. Without the technological and economic potentials of Western Europe, it doesn't function. But that, of course, is what Moscow's friends in the Trilateral Commission's circles intended all along.

### **LaRouche's warning**

In April 1985, *EIR* published a *Quarterly Economic Report* titled "The Recovery That Never Was." In his introduction to that report, American System economist and Democratic presidential candidate Lyndon LaRouche warned that the stupidities in U.S. economic policy, under the wishful thinking of the insanity and fraud known as the "recovery," are the principal strategic weapon in Russia's war-plan arsenal against the West. Also during the spring and summer of 1985, LaRouche commissioned the *EIR* Special Report, *Global Showdown: The Russian Imperial War Plan for 1988*. By now, the view developed in that report—that Russian resources are deployed on behalf of the implementation of a war plan designed to secure global domination by the late 1980s—has won significant support within Western policy-making establishments.

The corollary thesis presented in *EIR*'s cited April 1985 *Quarterly Report*, that Western economic lunacy is the principal lever available to the Russians, has not been so accepted. Yet, in that *Quarterly Report*'s introduction, LaRouche also presented a timetable for the Soviet deployment of that advantage inside the West. LaRouche argued that the Russians would desire Western leaderships to cling to the illusions of their nonexistent recovery through 1986, that the West might continue to deplete its own political and economic resources, before the Russians acted to capitalize on the inevitably developing crisis sometime in 1987.

At that time LaRouche wrote, "Although the Soviet empire's ruling dynasty is preparing to launch, survive, and win a general thermonuclear attack against the United States by as early as 1988-89, Moscow hopes to win its imperial objectives of world domination without firing a shot. Moscow is hoping for a general collapse of the U.S. economy by no later than 1986, and expects the collapse into a new and deeper depression to erupt during 1985. . . . Moscow would prefer the erosive hyper-inflationary spiral of dollar exchange rates. The latter would buy Moscow a year or so of time to build up its military potential according to existing Soviet war-plans; if the President could be induced to tolerate Volcker-IMF policies another year, by 1986 absolute Soviet war-winning potentials would be more or less assured."

The Ivanov call to replace the dollar serves warning that such has indeed been Moscow's intent. The insanity of Western economic policy is indeed being forced into the service of the Russians' strategic account. The monetary and trade

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*The insanity of Western economic policy is being forced into the service of the Russians' strategic account. The monetary and trade crisis the Trilateral types are determined to provoke could well be the vehicle for that, unless the West is prepared to make the necessary changes in economic policy, which LaRouche has proposed.*

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crisis the Trilateral types are determined to provoke could well be the vehicle by which those interests are served. Unless, that is, the Western world is prepared to wake up and make the necessary changes in economic policy, which LaRouche has taken the lead in proposing.

### **Russians prepare their move**

The Soviet news agency TASS reported Jan. 16 that over 100 firms from Finland, West Germany, Japan, Italy, France, the Netherlands, the U.S.A., India, and other countries have requested the establishment of joint ventures in the Soviet Union since regulations were modified Jan. 1 to permit the practice.

Soviet participation in the European ECU system was formalized during the spring of 1985, in agreements concluded between the Russians and the Swiss banking system—led by the Bank for International Settlements, the private central bankers' central bank.

Now, with the dollar currency and credit system on the edge of bankruptcy collapse and reorganization, the Russians are preparing to make their big move. That is what the financier elite represented by the Trilateral towel boys were demanding all along, to end the system of technological-progress-vectored sovereign nation states within the West, in favor of a new imperial rule.

The United States Constitution has a very precise definition of treason: "giving aid and comfort to the enemy." That's exactly what the Trilateral types have been doing, and are doing, with their policies of monetary collapse and trade warfare.

# Lincoln's 'American System' policy was a far cry from Reaganomics

by Nicholas F. Benton

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### **Lincoln and the Economics of the American Dream**

by Gabor S. Boritt  
Memphis State University Press, Memphis,  
Tenn., 1978  
420 pages, \$12.95

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Last June 13, in a speech to regional press in the East Room of the White House, President Reagan pointed up to the famous portrait of Lincoln and said, "You see above me there is a portrait of, perhaps, our greatest President, Abe Lincoln. He lived what's been called the most moving life in the American experience. . . . He was our great unlettered genius who became a poet of great ease and fluidity. He was a politician, and a gifted one. And he told the truth."

It is a sad irony that, as shown by his economic policies, President Reagan knows so little about the real Abraham Lincoln. If this nation is to avoid economic and strategic ruin, a rediscovery of the real Lincoln is essential. Gabor Boritt's book is a good place to start.

Boritt's *Lincoln and the Economics of the American Dream* is not the final word on the economic policy that, under Lincoln's direction during his four short years as President, propelled this nation forward for the better part of a century of progress. But in an era when there are almost no works in print on "American System" economics, Boritt's book, despite its flaws, points in the right direction.

Most Americans will be shocked to find how the core thesis of Boritt's work—that "economics supplies a major key to fathoming Lincoln"—demonstrates that Lincoln's economic policies were totally opposite to the monetarist insanity, popularly known as "Reaganomics," which has brought Reagan's name closer to association with Herbert Hoover, or that infamous Dr. Mudd who came to the aid of Lincoln's assassin, than with Lincoln himself.

Beyond Boritt, the best anthology in print of the original works of "American System" economists is Allen Salisbury's

*The Civil War and the American System* (New York: Campaigner Publications, 1978, 438 pages, \$5.95). Better still for understanding these policies are the writings of our nation's only living "American System" economist, Lyndon LaRouche.

Clearly, President Lincoln's views are not merely a subject of historical curiosity, but of keenest relevance to the present crisis. His rise from political obscurity to become President of the United States in its hour of worst crisis, his prosecution of the war to preserve the Union, and his lasting economic achievements during his short stay in the White House were not based on populist charisma, but the consequence of being steeped in the science of what was named by his political model, Henry Clay, the "American System."

The "American System" meant using the government's ability to generate credit and other means to create national wealth through technological progress. It was abhorred by the British enemies of the American Revolution, who sought to destroy it from the time it was first conceived by George Washington's treasury secretary, Alexander Hamilton, and articulated in Hamilton's 1791 *Report on Manufactures*.

Britain's Adam Smith wrote his famous *Wealth of Nations* as a first-generation polemic against the "American System" as expressed by Hamilton and his immediate circle of supporters, which included Benjamin Franklin's friend, the Irish-born activist, Mathew Carey, and his son, Henry C. Carey. To the British, Smith's "free trade" argument meant freedom to accumulate wealth through exploitation every form, from slavery to drug trafficking, speculation, and usury.

The modern-day heirs to the British enemies of the American Revolution have recently expressed their continued hatred for the "American System." The New York Council on Foreign Relations published a volume in its *1980s Project* series, targeting "neo-mercantilism," which it identified with the policies of Hamilton, as the greatest enemy of its designs.

### **Lincoln's economics**

A big part of the effort by the British and their kindred anti-republican elites in the United States to destroy the "American System" has involved decorticating the memory

of Lincoln's economic policies. This was done by launching a project to glorify the American image of "populism" in the 1880s, which included the idea that healthy American identity is rooted not in rigorous science (either physics or, correctly understood, its branch, economics), but only in "common sense." Starting with Albert J. Beveridge, biographies of Lincoln focused on the anecdotal tales of "honest Abe's" simple frontier upbringing, his generous sense of humor, and habit of punctuating an argument with a folksy parable.

Certainly Lincoln, with less than a year of formal training, did not seriously grasp economic policy, Beveridge and others implied, in writing their "revisionist" garbage. It was only native, simple honesty and virtue, combined with natural political instincts, which made Lincoln what he was, they said.

Boritt's work attempts to reunite Lincoln with his true identity, his commitment to a rigorous application of the "American System"; but it suffers from a lack of sufficient in-depth grasp of "American System" economics. In an autobiographical note, Professor Boritt, who teaches at the Civil War Institute of Gettysburg College, writes (as a naturalized citizen born in Hungary): "The Lincoln image that is the birthright of most American children, as much the creation of mythology as history, was not mine. This fact, fortunate for a historian, was enhanced by another auspicious accident. As a sophomore at Yankton College in South Dakota, I became intrigued by some early Lincoln utterances and found myself reading the first volume of his collected works before I had read any of his biographies. Having had few preconceived notions about Lincoln, I received my first deep impression of him from his own words. The remarkable facet of the first volume of Lincoln's writings, which covers half of his public life, is the quantity of material which falls under the heading of economics."

Tracing Lincoln's career from his first political speech in 1830 through his four years in the White House, Boritt shows how his commitment to the "American System" of Henry Clay, was foremost in his thoughts—like an intense period of studying the most advanced texts on the subject of his day, including those of Henry C. Carey, during the early 1840s.

Lincoln was born in Kentucky in 1809, three years after his fellow Kentuckian, Clay, first entered Congress. Although he left Kentucky at age 7, Lincoln was 15 and an avid reader in 1824, when Clay made first ran for the presidency, and then threw his support behind John Quincy Adams. The fierce debates over national banking and the "American versus the British system," as Clay put it, were not lost on the serious-minded Lincoln during the 1828 presidential campaign either. So, Lincoln was not speaking from mere frontiersman's "common sense" when he made his first political speech on record favoring "internal improvements" soon after he arrived in Sangamon County, Illinois, in 1830.

As Boritt documents, during Lincoln's years in the Illinois state legislature in the 1830s, he promoted the Illinois-Michigan canal, linking the Great Lakes to the Mississippi

River, using as his model the Erie Canal (completed in 1825 and debt-free after only 11 years) which had transformed the economic potential of the nation's interior. In a legislative caucus known as the "Long Nine of Sangamon," Lincoln led the 1837 "internal improvements" assembly in Illinois, which passed an omnibus bill allocating \$10 million for two trunk railroads crossing the state, north-to-south and east-to-west, and six spurs connecting all the largest towns, as well as \$8.5 million to complete the Michigan-Illinois canal. That was until the financial crash of 1838, brought on by 10 years of Jackson and Van Buren administration policies, temporarily ended all such plans.

Boritt documents how Lincoln's life-long anti-slavery sentiment and advocacy of "the ideal that all men should receive a full, good, and ever increasing reward for their labors so that they might have an opportunity to rise in life" were moral commitments sharpened into policy by Lincoln's mastery of "American System" economics. "Lincoln accepted the Civil War to save, above all, his dream . . . his underlying moral assumption, his devotion to the idea that America stood for fair reward for man's labor, for equal, constantly expanding opportunity for all." The Union, Boritt concluded, was for Lincoln, the "carrying vessel" of this dream.

This "expanded opportunity" was, for Lincoln, achieved through "support of governmental policies that primarily aimed at economic development," clearly favoring productive over non-productive employment and opposing the accumulation of wealth through speculation and usury as the British *laissez-faire* system (copied by Reagan's economic policies today) sought.

During his presidency, Lincoln used this outlook to set into motion the longest period of sustained growth in American history. This was accomplished by the following initiatives: the Greenback currency act (creating \$300 million in cheap credit for economic expansion), the Morrill Tariff, the Homestead Act (which expanded the economy through opening up new lands for development for whomever wanted it), the Railroad Act (which allowed for the westward expansion and ultimately a transcontinental railroad system), the Land-Grant Colleges Act (which created "agricultural and mining" colleges to educate young pioneers in the most advanced technologies), the creation of the Agriculture Department (to help modernize farming), a nationally chartered banking system (which included mandatory deposits into the federal treasury and taxing of state banks to help finance internal improvements), and the creation of immigration bureaus throughout Europe.

This impressive combination of credit, industrial incentive, population growth, and education policies not only pulled the United States through its horrible Civil War, despite over a half-million casualties, but rapidly propelled it into becoming the greatest industrial power in the world.

Copies of Boritt's book are available from Ben Franklin Booksellers, 27 South King Street, Leesburg, Va. 22075 at \$12.95 each.

# Business Briefs

## **International Trade**

### **U.S., Europe reach last minute agreement**

The United States and Europe reached a tentative, last-minute compromise on U.S. farm exports, avoiding the imposition of stiff U.S. tariffs on European Community food and wine imports that were to go into effect on Jan. 29.

EC representative Willy de Clercq told a news conference in Brussels that the new agreement must be ratified by both sides.

Under the agreement, the Europeans would open to the United States and other nations a quota of 2 million tons of corn and 300,000 tons of sorghum at reduced levies for the Spanish market. De Clercq said he accepted the compromise as a "political solution" to avoid a trade war, not because he recognized the United States's right to compensation.

The trade war has been organized by the Trilateral Commission on both sides of the Atlantic. The objective of the commission's policy was spelled out Jan. 29 by commission member Luis Solana, head of the Spanish telephone utility. Writing in *El Pais*, Solana stated that the big problem is finding a market for both U.S. and European products: "The new leadership of the U.S.S.R. has the ability to offer a new economic Yalta of incalculable value to the Western world. . . . Western leaders can get a new market, in exchange for technology."

## **Biological Holocaust**

### **Brazil now in second place in AIDS cases**

The magazine *Veja* reported the week of Jan. 26 that Brazil is in second place worldwide in number of AIDS victims.

The extensive report charges that blood banks are not carrying out the necessary tests to safeguard the blood supply as ordered by the government.

The government's plan, to distribute

condoms among homosexuals and issue posters that the Catholic Church has already denounced as pornographic, has already prompted at least one lawyer to sue the ministry of health for promoting homosexuality in its "anti-AIDS" campaign.

Says the lawyer, Otilio Macedo, from the state of Minas Gerais, "If these campaigns were brought into the schools, they could influence youth toward homosexuality. Besides, no one is talking about the abnormality of homosexuality. It discredits sex between men and women and induces youth to think that contact among men is normal, and without authority urges a youth to use contraceptives. . . . These campaigns run the risk of encouraging homosexuality."

## **Nuclear Power**

### **Greens try to shut Mexico's first plant**

Mexico's enemies of scientific progress had promised to form 40,000 people into a "human wall" to prevent Mexico's first nuclear energy plant at Laguna Verde from opening Jan. 24.

But only 3,000 "tortilla greenies" showed up. As usual, the anti-nukes exaggerate.

Before the demonstration, Genaro Guervara Cortina, coordinator of an anti-nuclear group in Xalapa, Veracruz, said that Sergio Mendez Arceo, the "Red Bishop" of Cuernavaca, plus existentialist author Octavio Paz and a grab-bag of other Mexican literati, would participate. The Communist Party was present in force. The anti-nukes strung a hand-woven rope across the plant entrance to symbolize their intention to stop the most advanced technology in Mexico today. But the "human wall" failed to materialize.

The next tactic, organizers announced, is to encourage people living near the plant not to pay their electric bills.

Most Mexicans are not influenced by this anti-science mob. The Confederation of Mexican Workers wants to build 20 nuclear plants across the country, and the Federal Electrical Commission answered the "greenies" by proposing a third nuclear unit at Laguna Verde.

## **AIDS**

### **German health officials launch condom campaign**

The West German health ministry has placed a set of new AIDS ads in mass-circulation newspapers: "Fun is still harmless, if two people are drinking out of the same glass," one ad says. "If you kiss somebody, if you cough in someone's face, if you shake hands, if you go swimming—there is no danger of getting infected by AIDS.

"It becomes dangerous, if the fun continues. . . . Every sexual contact with unknown or changing partners is dangerous. Secure yourself and your partner. Confidence is good—condoms are better. Dying of AIDS is horrible; condoms are irreplaceable."

The German Protestant Evangelical Church (Lutheran) supports the health ministry's AIDS advertisement campaign, in contrast to the West German Catholic Bishops Conference, which attacked the advertisements. The Lutherans stated that they saw no reason to attack the government because of its AIDS campaign, and defended Health Minister Rita Suessmuth.

The bishops stated: "Sex with unknown and changing partners is unworthy of a human being. We refer to the connection of sexuality and human dignity. In the area of sexuality, the human being is not allowed to do everything, whatever the sexual drive wants him to do. Decency and moderation belongs to human sexuality, in order that man is not governed by the sexual drive, but that man command this drive."

## **Trade War**

### **U.S. threatens Japan over surplus**

The U.S. Commerce Department threatened Japan that it would enforce a rising yen and economic recession on Japan if Tokyo fails to cut its huge trade surplus. Bruce Smart, commerce undersecretary, said, "Ja-

# Briefly

pan has two trade policy options—continued prosperity based on increased home consumption in a market that actively welcomes imports, or recession with falling exports induced by a rising yen.”

While the United States tries to bring Japan down to American levels of deindustrialization, Japan persists in doing all it can to prop up the tottering U.S. credit structure. The Japanese have been the principal purchasers of U.S. Treasury Bonds for some time now, and beginning in mid-1986, Japanese banks shifted their tactics for doing so, according to the Bank for International Settlements (BIS) in Basel, Switzerland. The meaning of the shift is far from clear, but the fact is clear. Japanese banks have begun using borrowed dollars to finance purchases of U.S. Treasury bonds rather than selling yen to buy them.

BIS member banks are reportedly concerned that this shift has increased the vulnerability of the U.S. bond market to a Japanese fund withdrawal. The financial cross-over would occur at the point the dollar borrowing cost to Japanese banks outweighs the return from holding U.S. bonds.

In fact, Satoshi Sumita, governor of the Bank of Japan, recently delivered an “exceptional” warning to Washington on the dollar. Addressing a private seminar in Tokyo Jan. 28, Sumita “called on U.S. officials to refrain from making remarks that would lead to a higher yen.” Statements by Treasury Secretary Baker and President Reagan, not to mention the recent utterances from the Commerce Department, have sparked flight out of the dollar recently.

## Monetary Affairs

### Bretton-Woods group hears debt proposals

The annual meeting of the Bretton Woods Committee on Jan. 21 in Washington, D.C., became the platform for at least two more proposals which purport to give debt relief to Third World nations.

One Bretton Woods Committee panel was titled “Debt and Development.” The moderator, Undersecretary of State John

Whitehead, stressed the political and social problems of the debt and said the major concern should be “how to get development in the LDCs,” or Less Developed Countries.

Japanese Vice-Minister of Finance Toyoo Gyohten stressed that the problem of “LDC debt is nothing but a problem of economic development in the debtor countries.” Helmut Schlesinger said that a “fundamental solution to the debt crisis is not yet in prospect,” and stressed that “debtor countries must be given a chance to pay by exports.”

Inter-American Development Bank President Ortiz Mena said a plan like that of J.M. Keynes at the end of World War I, for a five-year grace period for the Central Powers debt—not accepted then—should be proposed today.

## Free Enterprise

### Colombia's Barco attacks drug bankers

Colombian President Virgilio Barco, whose government is engaged in an all-out military war on drug producers and traffickers, has demanded that foreign governments force their bankers to stop laundering drug-money.

Speaking to the diplomatic corps in Bogota Jan. 29, the Colombian President stated: “So long as some countries continue to allow banks and financial institutions on their territory to be a refuge for blood-stained dollars that are the fruit of crime, the battle against this scourge cannot be won in Colombia. . . .”

“To fight a problem like this, which is a threat to the human condition itself, we need concerted international action. An isolated fight by a few countries is not enough.”

Barco did not mention the United States government by name, but it is very well known that the U.S. banking system is the world's premier drug-money laundry, ever since the current White House chief of staff, Donald Regan established the necessary mechanisms while serving as chief executive at Merrill Lynch in the late 1970s.

● **A LOCUST PLAGUE** has hit Ayacucho, Peru, part of the country whose rural areas have been under the control of Shining Path narco-terrorists. The insects have eaten crops in several valleys around the city and the entire corn crop in some places. The agriculture department has directed the eradication effort, catching the insects by hand “until they can be fought under better conditions,” according to regional agriculture director Ramiro Carrasco Ruiz.

● **THE BRITISH** Trade Unions Council, for the first time in 40 years, will be sending an official delegation to the Soviet Union in February to meet with Soviet trade union leaders. According to the Jan. 29 *Daily Mail*, TUC General Secretary Norman Willis will lead the delegation.

● **JAPAN'S** unemployment rate is now 2.8% of the work force, its highest level since 1953. Unemployment rose from 2.6% in 1985, because of the slump in Japanese exports abroad. Since the rising yen has not yet had an effect on the economy, unemployment is expected to rise further in 1987.

● **SECRETARY OF STATE** George Shultz praised Mexico's high interest rates Jan. 29 during a meeting in Washington with his counterpart, Bernardo Sepulveda. He said it was of “immense significance” for Mexico's future that the high rates had brought \$1.5 billion in flight capital back to Mexico last year.

● **THE UNITED STATES** announced a record \$169.8 billion trade deficit for 1986, with economists predicting better times ahead and the dollar surging up against all major foreign currencies in New York trading. The reason? December's deficit was the lowest monthly figure since March 1985, thanks to fewer imports.

## The next 30 years of investment in energy

### Part 20 Ibero-American integration

Infrastructure is not an industry that produces wealth directly, but it "produces" something more important: productivity. To become an economic superpower, Ibero-America will need 200,000 kilometers of new railroads, as well as ports, canals, hydraulic projects, nuclear energy, and a second inter-oceanic canal.

This installment continues Chapter 6 of our exclusive English-language serialization of the Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* The book was published last September in Spanish. It was prepared by an international team of experts elaborating Lyndon LaRouche's proposal to free the continent of economic dependency and spark a worldwide economic recovery, "Operation Juárez."

Numbering of the figures, tables, and maps follows that of the book.

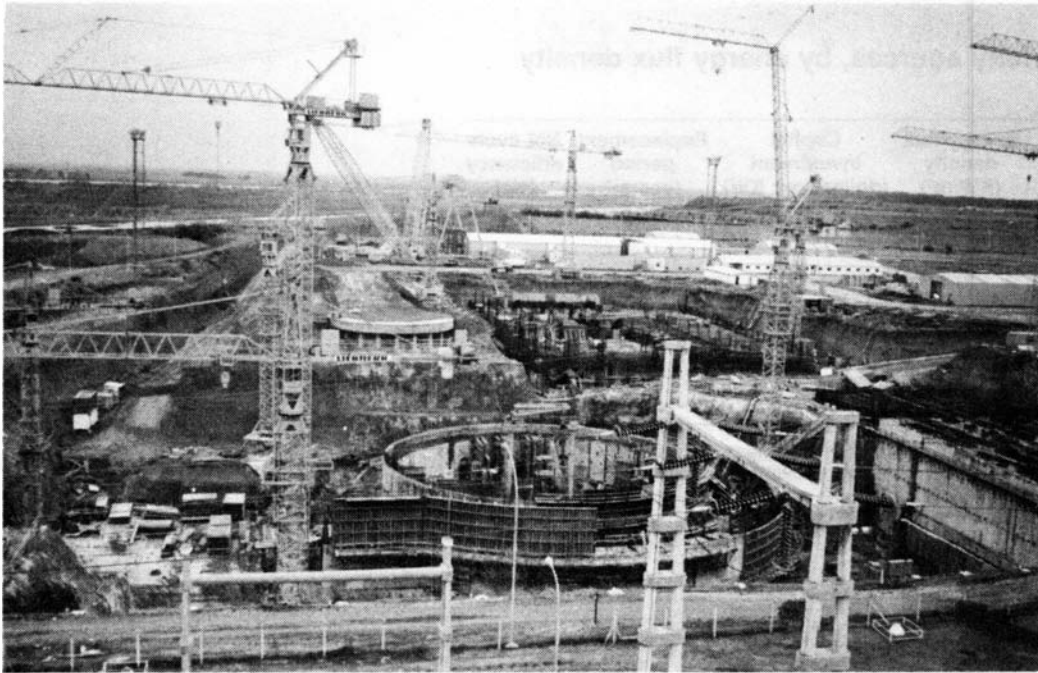


It is in the area of energy that Ibero-America has accomplished the most over the past 15 years, and has carried out certain truly great projects, including Argentina's mastery of the full nuclear cycle, the Itaipú dam in Brazil and Paraguay, and the development of Mexico's oil industry. Yet, in this same area, Ibero-America has appeared unable to integrate its efforts so essential to confronting the medium- and long-term energy requirements of the continent.

For today's economy, Ibero-America is an energy-rich continent: There is ample petroleum in Mexico and Venezuela; hydroelectric potential in virtually all of South America; natural gas deposits in Mexico, Argentina, and other countries; coal in Colombia and Brazil; and significant deposits of uranium and thorium in Brazil, Mexico, Colombia, and Argentina. Yet, when Ibero-America begins to grow at the rates specified in Chapter 5, the continent will find that, by the year 2015, it will severely tax the available energy resources, and will face a crisis that could strangle the potential for continued growth in the 21st century. Simply put, we will have reached the limits to significant growth of thermal and hydroelectric sources by then.

Some "experts," including those of the nefarious Club of Rome, have used this evident fact to argue that we must therefore limit economic growth so as to not finish off our limited energy resources. But a more scientific approach is to guarantee that, when hydropower and fossil fuel sources have been exhausted, we have sufficient nuclear energy capabilities on line to maintain energy growth and economic development generally. Unfortunately, only Argentina has given the proper emphasis to nuclear, thanks largely to Pe-





*Argentina's Atucha II nuclear plant under construction in 1982. Only Argentina has given nuclear energy the importance it deserves, thanks to the foresight of leader Juan Domingo Perón in the 1950s.*

rón's visionary approach in the 1950s.

Worse, certain political factions in various countries, perhaps led by Brazil's banker strata, including former minister Delfim Netto, have proposed to "solve" their energy problems by turning backward technologically from the nuclear frontier to the most primitive sources of energy for man: wood and vegetable matter, using the one for charcoal, the other for alcohol. The move to utilize "biomass" has been encouraged by the World Bank and the international environmentalist movement. In fact, Brazil has become these agencies' pilot project because Brazil's shortage of domestic petroleum makes it susceptible, in the face of budgetary cutbacks demanded by the International Monetary Fund (IMF), to the promise of becoming "energy self-sufficient"—in reality, sheer suicide.

At the present time, significant deforestation of irreplaceable Amazon forest takes place every year in Brazil, mainly to supply fuel needs. It is already likely that the negative changes in weather that have afflicted Argentina (floods in two of the last four years) and Brazil (a very serious drought in the south and floods in the Northeast this year) are related to shifts in the Amazon High caused by the reductions that have taken place in Amazon jungle area.

### **Biomass versus nuclear**

More needs to be said about how to scientifically select among different energy sources. **Table 6-9** shows the relative energy-flux densities of alternate sources of energy. The energy-flux density of a process is the rate of throughput of energy through a given area cross-section of the process, and

it is the best known measure of the intensity and efficiency of energy supply, correlating closely with historic rates of technological advance.

As shown, the energy-flux densities of first-generation nuclear reactors are at least seven times those of fossil fuel generation plants; today's nuclear plants are more often 10-15 times greater. Already, second-generation high-temperature gas-cooled reactors have recorded much improved thermal efficiencies, reaching 42%. And the energy-flux densities of second-generation fusion reactors will be hundreds of times greater still. Only by continuing to develop nuclear energy will continued advances be possible in this crucial parameter.

By contrast, returning to wood and vegetable matter is completely retrograde. The energy-flux density of wood-burning is only one-fifth that of coal or oil. Even more devastating for the economy is that an enormous investment in labor, infrastructure, and land is required to provide this biomass in Brazil, which is only considered "economical" because the labor is very cheap, no cost is put on the misuse of land and infrastructure, and what costs there are do not involve foreign exchange, unlike oil.

Table 6-9 also ranks various energy sources by "periods of energy repayment," that is, the years of generation required to produce as much energy as is consumed in the construction of the installations. It is striking that the lowest energy-flux density sources are also the ones with the longest period of repayment. Solar cells, for example, another energy source much promoted by the Club of Rome, has a repayment time of over eight years, 20 times that of nuclear sources.

TABLE 6-9

### Comparison of electricity sources, by energy flux density and efficiency

	Energy flux density (KW/m <sup>2</sup> )	Capital investment (dollars per KW)	Replacement period (years)*	Net cycle efficiency (%)†
Solar collectors	0.2	20,000	8.3	2.6
Biomass	3,200			
Fossil fuels	10,000	850	0.2	30.0
Light-water nuclear reactors	70,000	1,300	0.4	30.0
High-temperature gas reactors	70,000	1,300	0.4	42.0
Fast-breeder nuclear reactors	70,000	1,600	0.4	35.0
Nuclear fusion‡	70,000	n.d.	0.4	25.0

\* Years of generation needed to produce energy equal to that consumed in construction of the installation.

† Thermal efficiency (useful electrical energy as percentage of total energy consumed in the conversion process).

‡ First prototypes; later models will have greater energy flux density.

Source: *Mechanical Engineering*, June 1976.

Table 6-10 shows the percentage of total energy consumed as biomass, largely as trees, in Ibero-America in 1982. Outside of Central America, Brazil led the list, followed by Peru and Colombia. As a result of deforestation in the latter two countries, recently constructed hydropower dams are already silting up and erosion losses are very serious off the steep hillsides which are being denuded to provide low-efficiency fuel.

Figure 6-3 shows the growth from 1970 to 1984 of total, hydro, thermal, and nuclear-installed electrical capacity. Capacity is estimated to have grown another 8% in 1985 to

123,900 megawatts (MW), bringing the 15-year growth to more than three and one-fourth times larger, or an average annual growth rate of 8.3%. Generated electrical power grew at an annual 8.5% rate, to 478 million Mwh. Both growth rates were well above average rates of industrial or GNP growth during the same period.

The composition of the energy sources has shifted steadily toward hydropower, which now accounts for 53.5% of installed capacity, and 63.5% of total output, reflecting the correct decision to utilize the abundant hydropower resources instead of fossil fuels.

### Energy needs in 2015

While it is difficult to precisely anticipate rates of energy or electricity use that will be required in the future, it is nonetheless possible to specify general parameters that permit competent planning. The energy targets presented in Chapter 5 (see *EIR*, Vol. 13, Nos. 46-49, Nov. 2—Dec. 12, 1986) call for a total output of electricity in 2015 of 7.8 trillion Mwh, which dictates a very specific course of action.

The difficulty in estimating electrical consumption for Ibero-America in the year 2015 stems from the fact that energy/production parameters will change dramatically in the next 30 years due to the introduction of new technologies. Although it has been historically true that electricity has grown more rapidly than GNP as a whole (in Ibero-America over the past 15 years, it grew twice as fast), it is also the case that new technologies will imply tremendous energy efficiency as well as energy intensity. (A good example of this is the fact that the more modern Japanese steel industry uses only half as much energy per ton of output as the relatively backward U.S. steel industry.)

Thus, in terms of rising energy intensity, we have consid-

TABLE 6-10

### Burning of biomass in Ibero-America 1982

(tons of oil equivalent)

	Total energy	Biomass	% of total energy
Argentina	26,274	1,579	6.0
Brazil	84,951	30,615	36.0
Colombia	14,659	3,673	25.1
Chile	7,695	1,760	22.9
Mexico	72,925	13,771	18.9
Peru	9,990	3,248	32.5
Venezuela	21,929	3	0.0
Central America	10,909	6,367	58.4
<b>Ibero-America</b>	<b>269,585</b>	<b>68,661</b>	<b>25.5</b>

Source: OLADE



A gas producing unit utilizing "biomass"—a very low energy flux-density source—to turn farm products into fuel. In Brazil, vast amounts of food crops are wasted to produce such "self-sufficient" fuel, under the pressures of IMF financial policies.

ered the following factors:

- Industrial processes in general will shift toward the use of electrical power in place of direct thermal energy from fossil fuels. This will accelerate as the new generation of plasma technologies develop.
- Electricity will itself be used to generate fuels, such as hydrogen, which will begin to replace the use of gasoline and other hydrocarbons by early in the next century.
- Transportation will increasingly employ electricity, for intra-urban subways, inter-urban electrified trains, and for electrified railroad freight cargo.

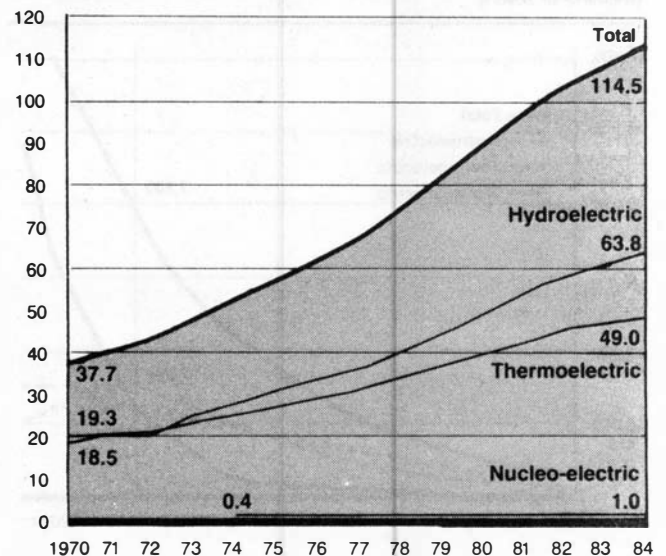
However, the next 30 years will also see an explosion of new technologies that will lower the requirements for electricity per unit of product, i.e., increase energy efficiency. Already, very significant savings in electricity consumption for industry have been realized in recent years. And in the future lie such things as frictionless transmission, super-cooled applications of electricity, and a host of other technologies.

Considering these various factors, our projection is that the electrical industry through the year 2015 will have to grow an average of 10% per annum.

This projection agrees with an extrapolation based on per-industrial-worker use of electricity in industry. Taking the goal for electricity generation that we have proposed for the year 2015, of 7.8 trillion megawatt-hours (MwH), we are brought to the current level of European industrial consumption of 20,000 kilowatt-hours per industrial worker, which correlates as well with the industrial productivity levels that

FIGURE 6-3  
Installed electrical capacity, by source  
1970-1984

(thousands of megawatts)



have been fixed as an objective for that year.

This leads to a projection of 1,550,000 MW of installed capacity required by 2015, about an 11-fold increase over the present (if the total planned capacity of Itaipú and Guri are counted as already constructed), or an 8.3% annual growth rate. This, interestingly, is nothing more than a continuation of the historical rate of increase of the past 15 years.

### Assessment of sources of fuel

There are three fundamental parameters that must be examined in planning the next 30 years of electricity investment: the sources and availability of fuel sources, the production and installation of the needed capital goods, and the availability of properly trained and skilled manpower to install and operate the power plants.

Figure 6-4 shows our estimated projection of total energy required, and a reasonable estimation of its likely composition by source of fuel. Best estimates are that the continent has slightly over 600,000 MW of economically exploitable hydropower potential, which, at a load factor of 5,000 hours, gives us our 2015 target of 3.0 trillion MwH/year, as indicated. However, this exhausts this source, so the graph shows a linear continuation of this level of hydropower past 2015.

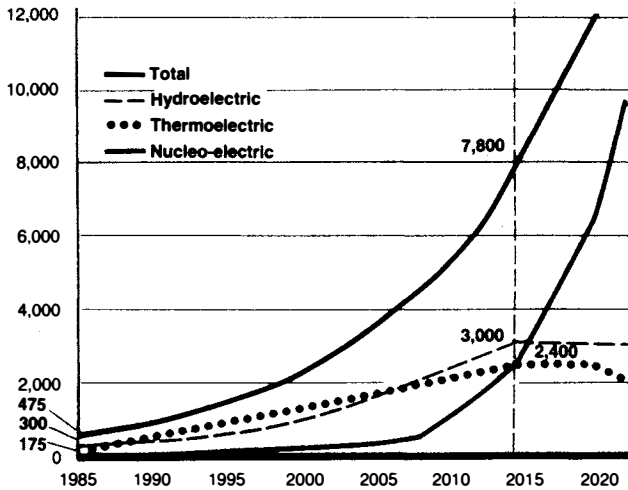
Thermal power must take up the slack to meet total energy needs until at least the year 2000, at which point nuclear power will have to come on line in a major way to meet the vast majority of new energy needs. By 2015, all new power added to the system will have to come from nuclear.

This projection highlights the absolute necessity for cre-

FIGURE 6-4

**Projections of annual hydroelectric, thermo-electric and nucleo-electric production 1985-2025**

(millions of MWh)

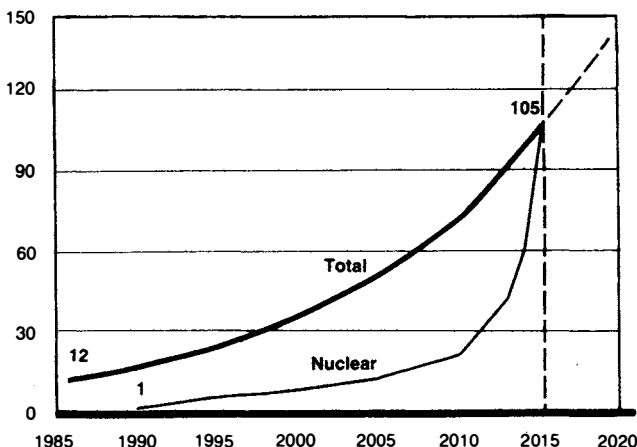


ating a massive nuclear program in Ibero-America as the centerpiece of energy policy for the next 30 years, and beyond. Figure 6-5 shows the necessary trajectory of nuclear energy capacity. Because the continent is still so underdeveloped in this area, we assumed that no more than 4,000 MW can be installed annually by 1995, 6,000 MW by 2000,

FIGURE 6-5

**Projection of electrical, nuclear, and total capacity 1985-2015**

(thousands of MW)



and 12,000 MW by 2005. Since the rate of production must rise to 105,000 MW by 2015, this can only be accomplished by the full implementation of mass production methods, such as those described below.

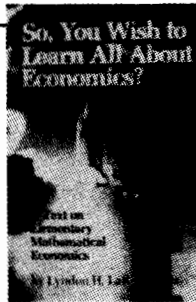
The indicated level of nuclear power generation by the year 2015 also raises the question of availability of nuclear reactor fuel. The identified uranium resources of the continent, primarily in Brazil, Argentina, Colombia, and Mexico, are significant but not large in comparison with the United States and Australia. Even if export restrictions from these countries are eased, the world's future needs for uranium may still exhaust known resources. So, the continent must not only fully develop its present reserves, but must also initiate a large-scale uranium prospecting project. It is also recommended that Brazil's massive thorium deposits (44% of the world's estimated reserves) be explored and exploited, and that thorium-fueled reactors be built.

However, advancing technologies in the nuclear field make the fuel question simple to resolve. First, there is the known process of reprocessing spent uranium fuel, which doubles the life of the original uranium. Second, one of the prime reactor designs for near-term deployment is a simple model of breeder which, once loaded with a starting charge of fuel, breeds its own continuing needs for the life of the reactor. Liquid-metal fast-breeder reactors, such as the French SuperPhenix, breeds not only enough fuel for its own use, but fuel for another reactor as well. More advanced designs of breeder reactors will breed fuel even more rapidly.

But most important, by 2005-2010, which is when our projection of nuclear generation first starts growing rapidly and when the first real shortage of uranium might otherwise appear, the fission-fusion hybrid reactor will be available. The first generation fission-fusion breeders may not produce energy from fusion with much reliability, but they will be operated purely as fuel breeders. Using fusion reactions to generate neutrons to turn non-fertile fuels into fertile nuclear fuels can occur before the fusion reaction is fully harnessed to producing net energy. One fission-fusion hybrid will be able to produce fuel for anywhere from 10 to 25 reactors. This technology not only solves completely the fuel availability problem for nuclear energy, it also guarantees that nuclear fuel will continue to cost a tiny fraction of the alternative fossil fuels.

Finally, by the year 2015 if not before, first generation fusion power will be fully commercialized. Fusion power, which uses the hydrogen of sea water as its fuel, will become the only acceptable choice for new plants sometime after 2015. The advent of fusion energy makes available not only an inexhaustible source of electric energy, but cheap, very high temperature direct heat for industrial processes. At the point it is exploited on a vast scale, the use of fossil fuels either for electricity generation or for direct industrial consumption can rapidly be phased out. The 21st century will be the fusion age, and Ibero-America must begin to prepare for it today.

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## How much should the Allies spend on military R&D?

by Lyndon H. LaRouche, Jr.

The 26 November 1986 report on "Civil Research and Development," by the Select Committee on Science and Technology of Britain's House of Lords (Her Majesty's Stationery Office, London, £6.00), reports in its conclusions, that "The Committee have found . . . a strong belief that the share of R&D expenditure devoted to defence (over 50 per cent) is too high."

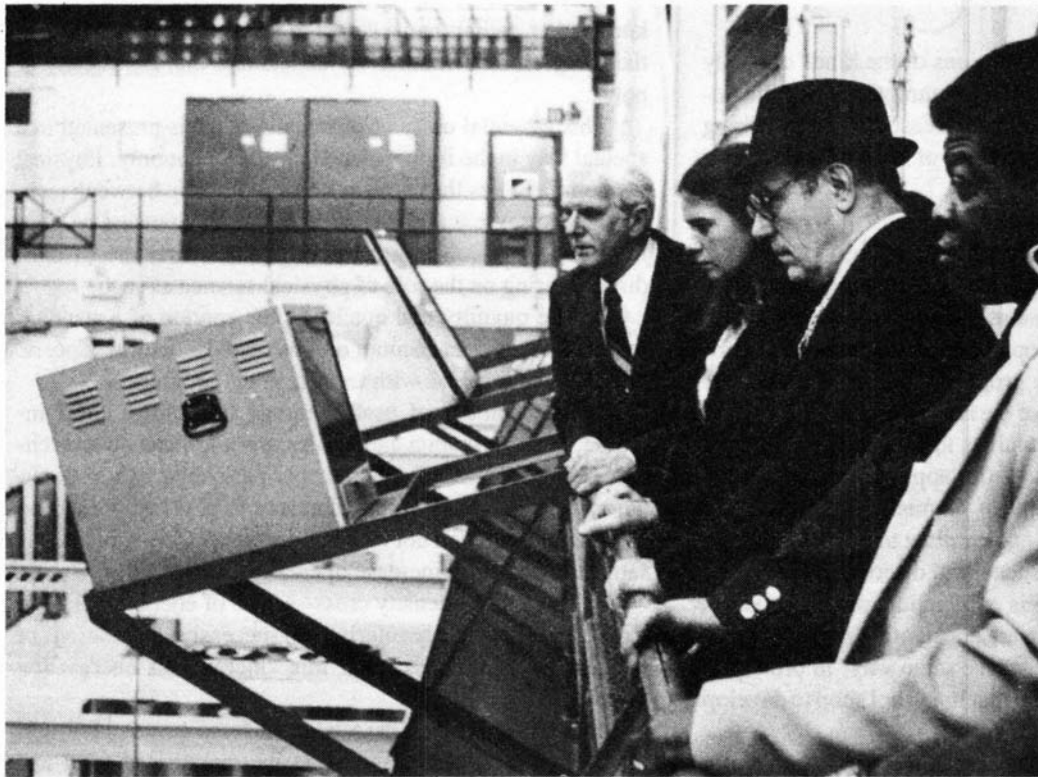
The study of that report rounds out my own most recent round of studies of this subject, covering the cases for the U.S.A. and a number of its allies. With one notable exception, Japan, there is a lack of competent policy-making yardsticks at the level that government budgetary decisions are made, and no clear consensus on many of the subordinate, vital policy-issues involved, among the principal private industries, research centers, and so forth. Each nation, each general area of industry has its own special circumstances; nonetheless, the most important, common features of the problem require a new, common set of policy-shaping guidelines. Some among the most important of these problems belong to the area of my rather unique competence, the science of technology, physical economy.

In the instance cited from the House of Lords' report, for example, the Committee has missed the forest, the magnitude of total national research requirements, for the trees of seemingly conflicting priorities within the total. That, and other notable errors included within the report, are of the same sort we find in U.S. and other nations' wrangles over this and related matters. I go directly to stating policy guidelines which correct commonplace errors, without what seems to me a redundant and needless, nation-by-nation documenting of the occurrences of each among those errors themselves.

### **1) The fallacy of accounting approaches**

I begin with the most general, and comprehensive of the errors to be considered. Admittedly, sooner or later, the accountants must be brought into the business of translating specifications for research and development allotments into the language of budgets. In determining what is required, and the magnitude of benefits expected, the standpoint of conventional accounting and financial budgeting practice must be excluded from the deliberations.





*Lyndon LaRouche (wearing hat) and his wife Helga Zepp-LaRouche, on a tour of the Goddard Space Center in Maryland. "Generally, the most important technological military secret is the secret of producing advances as rapidly as they are discovered."*

Economic processes have two very distinct aspects. The matters of patterns of training and employment of the labor-force, of tangible investments in capacity, and the resulting changes in physical output and productivity, belong to the sphere of physical economy. In that sphere, money-prices and related financial matters are kept out of consideration. In physical economy, we consider only the content of per-capita market-baskets of households' and producers' goods as elements of cost and expense. All of the essential questions of research and development policy, military or other, belong entirely to the domain of physical economy.

A real economy is a physical economy, upon which are superimposed what are essentially political institutions, including currency, credit, and debt. Although, generally, these political features determine the purchases and sales of goods and services, there is no necessary correspondence between what a market does in steering flows of goods and services, and what those flows should be, if the best result were to be obtained. Intelligent governments and bankers shape their policies of taxation, currency, credit, and debt, and governmental purchases, in such a way as to influence the way in which the market prompts flows of goods and services to approximate a net desired effect. These actions by government are part of the establishment of a consensus, as to priorities, reached among governmental and private agencies. The study of the interaction between these political processes and physical economy, is called "political-economy."

The unfortunate thing, is that the very idea of the exist-

tence of physical economy seems unknown at the level of presenting and debating governmental budgetary allotments for defense, for research and development, and so forth. The production managements of the best firms do take physical-economy considerations prominently into account, but only partially. Even these valuable, if partial insights into these important matters, are little heard, and rarely understood among elected officials and their departments generally. Consequently, the most important considerations, which ought to shape policy-making for research and development, rarely come into view in the making of the final political decisions.

Case in point. Under present rules, U.S. defense contractors are obliged by government to do two extremely stupid things. First, even after the relevant example of the Challenger tragedy, vendors are more than discouraged from conducting research in areas bearing on the type of product they are producing. Second, when the contract is completed, the tools are destroyed!

Assume that the item produced is a combat aircraft, which suffers repairable structural damage. Alas! The jigs were destroyed, according to the rules! The U.S. government seems to have forgotten that maintenance is an integral part of capital acquisitions. Whether in aircraft or anything else, the two rules cited suffice to drive up the costs of procurement enormously. The second case is most easily understood. The costs incurred by government and industry because of the first policy-blunder, respecting research by defense suppliers, are vastly greater than the excessive costs caused by the more

readily understood second.

These are very simple illustrations of the kinds of costly errors which result, when arbitrary assumptions of political-economy, and accounting, invade areas of policy-making which ought to be solely the province of technologic considerations.

## 2) The delusion of pure versus applied research

In well-organized scientific research at a university, the university's physics department, for example, maintains a machine-tool facility. The department head authorizes Professor X to proceed with a proposed line of experiment. Professor X goes to the head of the machine-tool facility, and works with the assigned specialists to produce the required experimental apparatus. "Pure" or "applied" research? The distinction is a meaningless bit of linguistic folly; the same procedure applies in the tooling of a plant to produce an item incorporating Professor X's successful discovery.

Technological progress, is production whose product-design and production-tooling are constantly being improved by scientists and their teams, in the same way, in principle, that Professor X works with the machine-tool shop to develop his experimental apparatus.

The problem of planning research allotment, is greatly simplified for us today, by the fact that the frontiers of scientific research and development are defined by four interconnected spheres of inquiry: 1) controlled plasmas, especially plasmas of extraordinarily high energy-density cross-section, typified by the case of controlled thermonuclear fusion; 2) coherent pulses of electromagnetic radiation, typified by lasers, especially those of very high energy-density cross-section of impact on target; 3) optical biophysics, the non-linear electromagnetic spectroscopy of living processes; 4) the development of improved control devices, of the sort required to assist us in controlling even very complex (non-linear) processes of very high energy-density cross-section at very high speeds of response.

These four areas of research impinge directly on every area of physical knowledge and production technologies. There is no known reason not to assume, that the overlay of these four areas will be the mainstream of every important revolution in materials, products, and so forth, for about 50 years or more yet to come.

The analysis of research-allotments policy, must take into account, that while physical science is very rich in growing complexity of its elaboration, it always remains intrinsically coherent. The division of the entirety of physical science, and production technologies, into compartmentalized specialties, does not signify that these branches are in any way actually self-contained specialties, but merely that an essentially unified body of physical science is being worked upon in terms of a division of labor among scientists generally. Naturally, we do not know everything about the laws of the universe, and perhaps never shall, but that is a defect in our

knowledge, rather than a defect in physical laws. The essential unity exists, whether we understand that adequately or not.

This essential unity of physical science is presented in a special way in the framework of physical economy. Physical economy defines the cause-effect relationship between technological progress and increased productive powers of labor in terms of six constraints, among which three are of most direct bearing on the role of physical science as such.

1) The quantity and quality of the content of a standard market-basket, per-capita, of households' and producers' goods, must increase with technological progress.

2) The amount of usable energy consumed, must increase, both per-capita and per-square-kilometer, with technological progress. (Or, better, per per-capita unit of population-density.) Sustainable increases in physical productivity of operatives can not be achieved unless this constraint is satisfied. Call this "increase of energy-density."

3) The energy-density cross-section of energy applied to work, must increase secularly with successive generations of technological progress. Call this "increase of energy-flux density."

4) The percentile of the total labor force required for rural production must decrease, while the quantity of food and fiber produced, per capita of the total population, increases. Call this "capital intensity in the first approximation."

5) The percentile of the urban labor force employed in production of producers' goods, including basic economic infrastructure, must increase, subject to the condition that per-capita output of households' goods' consumption increases. Call this "capital intensity in the second approximation."

6) Technology, as Leibniz defined "technology," must increase.

Respecting physical science, it is the correlation between advances in technology and increase of both energy-density and energy-flux density, which is decisive. Assuming that society acts in conformity with the other three constraints, increases in productivity will occur as a result of employment of advanced technologies, defined in terms of increases of both energy-density and energy-flux density. We measure the functional relationship in terms of fractions of orders of magnitude of increase of energy-density and energy-flux density. Standard physics and chemistry handbooks' tables point to the way in which such increases of energy-intensity revolutionize production.

So, to estimate the relative benefit of research and development, we need only assess the impact of the branch of research in terms of applied energy-density and energy-flux density made possible. What we measure is the research and development "pay-back" in physical-economic terms, a pay-back which is expressed as an increase in the productivity of operatives. For military applications, an increase of productivity assumes the battlefield guise of increase of firepower

and mobility of forces.

Our object should always be twofold. Immediately, to bring the advantages ("pay-back") of physical research into generalized production as soon and as rapidly as possible. At the same time, to open up new stream-flows of fundamental breakthroughs bearing upon the known laws of physics, so that more advanced classes of applications to production shall become possible.

The assumption that there ought to be a compartmentalization of "pure" and "applied" research, is an illusion, albeit a rather popular one. As with most illusions, the penalty for imposing it upon our practice, is always folly, and sometimes devastatingly so.

### **3) The measurement of research allotments**

Provided our science is good, the rate of scientific and technological progress, leading to increases in productivity of operatives, is essentially a function of the percentile of the total labor force employed as scientists, engineers, technicians, and so forth, in research and development. Five percent used to be a good ball-park figure; a goal of 10%, to be reached over the coming 10 years, would be a good one for today.

The rate at which the "pay-back" will be realized, is generally a function of the credit and tax incentives we supply to foster high rates of increase of capital-intensity and also turnover in existing capital stocks. If the economy is so organized, as to foster a high rate of technological attrition in designs of new products and productive processes, the economy will gobble up technological advances about as rapidly as our technologists develop them.

### **4) The fallacy of military versus civilian research**

In the history of the rise of industrial society since Leonardo da Vinci's contributions to this, technological progress has usually occurred only at slow rates except as a by-product of military production. The disarmament buffs of the peace movements and "arms control" mafias, may find this fact an unpleasant one, but the fact that it displeases them does not make it one bit less true.

The chief reason for this seeming anomaly is elementary. In military procurement energized by fear of a capable potential adversary, improvements in mobility and firepower are at a premium. The factor of "investment risk" is at a relative minimum in making such decisions. So, the chief impetus for technological progress, and improved standards of living, in the civilian sector, has been the "spill over" of improved materials, machine-tools, and designs, from the sector of military production into civilian production.

The major among the secondary reasons for this seeming paradox, is that to the degree the rentier mentality, rather than the industrial-entrepreneurial one, dominates the institutions of credit, modern economies hold back the rate of

technological progress, to levels far below those readily feasible, and clearly profitable, on the basis of designs in existence. Military procurement under conditions of pre-war or war-time mobilizations break that log-jam.

There is no real distinction between military and civilian research. The distinction between "military" and "civilian" arises only in respect to the choice of product produced employing the fruits of that research. Research is simply science, or the improvement of production technologies in a related way.

If we assume that the levels of employment in development of new technologies should be between 5% and 10% of the labor force's employment, then the military should fill the gap between the amount of such employment in the civilian sector, and the required level in total. The level of research and development is a matter of vital national interest, to such effect, that if the level needed is not reached in one way, it must be reached in another.

The idea of military research, as distinct from civilian, flows largely from the notion of "military secrets." The preoccupation with "technical military secrets" has been carried much too far, and ignorantly. By assigning ourselves, unnecessarily, too many things to be kept secret, we concentrate proportionally less effort, much less efficiently, on the smaller number of things which must be kept secret. The excessive growth of "secrecy" is largely a by-product of the fact that too little of our relevant scientific research is put into production.

Generally, the most important technological military secret is the secret of producing advances as rapidly as they are discovered. In that way, we should always be ahead of the potential adversary. The danger from an adversary, is not that he might acquire a technical "secret," but that he might succeed in producing something effective with that knowledge. Therefore, the more we hold back producing our advances in military-applicable knowledge, the more technical knowledge we oblige ourselves to keep secret. If our military procurement is operating at very high rates of technological attrition, much more than the Soviets could match, we have fewer technical secrets to worry about. Only a few items of strategic surprise are really worth technical secrecy; at least, this is the case under high rates of technological attrition in procurement.

Under high rates of technological attrition, it makes very little difference, in most areas of weapons-research, whether the weapon is a product of civilian or military research. To that degree, the two are interchangeable. The point is to have the desired levels of good quality research, in total, and an efficient stream-flow of discoveries into production.

### **5) The aerospace case**

In the current, faddish revival of Smoot-Hawley lunacies, the United States has found itself in a bit of a quarrel with our European allies in the area of aerospace research and produc-

tion. We may expect to hear some of the usual U.S. noises on the subject of Europeans' resort to the allegedly objectionable practice of "protectionism" in this compartment of production. They are, of course, quite "protectionist" in their continuing forms of cooperative efforts to keep a European aerospace industry in existence, and quite rightly so.

Do we wish the United Kingdom, West Germany, Italy, and France their sovereign right to have an aerospace capability, or do we seek, foolishly and arrogantly, to deny this to them? If we do, at what cost, and how well, shall we then

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*The chief trouble with the Western world's aerospace industry is that foolish people believe it to be suffering a considerable excess in capacity. That is the accounting practice's point of view, and an absurd one. In reality, the total capacity of the Western world's aerospace capacity is pathetically small, relative to the needs coming up fast.*

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maintain our military aircraft in the European theater?

"Free trade," "supply and demand," and kindred ideological impedimenta are currently very much in vogue in Washington, but the fact that they happen to be policy at the moment, does not make these policies intelligent, nor even sane, any more than we could make the Moon a solid piece of green cheese by having the Congress enact a law requiring U.S. citizens to insist that it is. Destroying vital technological capabilities of our allies, for the sake of some mere piece of popularized superstition, "free trade," is not good service to any of the vital interests of the United States. It is not even consistent, to speak of the merits of "free competition," while using the name of such "free competition" to pare down the number of the world's producers to a monopoly by two superpowers.

The chief trouble with the Western world's aerospace industry is that foolish people believe it to be suffering a considerable excess in capacity. That is the accounting practice's point of view, and an absurd one. In reality, the total capacity of the Western world's aerospace capacity is pathetically small, relative to the needs coming up fast.

Our own aerospace sector, for example, has been bled almost dry, hovering at the brink of technological obsolescence

for lack of re-capitalization. Why so? For one thing, "deregulation," aggravated by the decline in real per-capita income, has ruined the civilian airline industry, to the point that its fleets are becoming dangerously over-aged and maintenance stretched thin. But for these two factors, the airline fleets would have been turned over, with corresponding deliveries from the production of our aerospace industries.

Similarly, our recent and current development and production of military aircraft, is 10 to 15 years behind a tolerable backwardness in quality, and disastrously short of quantity. We have already passed the point, in terms of military technologies alone, that the most advanced military aircraft types in our inventories must partake more of the nature of aerospace equipment than aircraft as such.

In terms of cost per pound, there has been no fundamental improvement in rocket design since the German Peenemünde designs became established levels of technology during the 1950s. In getting into space from the Earth's surface, we are still trapped in what technological stagnation has made an absurd practice analogous to designing an aircraft to fly under water. The technological stagnation we have fostered in aerospace as a whole, is dominated by anomalies of this general type.

The popular, but absurd view of this industry, assumes that recent trends in sales, and marketing projections of a similar sort, define the magnitude of "need" as "visible demand." These trends have been determined chiefly by the combined effect of past policies of governments and financial institutions, policies which have been directed either to foster, or to adapt to, a transformation of modern industrial economies into "post-industrial" scrap-heaps of popular misery and strategic inferiority. Such estimates of "excess aerospace capacity," are analogous to the argument that the world is suffering a vast excess of food production, when in fact a growing, very large number of Americans are falling into a sub-standard diet, and famine conditions spread throughout much of the world's population as a whole.

The "excess of capacity," now popularly attributed to entire ranges of industries, is an estimate based upon an elementary folly, of confusing the nominal financial market for products, for the scale of unmet physical-economic needs. Governments and others, have become so obsessed with the wish to defend existing financial and related policies at all costs, that they would rather see a defectively managed "market" bring us all, mostly starving, under Soviet imperial overlordship, than change any among those financial and related policies now pushing the Western world into the worst depression since the 14th century.

Karl Marx's only genuine discovery in economics, was his appreciation, that if capitalist economies would resist all efforts to defy Adam Smith's "Invisible Hand," the victory of communism is assured. Naturally, Marx defended the "Invisible Hand" as the only policy which should be tolerated in capitalist society, and attacked the leading German econ-

omist, Friedrich List, and the leading American economist, Henry C. Carey, on precisely these grounds. On this point, we see today, that Marx was right. Adam Smith may not have intended to bring communist economies into world dominance, but we are at the point today, that such a consequence is immediately in front of us, unless we return to those "Colbertist" policies which U.S. Treasury Secretary Alexander Hamilton defined as the founding economic policies of the American System, "Colbertist" policies employed with some relative excellence and success, by the only Western industrialized economy "unfairly" not destroying itself, Japan.

From the standpoint of physical economy, there is a massive under-capacity in the combined aerospace industries of the Western allies. The entire industry is now hanging by a rotting thread of accumulated obsolescence, with shrinking cadres of qualified scientists, technicians, and skilled operatives. Present trends, if continued, mean that we shall soon lack the capacity even to maintain aerospace functions in the civilian and military sector at present levels of craft in use.

Agriculture put momentarily to one side, the recovery of the Western economies will depend chiefly upon three industries and their upstream vendors: aerospace, energy production and distribution, and shipbuilding. Shipbuilding is at the edge of collapse, perhaps more immediately endangered than aerospace. Industries in the domain of development and production of modern energy-systems, are in grave danger, chiefly because of bending to the demands of the lunatic "environmentalists." Of these three, the development of aerospace is the "science-driver" for any future recovery of our economies. The SDI, properly understood, and the more comprehensive adoption of a 40-year mission-assignment to plant a permanent, largely self-sustaining colony on Mars, subsume every advance in technology which mankind is likely to be able to accomplish during the next 50 years or more.

Over the past 20 years, we have destroyed NASA as the kind of functioning institution it used to be. All other facts taken into account, the essential fact about the Challenger disaster, was a combination of forced technological obsolescence imposed upon NASA, and a reduction of numbers of qualified personnel to less than a bare minimum. Our leading space-scientists, approximately 15 years ago, warned that the system built around the space-shuttle was an inherently defective one, and indicated the kind of alternate, more advanced system needed on these grounds. Our shuttle system is 15 years obsolete, compared to what we should and could have had operating by the end of the 1970s. At best, it will be about five years before we have the system we should have had at the end of the 1970s or even slightly earlier.

We are now obliged to build a new aerospace capability, to be what NASA should have become. The Mars colonization mission points the way. Every advance required for any purpose in aerospace capabilities, is subsumed by a Mars colonization mission. The next step, is to stop trying to build "an aircraft designed to fly under water": the next step into

space, is a transatmospheric craft designed to reach low Earth orbit, the first stepping-stone for man's entry into space in a general way. Every military and other aircraft design we require for the next two generations, will be an offshoot of the development of new kinds of materials, new designs of engines, and so forth, required to produce an effective trans-atmospheric craft, and to move beyond that, to such items as a Mach-15 aircraft and more advanced space-craft. Every new technology likely to be needed and available during the coming 50 years, will be developed along that pathway of aerospace development.

In addition to new capitalization of the industry, our major bottleneck presently is the monstrous, deadly shortage of qualified cadres. If we combine the present aerospace resources of North America, Western Europe, and Japan, we have barely the minimum capacity and qualified personnel, to build up the industry to needed levels. Instead of fighting Japan and Western Europe, over the issue of taking in one another's aerospace laundry, we should be delighted that those governments are, in a sense, subsidizing the continued existence and marginal development of their parts of this industry. On the one side, we demand that those nations increase their defense allotments, yet we object when they actually do so, by subsidizing their aerospace capabilities.

## Conclusion

The Western nations must establish a minimum of 5% of the total labor-force employed in research and development. The leading edge of this allotment must be in the four categories of ongoing technological breakthroughs indicated. This must be integrated with emphasis upon expansion and technological development of the aerospace, energy-systems, and shipbuilding industries, and those industries' up-stream sources of materials and semi-finished product. New directions in biological research will be centered in the development of the aerospace industry's optics divisions, where the needed instrumentation for optical-biophysics research is most readily and naturally to be developed, and this to an effect consistent with the foreseeable requirements of aerospace systems.

The medium-term goal for Japan, North America, and Western Europe, should be 10% of the total labor force employed in research and development. Educational and employment policies of industry and government must be efficiently addressed to achieving this result.

As much as possible, these employment goals must be reached within the private sector's industries. This must be fostered by government, through such channels as procurement policies, credit policies, and tax-incentives. Direct government grants to research should emphasize fundamental research at levels above those currently being employed in industrial development, or to supplement private research and development's allotments to the degree needed to bring total employment up to standard amounts.

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## Clean water bill on the President's desk—again

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*A presidential veto ignored the fact that the bill asks for much less than the \$90 billion it would take to expand sewage treatment systems to accommodate economic growth. David Cherry reports.*

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Large and rambunctious majorities in the House and the Senate have now passed, for the second time, the Water Quality Bill that President Reagan vetoed in November 1986. The President has the option of signing the bill, or, if he vetoes it, facing its passage by an override. The bill passed provides \$20 billion in federal funds over seven years, earmarked mostly for the construction and improvement of sewage treatment plants across the country. It would put an end to, for example, the dumping of raw sewage into New York City's Hudson and East Rivers.

In November, Rep. James J. Howard (D-N.J.), chairman of the House Public Works and Transportation Committee, which wrote the bill, vowed, "We are going to send it right back to the President the way it was passed unanimously by the Congress. There has never been a bill of this magnitude with this type of bipartisan support." And Senate cosponsor Robert Stafford, a Vermont Republican, commented, "If he [Reagan] was dissatisfied with the cost, then he should just wait to see what the Democratic Congress comes up with next year."

The House did pass the bill again in mid-January, by a vote of 406-8. In the Senate, Republican Robert Dole (Kan.) introduced a version whittled down to only \$12 billion, on behalf of the White House, with the understanding that the President would sign it if it passed. But the Senate passed the original \$20 billion bill 93-6 on Jan. 21. The response by White House Chief of Staff Donald Regan has been to recommend that the President veto it anyway.

### Transition to local funding

With a general consensus that sewer systems should be funded only on the state and local level—as before 1972—the bill was designed to make the transition possible under

depression conditions of shrinking tax bases and voter resistance to bond issues.

That meant an annual rate of expenditure of \$2.4 billion in federal funds during the transition, about half of it in the form of a revolving loan fund. States and cities would draw on the loan fund, and as loans are paid off, the money would be made available to other states and cities. The President's original memo of disapproval specifically rejected the loan fund idea.

Without the \$2.4 billion for 1987, fallback legislation would have provided only \$1.2 billion—the lowest annual level of federal funding since the original Clean Water Act of 1972. At that level of funding, city and state officials say, many projects would suffer slowdown, and others outright cancellation.

Rep. James J. Florio (D-N.J.) highlighted the connection of the bill to employment levels in a statement issued before the President's veto: "Economic development and expansion, with the creation of new jobs, could be stopped if communities do not make mandated improvements in their sewer systems."

Every state in the union, and the District of Columbia, benefits from the bill under an allocation formula. The federal funds pay for one-third to one-half of many projects.

The bill asks for much less than the estimated \$90 billion (in 1982 dollars) it would take to expand and improve sewage treatment systems nationwide to accommodate economic growth. That estimate was part of an *EIR* August 1984 study of U.S. infrastructure needs.

### U.S. water infrastructure in crisis

Improving the quality of sewage treatment—the main thrust of the bill—is only one aspect of a broad program



badly needed to reverse the decay and collapse of U.S. water infrastructure.

Major additions to the U.S. water supply through dam-building projects were halted in the 1960s by an Eastern Establishment determined to force cuts in population. Interior Secretary Donald Hodel has just reaffirmed the no-growth policy in a Jan. 24 interview with the *New York Times*. The \$16 billion Water Resources Development Act signed by President Reagan in November is a small, but important part of what is needed.

Maintenance and capital improvement of public drinking-water treatment systems and water distribution systems were cut back starting in the 1960s, which led to the present increase in the rate and seriousness of breaks in water mains. The Safe Drinking Water Act signed into law last June, empowering the Environmental Protection Agency (EPA) to set new, stricter standards for drinking water safety, is a step in the right direction. It does leave open the question of whether the municipalities have the ability to pay for attaining the new standards.

### **The price: waterborne diseases**

All three policy failures—lack of major new water supplies, weakening of our drinking-water treatment and distribution systems, and decline of our sewage collection and treatment systems—are contributing to one of the most alarming, but little-known, tendencies in public health: Outbreaks of waterborne diseases have been on the rise in the United States since the beginning of the 1970s.

Giardia, salmonella, and shigella are the agents responsible for the largest identified categories of illness. Giardia enteritis is an infection of the upper small bowel that can result in chronic diarrhea, abdominal cramps, fatigue, and weight loss. Salmonellosis is an acute bacterial infection accompanied by abdominal pain, chronic diarrhea, nausea, and fever, and can lead to deaths among elderly, young, and debilitated persons. Typhoid fever is one kind of salmonellosis. (Salmonella is not limited to waterborne transmission.) Shigellosis, or bacillary dysentery, is a bacterial disease of the large intestine, which is manifest in diarrhea, fever, and nausea, and produces a significant death rate among infants and children. In addition to these three, cholera and such viruses as hepatitis, polio, and adenovirus, are also waterborne.

Individual outbreaks of these and other waterborne diseases in recent years resulted in 5,000 cases of illness in Sewickley, Pennsylvania, in 1975; 8,000 cases in Georgetown, Tx., in 1980; and 16,000 cases in Riverside, California, in 1965.

Data analyzed by E.C. Lippy and S.C. Waltrip of the EPA's Breidenbach Environmental Research Center in Cincinnati, show a clear upward trend in the number of outbreaks from 1971 through 1980, and the same upward trend in the number of cases of resulting illness (**Figure 1**). Lippy and

Waltrip conclude, "Outbreaks were under control for the 1951-70 period, whereas the opposite may be said about the outbreaks for 1971-80." (E.C. Lippy and S.C. Waltrip, "Waterborne Disease Outbreaks—1946-1980: A Thirty-Five-Year Perspective," *J. American Water Works Ass'n.*, February 1984, p. 61)

In the five-year period 1981-85, the number of outbreaks and number of resulting cases of illness decreased. The number of outbreaks reported for 1981-85 totals 178, or an average 35.6 per year, compared to 196 outbreaks for 1976-80, an average of 39.1 per year. The number of cases of illness for 1981-85 totals 32,837 (average 6,567 per year), compared to the 1976-80 figure of 50,085 (average 10,017 per year). These figures all underestimate actual outbreaks and cases by about a factor of four, due to underreporting.

Specialists at the Breidenbach Center, aware that there has been no turnaround in the deterioration of our water infrastructure, do not believe that the decrease in outbreaks and cases in the 1981-85 period represents a reversal of the upward trend. "The level of outbreaks in 1981-1985," Steven Waltrip points out, "is still the second-highest since the 1941-1945 period."

The statistics on waterborne disease must not be seen isolated from the reappearance and resurgence nationally of such non-waterborne diseases as tuberculosis, measles, and mumps, or from the AIDS pandemic. Our public health system generally—not just its water system—is failing.

### **The Village of Delhi case**

The case of the Village of Delhi, New York, scheduled to be decided as this issue is printed, illustrates with special clarity the seriousness of the public health crisis we face. Delhi, whose treated sewage is discharged into waters that form part of New York City's water supply, is seeking authority to cease disinfection of this wastewater, to cease monitoring the level of fecal coliform bacteria contained in it, and to relax the level of permissible remaining suspended particles. Delhi has a population of about 5,000.

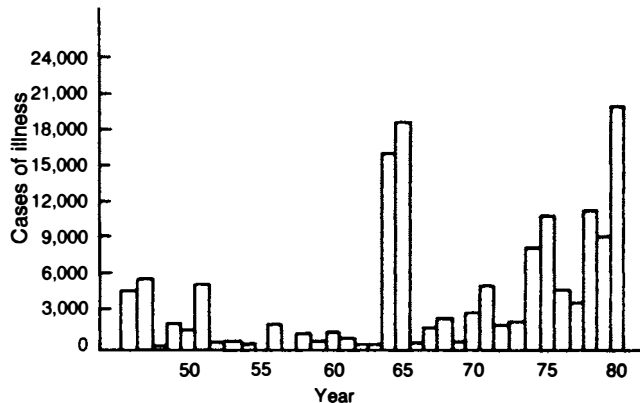
While Delhi argued that chlorine residues are harmful to fish in the Delaware River, its real motivation was purely financial. Fish appreciate raw sewage—or an approximation thereof—even less than chlorine residues. Delhi provided data purporting to show that it was far enough upstream from New York City for the natural self-purification process in streams to be effective, based upon the specious assumption that average conditions always prevail.

The case shows the depth of irrationality to which public authorities can sink in response to unbearable fiscal pressures.

What is remarkable, is that the state Department of Environmental Conservation sided with Delhi, signaling the existence of political pressures throughout rural New York State to allow small towns to save money by curtailing the treatment and fecal coliform monitoring of their sewage.

FIGURE 1

**Cases of illness in waterborne disease outbreaks**



Source: USEPA, Lippy and Waltrip, February 1987.

There are at least 73 small town sewage plants operating within New York City's watersheds alone, many of them, including Delhi, already in violation—or intermittent violation—of the terms of their existing permits.

The Delhi case dramatically demonstrates that there is much more to the water infrastructure crisis than can be remedied by the \$18 billion allocation for sewage treatment plants in the Water Quality Bill now before the President. Delhi does not say that it lacks capital equipment. *Delhi cannot find sufficient operating budget to use even what capital equipment it has!* And there are tens of thousands of Delhis all across the country.

The Delhi application set off alarm bells well beyond the limits of New York City. Supporting New York City's opposition to the Delhi application are the New York State Department of Health, the Environmental Defense Fund, and the American Water Works Association. Among those testifying for New York City are Dr. Abel Wolman, perhaps the world's most eminent specialist and pioneer in sanitary engineering, and Dr. Edwin Geldreich, a senior research microbiologist at the Breidenbach Center. The public health experts have repeatedly emphasized in their testimony that wastewater disinfection is "the first line of defense," and that safe drinking water depends upon erecting multiple barriers to infection. To dismantle one barrier is to play Russian roulette.

If Delhi and the New York State Department of Environmental Conservation prevail, a national wave of similar actions will likely follow. But their defeat will be no cause for comfort either. The seriousness of the small towns' fiscal difficulties will continue to manifest itself in poorer compliance with existing standards, while the state authorities will increasingly lack the funds to monitor and enforce compli-

ance. Only a return to economic prosperity can provide the remedy.

**Decline in waterborne disease surveillance**

The decline in surveillance of disease outbreaks must be taken very seriously. At the federal level, the Centers for Disease Control report they are getting out of the business of waterborne disease intelligence, and will drop annual publication of statistics reported in this field. That puts the burden on EPA's Breidenbach Center. But Breidenbach has already eliminated its field investigation function.

It may also be that waterborne disease surveillance has been relaxed, in most of the states, since the 1976-80 period. That is suggested by comparing the trend in Pennsylvania and New York, which have active intelligence systems, with the trend in the other 48 states. In the 1976-80 period, a rising trend can be seen in 48 states, parallel to a rising trend in New York and Pennsylvania. But in the 1981-84 period, the level of cases for the 48 drops by 45%, while the level of cases for the other two rises by 75% (Figure 4).

**Infrastructure survey**

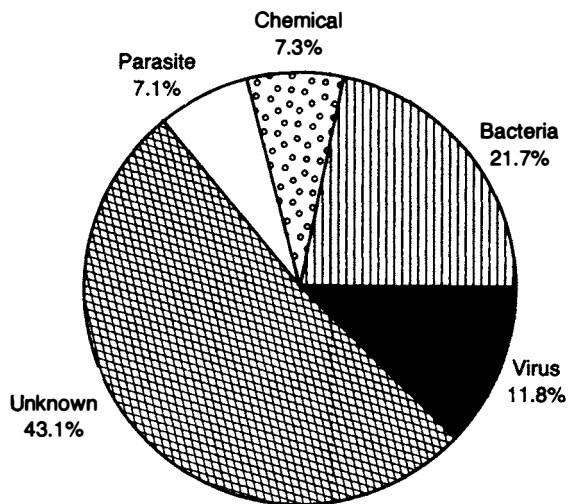
Below is a survey of the distressed condition of the nation's water treatment and water distribution systems, and of its sewage collection and treatment facilities.

**Cincinnati as a touchstone**

Perhaps the touchstone for assessing our infrastructure is the condition of one of the best of the older cities, Cincinnati.

FIGURE 2

**Waterborne disease outbreaks by causative agent**



Source: USEPA, Lippy and Waltrip, op. cit.

The Urban Institute's 1979 study of Cincinnati's infrastructure praised the city as

among the first in the nation to systematically direct its capital planning toward preservation, maintenance, and improvement of existing facilities, accepting the necessity for cutting back on new capital projects if it was to operate within its budgetary limitations. As a result of these measures, Cincinnati's capital plant is in generally good condition compared to those of other older cities. (Nan Humphrey, et al., *The Future of Cincinnati's Capital Plant*. Urban Institute, 1979, p. xv.)

In a nation that should be providing abundantly for a growing population while planning ventures into space, the Institute's very praise constitutes the measure of failure!

If we take the rate of main breaks and leaks as a measure, Cincinnati would appear to be losing some ground (Figure 5). A replacement cycle for water pipes of 20-30 years is desirable, but Cincinnati is on a cycle longer than 100 years. (Other older cities are on replacement cycles closer to 1,000 years!) But equally indicative is that Cincinnati's water engineers wish to build a new filtration system, using the leading edge of the technology for drinking-water systems, and cannot do so because there is no money. They have planned a granular activated-carbon filtration system for removing manmade organic compounds. Do we have a future as a nation if we retreat from the frontiers of science and technology?

### Shortcomings of drinking water treatment

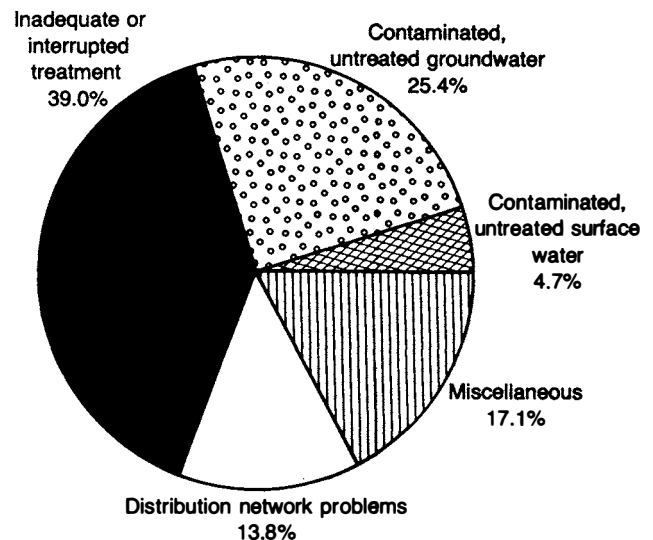
Outbreaks of infection are often traced to the breakdown of equipment or the overloading of one of the processes involved. Outdated or wornout equipment, or equipment insufficient to meet the currently required volumes, is often the problem. There is also the increasing need to build filtration equipment in surface water systems that never needed it before, because of the rising threat posed by the *Giardia amoeba*. *Giardia* can survive normal chlorination in cyst form, but filtration eliminates the cysts.

The Safe Drinking Water Act signed into law last June empowers the EPA to set new, stricter standards for drinking water safety, requiring filtration, and not just chlorination. Many municipalities will simply be unable to afford them under current economic conditions. Some 20% of the community water-supply systems in the country are having consistent problems meeting the existing EPA microbial standards for drinking water, according to Jack Sullivan, deputy executive director of the American Water Works Association in Washington, D.C. Almost all of them, he says, are small towns of fewer than 500 people.

*The Giardia problem.* *Giardia* is most serious in parts of the country which derive their drinking water largely from surface sources. The Northwest is more vulnerable,

FIGURE 3

### Cases of illness by deficiency in public water systems (community and noncommunity only)



Source: USEPA. Lippy and Waltrip, op. cit.

for example, than the arid areas of the Southwest which rely on wells. Almost all cities of any size have had filtration for years, so it is the smaller communities—for whom filtration is an expensive proposition—which are vulnerable.

In Oregon, where 64 community systems have no filtration, several small towns have suffered giardiasis outbreaks, such as Corbett, population 200, in early 1985. A similar pattern of increased outbreaks over the past decade exists in Washington state, in California from San Francisco northward, Idaho, and elsewhere.

Colorado had outbreaks in ski resort areas even 12-15 years ago. Then, after some severe outbreaks two or three years ago, the state imposed a blanket requirement for filtration. There were outbreaks in Massachusetts, only a year ago, in Pittsfield and a small town near Boston.

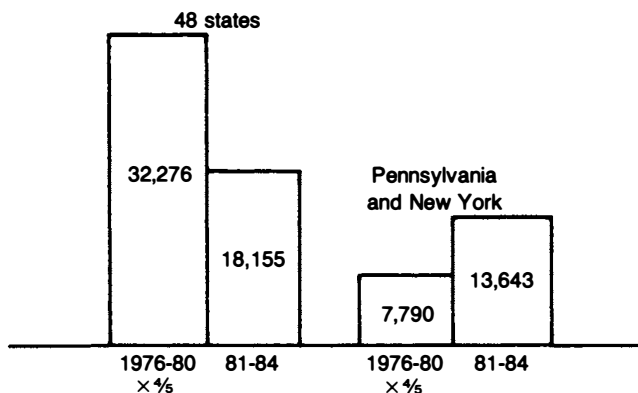
Jim Boydston of the Oregon State Health Division sees the rise in giardiasis outbreaks as a result of the increasing numbers of campers, hunters, and fishermen who are penetrating to the watersheds, since humans are hosts. He also sees the rise as a result of logging operations, since another host, the beaver, flourishes in their wake.

*The case of Oregon.* Boydston estimates it will take over \$100 million to provide filtration for 63 of the 64 Oregon communities lacking it. The 64th is Portland, which has the largest surface water supply in the country that lacks any treatment other than chlorination. Filtration for Portland would require perhaps another \$150 million.

These figures must be seen as additional to \$200 million

FIGURE 4

### Are the states relaxing their surveillance of waterborne disease?



With no relief in sight in the causes of waterborne diseases, the reported number of illnesses dropped 45% for the 48 states. In the two states with active intelligence systems, however, the number of illnesses jumped by 75%. (Tentative figures for Pennsylvania and New York for 1985 were avoided.)

needed over 15 years for the general upgrading of older water supply and distribution systems around the state—reservoirs, transmission pipelines, and treatment plants—according to a 1984 study. Yet more money—amount undetermined—would be necessary to meet all the requirements of the 1986 Safe Drinking Water Act.

The total requirement for Oregon's safe drinking water needs today is clearly over the half-billion-dollar mark. The federal government has never entered significantly into the field of funding safe drinking water. The state itself is in no position to help shoulder these burdens, and they fall squarely upon the communities themselves, many of them too small to even float a bond issue. In Oregon, 60% of the water supply systems serve less than 200 people. Yet the new law requires compliance within five years.

"Our [state] advisory committee has worked on this and has no really good answers," says Boydston. "It's going to be hard."

**McKeesport: aging and outdated equipment.** The case of McKeesport, Pennsylvania is a warning that aging and outdated filtration systems may also break down. McKeesport, a declining town of 30,000 just outside Pittsburgh, suffered an giardiasis outbreak in 1984. A team from the Army Corps of Engineers had to be brought in to set up an emergency water supply.

Then, in January 1986, a single Giardia cyst was found in the bimonthly test of the treated water. When a larger sample was taken, a few more cysts were found. Since it has not been possible to find what is wrong with the system—which includes filtration—the Water Authority has been adding three times the usual amount of chlorine, 3 mg. per

liter, since January. It is enough to deactivate any cyst, but creates taste and odor problems and dries the skin when used for bathing.

Sam Scarfone, the Water Authority's chemist, says the real problem is that the water treatment plant was built in 1907 and is out of date and undependable. "Our settling basins and mixing facilities aren't the best," he says.

The Water Authority has never been able to finance a replacement. Now, the McKeesport system has been bought out by the private Westmoreland Water Authority, which plans to build a new treatment plant.

But McKeesport is not alone. In Cleveland, the Division Avenue water treatment plant built in 1915 was characterized in 1980 as "in very poor and hazardous condition and in urgent need of replacement." The Urban Institute's study of Cleveland's infrastructure went on to say,

Settling has severely stressed its structural components, causing mechanical failures, leaks, and a partial roof collapse. Since the plant provides 31 percent of the system's treatment capacity, the other three plants could not accommodate current or projected water demand if it were shut down. A new plant will cost a staggering \$141 million. (Nan Humphrey, et al., *The Future of Cleveland's Capital Plant*, Urban Institute, 1979, p. 16.)

How many more McKeesports and Division Avenue plants are there across the country today?

### Failure of water distribution

The water distribution system extends from the water treatment plant to the household or commercial user. Failures in the distribution system take the form of pipe leakage, constriction of flow, main breaks, stuck valves, and defective or absent meters. Leakage and constriction of flow have serious implications for a city's fire protection, since they reduce water pressure and flow capacity.

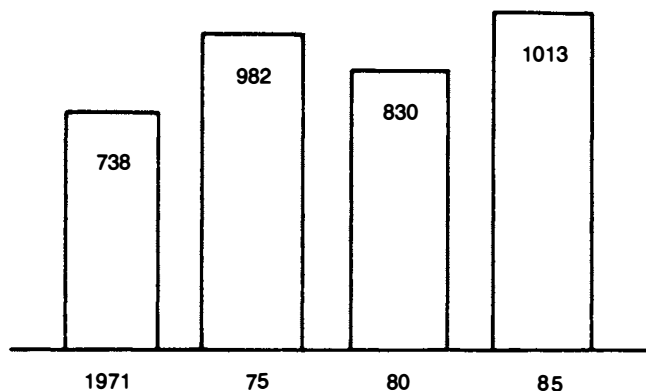
**Leakage.** The difference between the volume of treated water released into the distribution system, and the volume of metered consumption, constitutes the volume unaccounted for, whether lost through pipe leakage or unmetered consumption. Boston suffers from the worst leakage problem in the country, with a loss of at least 18% of its water between treatment plant and user. But Cleveland, St. Louis, Pittsburgh, and Tulsa suffer losses of 15% or more, by conservative estimate.

Even where water is abundant, the loss of such great percentages of treated water constitutes an effectual reduction in treatment capacity, and an additional treatment cost per delivered gallon.

Leakage is the result of pipe joint deterioration, corrosion, poor construction, shifting of pipes from soil movement, and excessive water pressure, and can be controlled through repair and maintenance.

FIGURE 5

### Cincinnati Water Works breaks and leaks repaired, 1971-85



The Cincinnati Water Works serves the city of Cincinnati and about 90% of Hamilton County. The figures indicate a rising rate of breaks and leaks. The year 1971 was used instead of 1970—a strike year.

Source: Cincinnati Water Works Annual Reports

**Constriction of flow.** Constriction of flow in steel pipes usually takes the form of tuberculation, a form of corrosion in which bumps form over the interior surface of the pipe, reducing its effective diameter. The rate at which tuberculation proceeds depends upon the local water chemistry. Lining steel pipes with cement to prevent tuberculation was introduced in the 1950s, and a method of lining pipes which have already been laid has been developed.

Cleveland provides the horror story of what tuberculation can do in unlined steel pipes. J.B. Gilbert and Associates, consulting engineers, reported in 1977 that tuberculation had “drastically” reduced pipe capacity. Capacity loss in one Cleveland suburb, Seven Hills, had fallen to 23-30% of its original level. The consequent loss of water pressure is spelled out in the Urban Institute’s Cleveland study:

[W]ater pressure frequently falls below the American Water Works Association’s suggested minimum of 30 pounds per square inch, and during the worst periods of peak demand, about 400 customers are without service. Because of low pressure, Cleveland has refused service to some new developments in the higher elevation service areas, and several parties have charged in a lawsuit that insufficient pressure in fire hydrants contributed to the destruction caused by a major fire. (Nan Humphrey, et al., p. 17.)

In addition to tuberculation, other causes of Cleveland’s low pressure and flow capacity problems are inadequate pumps and undersized mains.

Buffalo provides another example of drastic consequences as a result of tuberculation.

**Main breaks and stuck valves.** Main breaks are on the increase in older sections of systems, in the absence of adequate replacement programs, although statistics are not available to quantify the trend. But high main break rates are also found in portions of systems of relatively recent date, where construction was shoddy. Cincinnati Water Works officials, for example, see an increase in main breaks in the older, city section of their regional system, but the trend is masked in the regional statistics.

To compound the problem of main breaks, the marked deterioration in the condition of valves makes the consequences of breaks much more serious. When a stuck valve prevents the engineer from shutting off the flow above the break, the price can be high, as recent events in Salem, Massachusetts and New York City attest.

A 30-inch main supplying Salem broke Nov. 21, 1986. Because the valve that could have diverted the flow to another line was stuck, almost all of the 10.5 million gallons in the city’s large reservoir drained away before the flow could be stopped. Paul Niman of the Salem Public Works Department commented, “We try not to create panic in the public, but boy, these older systems are in tough shape, and no city could be in worse shape than Salem.”

If Salem is worse than Boston, New York City, and Cleveland, then it is in very bad shape indeed. One month later, on Dec. 19, a 36-inch main in New York City ruptured and flooded six subway stations with five million gallons of water, because the valve above the break was stuck open. It took eight hours to shut off the rupture. At rush hour, 120,000 subway riders were stranded until a fleet of 30 buses began a shuttle service around the affected area.

### Sewers and sewage treatment plants

The EPA’s biennial sewers and sewage treatment needs survey for 1986 is due to be published at the end of February 1987, and “the numbers are supposed to be pretty traumatic,” according to Senior Staff Associate Mark Popovich, at the Council of State Planning Agencies in Washington, D.C. Indeed, if the “numbers” are to reflect the reality that has been emerging over recent years, they must be traumatic.

A National League of Cities survey of 800 cities, summarized in an early 1983 publication, indicates that in almost 35% of these cities, wastewater treatment facilities need major work; in 65%, storm water collection and drainage systems are deteriorating. A significant percentage of cities surveyed indicated that infrastructure facilities needed to be totally replaced.

Inadequate maintenance is one of the primary reasons for violations of sewage treatment standards; aged, obsolete facilities is another cause.

One-half of the nation’s wastewater treatment systems are operating at full capacity (80% or more) and cannot sup-

port further economic expansion.

Since at least 1970, a constant 29% of the growing U.S. population continues without the benefit of sewer systems, relying instead on riskier septic tanks (*Statistical Abstract of the United States* 1985, p. 200).

*Sewage collection.* The problem of breaks in sewer pipes is getting worse in the older cities: New York, the Eastern Seaboard, and the Great Lakes cities, according to Martin Tiemens, Deputy Director of the Municipal Services Division of EPA. Most cities do not have good data on the condition of their sewers. Some do not even have maps of all their pipes.

In older cities, domestic sewage and storm water are carried away in the same pipes, leading to overflows of raw sewage into rivers and bays when heavy rains exceed the capacity of the system. The pipes also frequently release raw sewage when the gates and valves in these old systems become stuck open, and are not detected. There has been dramatic progress in eliminating combined sewers since the Clean Water Act became law in 1972. Yet the EPA Needs Survey for 1984 shows a population of 44 million is still served by combined sewer systems. More than half of the work to be done is concentrated in six states: New York, Illinois, Massachusetts, Pennsylvania, Ohio, and Indiana (\$14 of \$23 billion).

Adequate sewage collection and treatment is vital for public health. Among the waterborne diseases are cholera, hepatitis, salmonella, and typhoid. Providing sewers in unsewered areas eliminates the most serious threat to public and private underground sources of water. The requirement of secondary treatment for wastewater—i.e., elimination of 85% of conventional pollutants—typically eliminates more than 90% of bacteria.

### **Crisis management and selective investment**

As of now, the infrastructure crisis is being approached only on the basis of crisis management and selective investment. The legislation passed in the last seven months is still within that context, useful though it is. In the name of that approach, the National Council on Public Works Improvement was established in late 1985 under a mandate from Congress, and issued a report, *The Nation's Public Works—Defining the Issues* last September. The Council essentially consists of tax-exempt bond salesmen and government representatives. Executive director Nancy Rutledge explains that the Council has no mandate to gather new information on the condition of infrastructure, and “sees no further value in a call to arms.” The Council is instead “seeking a better methodology for appraising needs.”

But the bacteria and the parasites and the viruses have no respect for selective investments. Nothing less than the creation of cheap new credit for production—in the manner and scale of our gear-up for World War II—will rebuild America's infrastructure.

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## **Testimony: Dr. Abel Wolman**

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# **The importance of a worst-case scenario**

*The following is an excerpt from the Oct. 17, 1986 testimony of Dr. Abel Wolman, In the Matter of the Application of the Village of Delhi, before the New York State Department of Environmental Conservation. Dr. Wolman is an internationally distinguished pioneer in sanitary engineering and professor emeritus at Johns Hopkins University, Baltimore, Maryland. The treated sewage of the Village of Delhi, population 5,000, is discharged into waters that form part of New York City's water supply. However, the village is seeking authority to stop disinfecting this wastewater, to stop monitoring the level of fecal coliform bacteria contained in it, and to relax the level of permissible remaining suspended particles. The village has made various arguments on behalf of this desire, but clearly, the motivations are purely financial. Dr. Wolman was asked about the potential public health consequences.*

New York City policy requires that all sewage treatment plants disinfect effluent which enters New York City's water supply. The logic of this requirement is inescapable. Sewage represents one of society's most potent sources of human pathogens, and its disinfection represents a proven prophylactic measure which has saved millions of lives. . . .

New York City's demand for continued disinfection of all sewage plant discharges in its watershed is reasonable. Alternatives to chlorination could be supported where such alternatives are at least as effective, reliable, and enforceable as established chlorination practices. The DEC's [Department of Environmental Conservation] proposal contains no consideration of alternative disinfection methods. Significantly, it also fails to take into consideration the consequences of a worst-case scenario.

**Q:** What is the rationale for using a worst-case scenario in assessing proposals of this type?

**Dr. Wolman:** One should never lose sight of the occurrence of unexpected natural and man-made accidents which materially disturb the management success! Dependence upon the “average” conditions is always fraught with danger, since average behavior of a river conceals the high importance of floods and droughts. The consequences of nature's misbe-

haviors requires even more stringent control. The old aphorism should be remembered of the individual who drowned in the river of average depth of four feet. Unfortunately, he fell into it where it was eight feet deep.

In addition to the unpredictability of natural events, the failings of man-made devices must also be taken into account. Breaks in sewers, failures of pumps, unexpected excessive loads upon waste-water treatment plants are usual. All these events change downstream behavior, usually for the worse. Faith in average conditions operating to perfection when under nature's stress should not delude us; the unexpected *does* happen. Epidemics are, by definition, the result of a set of concomitant improbabilities that, when taken together, represent a worst-case scenario.

**Q:** Can you give an example of why it is important that worst-case scenarios be evaluated when proposals of this type are considered?

**Dr. Wolman:** Yes. A waterborne typhoid fever epidemic occurred in Keene, New Hampshire, in the latter part of 1959. Its water supply came from watersheds largely wooded, largely uninhabited, and the shoreline of storage reservoirs entirely controlled by the municipality. No recreational use was permitted and sanitary restrictions were presumably enforced. The water was filtered by slow sand filters and by not-too-well-controlled chlorination.

October 1959 was a month of heavy rainfall. On Oct. 24 and 25, a total of 4.29 inches of rain fell. The total for the whole month was 7.84. Pollutational materials in the upper reaches of the drainage basin were quickly transported down into the system. Unfortunately, at the same time, the filters were being cleaned and were just being put back into service, with the usual delay in reaching maximum efficiency.

On Nov. 6, the first patient, a six-year-old boy, was admitted to the hospital. Between Nov. 10 and 14, four more arrived. During the next several days, the remaining 9 of 14 recognized cases of typhoid developed. One subsequently died of other complications. The investigations as to origin were performed jointly by state and local authorities and the Epidemic Intelligence Service of the U.S. Public Health Service.

Why did the epidemic occur? We should be reminded of the inelegant fact that typhoid occurs only when the individual has swallowed, via water or food, the discharges of another person. Where was that person on a so-called "uninhabited" watershed? In spite of supposed periodic inspections, a lumber camp had been operating with three men for many months, with no toilet facilities. Their wastes were carried rapidly downstream and eventually into the mouths of the patients.

The improbable coincidence: all the patients were infected with *Salmonella Typhi* Phage Type E. The same organism was recovered from the discharges of one lumberjack carrier of the disease.

What had this unfortunate episode taught us? . . . The threat of intestinal waterborne disease is still very much a reality, despite the general excellence of water supply quality which has been established over the years through the progressive efforts of water supply management, engineers, and health authorities. Here, a "worst-case" of circumstances was required to produce illness of epidemic proportions, namely, the human carrier, torrential rains and a filter plant delayed in efficient performance. The rarity of occurrence is verified by the fact that this lumber camp existed unknown on the watershed for well over a year without prior incident. . . .

**Q:** Is the problem you just described strictly an event of the past?

**Dr. Wolman:** No. Some may well argue that the Keene event is interesting historically, but typhoid is practically unknown now in the U.S. The danger of this assumption is apparent from the following: Between August 25 and September 1, 1986, ten cases of typhoid have been hospitalized, with one in intensive care. All have been traced to one restaurant in a well-known national eatery chain in Silver Spring, Maryland.

The carrier of the disease has been found. She is a cook at the restaurant and has been an immigrant in this country about four years. She comes from a country where typhoid is still prevalent. One of the health department's epidemiologists described typhoid fever as one of the "forgotten diseases" in the U.S. It is rare, but its reappearance cannot be forgotten—and certainly its absence should not be a basis for eliminating basic protections for drinking water supplies.

The late George C. Whipple, at Harvard, pointed out that the "world is bound in bacterial bonds." With the tremendous increase everywhere in the mobility of people, the axiom is truer today than ever before. The seventh cholera epidemic in history began in 1961. It now affects 93 countries globally. Tens of thousands of cases are occurring. Fatalities are as high as 30%. The disease is spreading, reaching Hong Kong where it had not previously been widespread. Ambulant carriers are not in short supply and they do travel rapidly and bear their malignant baggage everywhere. On the New York City watersheds, people come and go. We cannot assume that no infected individuals will land at Delhi or elsewhere in our region. Eternal vigilance is the key, since cholera, as other diseases, is acquired, not by spontaneous generation, but by ingestion of water or food contaminated by the organisms coming from the fecal discharges of an infected person. Water remains the most important vehicle of transmission.

**Q:** Do you have any further observations regarding the proposed modifications to the Village of Delhi SPDES permit?

**Dr. Wolman:** Yes. It is ironic that the proposed changes are being considered at the very moment when EPA is acting to impose more stringent criteria for drinking water under the federal Safe Drinking Water Act. . . .



## Gorbachov lays basis for sweeping personnel shifts

by Konstantin George

The long-delayed Central Committee Plenum of the Soviet Communist Party was held in Moscow on Jan. 27 and 28. It opened with a six-hour address by Soviet leader Mikhail Gorbachov, who repeatedly stressed the urgent priority to "restructure the economy and society," through the extensive modernization of Soviet industry, by applying the latest in science and technology to industry and agriculture. Unstated, but paramount on the agenda, was that "restructuring" and modernization are the key to augmenting the breadth and depth of the Soviet war economy.

Gorbachov declared that personnel changes were the precondition for solving the "deep-rooted problems" stalling the economy's performance. After praising the 1986 economic performance as the best in nine years, Gorbachov got to the point: "We see that change for the better is taking place slowly, that the course of reorganization is more difficult and the problems which have accumulated in society are more deep-rooted than we first thought.

"There is still some misunderstanding in society and in the party concerning the complexity of the situation in which the country finds itself. Perhaps this also explains questions from some comrades about the measures that are being taken by the Politburo and the government, in the course of the reorganization. . . . We are often asked if we are not maneuvering too sharp a turn. . . .

"We are talking about a turning point and measures of a revolutionary character. . . . We simply do not have any other choice. We must not retreat and do not have anywhere to retreat to."

Gorbachov spoke in the present tense of "resistance" to his policies in parts of the Soviet leadership: "Their main concern is to preserve the old, obsolete ways . . . their own privileges, even though this does not accord with our principles . . . or with our present policies."

With these calls for housecleaning in the speech, one was expecting far-reaching personnel changes. Things did not

quite turn out that way. Gorbachov won very important personnel change victories, embodying great significance for future plenums, but by no means got all he wanted—at least for this round.

### The Secretariat as springboard

On the ruling Politburo, the only change was the foreseen removal of 75-year-old Dinmukhamed Kunaev, ousted in December as party boss in Kazakhstan. This leaves 11 full members on the Politburo. Gorbachov did not effect any change in Central Committee membership, either through removal or through promotion of his allies among the candidate CC members to full CC membership.

However, far more crucial for Gorbachov's ability to effect more sweeping changes at future CC plenums, were the addition of one candidate, or non-voting, Politburo member, and two appointments to the powerful party Secretariat, composed of the Central Committee secretaries, who shape policy in all spheres of Soviet life. Since Gorbachov came to power in March 1985, he has systematically packed the Secretariat, and promoted several protégés to Politburo candidate membership.

The Plenum elected Gorbachov's close colleague Aleksandr Yakovlev as candidate Politburo member, while retaining his position (since July 1985) as CC secretary in charge of propaganda. Through the Plenum's decision to "retire for reasons of health," 72-year-old Mikhail Zimyanin as CC secretary in charge of the Party's Ideological Commission, Yakovlev now also has been handed Zimyanin's functions. In one move, Yakovlev, adviser to Gorbachov at both the Geneva and Reykjavik summits, has become at least number three on the Secretariat, following Gorbachov and the Politburo's number-two man, Yegor Ligachov. Yakovlev now runs propaganda, and has general oversight over ideology, culture, and science.

Added to the Secretariat was Anatoli Lukyanov, a close

friend of Gorbachov's since the early 1950s, when they were both law students at Moscow University. One of Gorbachov's first moves as general secretary was to bring Lukyanov to head the Central Committee's General Department, which is the Politburo's office apparatus, and hence a vital post. Lukyanov as CC secretary will continue to head this all-important post.

The other addition to the Secretariat is the Byelorussian party boss, N. Slyunkov, promoted by Gorbachov to candidate membership on the Politburo at the 27th Party Congress. Slyunkov is an expert on the economy (from 1974 till 1983, when Andropov appointed him boss in Byelorussia, Slyunkov was deputy chairman of the Gosplan, or State Planning Commission), with particular responsibility for the machine-building and machine-tool industries. He will now be taking over at least some of the responsibilities for the economy and military economy held by Lev Zaikov, Politburo member and former Leningrad party boss.

Of the Secretariat's 11 members apart from Gorbachov himself, 10 have been appointed under Gorbachov. The next phase for Gorbachov is to pack the Politburo. Yakovlev and Slyunkov are in place for such a leap, and, a little further down the road—perhaps soon—Lukyanov. All three first became Central Committee members only in 1986.

In his speech, Gorbachov went to great lengths to denounce the Brezhnev era, citing rampant corruption, "the spread of alcoholism and drug abuse," the erosion of "dedication" and "patriotism," and leadership attitudes and structures which blocked "renewal." Gorbachov speaks a lot about *glasnost* ("openness"). If he were honest, he would admit that in both his general "packing" strategy, and in the promotion of his old buddy Lukyanov, he stole a page out of Brezhnev's book. Brezhnev too, picked a crony out of obscurity, brought him to Moscow to run the CC's General Department, and then promoted him, first to CC Secretary, and finally to the Politburo. The crony's name: Konstantin Chernenko.

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## Documentation

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*The following are additional excerpts from Gorbachov's speech, as reported by the Soviet news agency TASS:*

“. . . Evidently the time has come to begin elaborating legal acts guaranteeing openness. . . . These should ensure maximum openness and the activities of state and public organizations and give the working people a real opportunity to express their opinions on any aspect of society.”

Gorbachov spoke of "far-reaching democratization" which would lead to a "truly revolutionary and comprehensive

transformation of society." Soviet citizens who do not belong to the party, he said, should be promoted to "leading positions" in non-party government, economic, cultural, and other functions. He said it would be "useful to publish a broad draft for preliminary discussion" of the new law.

Gorbachov put forward the idea of changing "the method of electing party leaders. . . . It is suggested that party secretaries, including first secretaries, be elected by secret vote at plenums of the corresponding party committees. Members of the party committee would have the right to put on the voting ticket any number of candidates. . . . It is essential to rid the voting procedures of formalism. . . .

"Some comrades, apparently, find it hard to understand that democratization is not just a slogan, but the essence of reorganization. . . . They must change their views and habits, so as not to find themselves set aside from the mainstream of life. This is our persistent advice to all who are still doubting and slow. . . . The point at issue is certainly not any break-up of our political system. . . . Socialist democracy has nothing in common with permissiveness, irresponsibility, anarchy. Real democracy serves every person, protecting his political and social rights, and it simultaneously serves every collective and society as a whole."

Referring to the Brezhnev era, Gorbachov spoke of the erosion of "ideological dedication, labor enthusiasm, and Soviet patriotism . . . bringing a surge of skepticism and indifference. . . . That section of the population, young people among them, whose ultimate goal in life was material well-being and gain by any means, grew larger. . . . Their cynical stand acquired more and more aggressive form, poisoning the mentality of those around them and triggering a wave of consumerism. . . . The spread of alcoholism and drug abuse and a rise in crime became indicators of the decline of social mores. . . . Disregard for laws, report-padding, bribe-taking, and the encouragement of toadyism and adulation had a deleterious effect on the moral atmosphere in society."

Gorbachov listed areas where corruption and "criminally organized activities" were rife and "in extremely ugly forms": in Uzbekistan, Turkmenistan, Kazakhstan, Moldavia, Krasnodar, and Rostov—and "also in Moscow." Also for corruption, he singled out the (pre-1986) foreign trade ministry and the interior ministry.

"Real care for people, for the conditions of their life and work and for social well being were often replaced with political flattery—the mass distribution of awards, titles, and prizes. An atmosphere of permissiveness was taking shape, and rigorousness, discipline, and responsibility were declining."

Gorbachov stressed the need to fight "all manifestations of ethnic extremism, nationalism, chauvinism, Zionism, and anti-Semitism." He spoke of the "seriousness" of the December 1986 Kazakhstan riots, referring to "past failures" to put down "nationalistic sentiments" there.

# LaRouche upstages plenum on Moscow TV

by Luba George

Timed with the Soviet Central Committee Plenum, held on Jan. 27 and 28, Soviet television showed a 55-minute film, "Who Killed Olof Palme?" *twice*: at 8 p.m. on the evening of Jan. 27, and again on the morning of the 28th. The film focused on re-running the Soviet TV slander of March 21, 1986, accusing U.S. presidential candidate Lyndon LaRouche and his Swedish associates, the EAP (European Labor Party) of "involvement" in the murder. The evening showing was especially striking: LaRouche directly preceded the "Vremya" news feature on Gorbachov's Plenum speech.

The film's planning and timing, and one crucial personnel move at the Plenum, were not unrelated. Soviet media policy is determined by the Central Committee secretary in charge of propaganda, Alexander Yakovlev, one of Gorbachov's closest advisers, and a fanatic promoter of the Kremlin policy to stop LaRouche at all costs. The Plenum elevated Yakovlev to candidate Politburo membership.

Yakovlev, together with the "No. 2" on the Politburo, Yegor Ligachov, is responsible for the massive Soviet disinformation campaign targeting LaRouche around the Palme assassination. *EIR's* investigative discoveries exposing the role of the Soviets in the Palme murder have been amply documented.

Yakovlev is well connected to the U.S. Eastern Establishment, having admitted close ties to Brzezinski and Kissinger since the late 1950s. He agrees with Kissinger that a LaRouche presidential candidacy can wreck their strategic "New Yalta" plans. All Soviet slander articles have made this very clear. The Sept. 30, 1986 *Sovetskaya Kultura* stressed that "LaRouche has already declared he is running for President in 1988 . . . [and] is clearly undergoing right now a great period of growth."

The program was previewed extensively in Sweden, and excerpts were shown on Jan. 27, on the Swedish TV news program "Rapport." What was the "evidence" presented? First, the murder weapon, a magnum pistol, was shown with the commentary: "an American weapon, which makes your thoughts go to the neo-fascists, especially the EAP. The EAP, who already in 1984 said that they were going to shoot Olof Palme."

This is followed by clips of old EAP demonstrations, featuring posters of Palme as the "Devil's Devil." The commentary: "They always attacked Palme. . . . They are in 10

countries. . . . and listen to what their leader in the United States, Lyndon LaRouche, says." Then, a Russian actor is trotted out, portraying LaRouche, with the following lines (paraphrase): "Gorbachov tries to fool you. He talks of peace, but really wants war. He wants to attack the West." Strikingly, for Soviet TV, LaRouche was also portrayed calling Gorbachov, "the Devil."

In the "telespectacular" (as *Izvestia* called it), three prominent Soviet actors were used: Vyacheslav Tikhonov, impersonating the Swedish police chief Holmér; the 59-year-old actor Oleg Yefremov, impersonating Olof Palme; and the third, Ion Inguriu, impersonating Lyndon LaRouche. Actor Yefremov, who also directed the show, was recently appointed at the behest of Gorbachov's wife, Raisa, to secretary general of the newly formed All-Union Theater group. He collaborated closely with Raisa to found the Soviet Culture Fund.

The chairman of the Gostelradio (Soviet National TV and Radio network) is Alexander Nikiforovich Aksenov, "officially" in the KGB until 1971. He too, like Yefremov, was involved in founding the Soviet Culture Fund. He was appointed Second Secretary of Byelorussia (1971-78), and later, under Yuri Andropov's tutelage, chairman of the Byelorussian Council of Ministers. Under Gorbachov, he was brought to Moscow to become the new boss of Soviet TV and Radio.

*Izvestia* on Jan. 24, announcing the TV "premiere," listed its authors: G. Zubkov, Gostelradio's political commentator, V. Gubernatorov, Gostelradio's agent in Sweden, and publicist A. Krasilnikov. All three had been assigned by Yakovlev and Aksenov to produce the "documentary," with the help of the KGB personnel in Sweden.

Invited by Boris Pankin, the Soviet ambassador to Sweden, a select group of Swedish "journalist friends" came to the Soviet Embassy in Stockholm to watch the film. The entire KGB disinformation crew involved in the Palme murder cover-up was there, too, including the Stockholm TASS correspondent and GRU (U.S.S.R. military intelligence) agent N. Vukolov and the above-mentioned V. Gubernatorov. Vukolov was among the authors of the Soviet *New Times* slander (September 1986) against LaRouche. He also accompanied Yakovlev and Gorbachov to Reykjavik.

Boris Pankin in the 1970s was deputy director of one of Russia's *dezinformatsia* agencies, the Soviet Copyright Agency (VAAP). He, together with KGB colonel Vassily Sitnikov and Nikolai Chetverikov, financed and steered anti-American operations in Greece. As the new head of the VAAP, Nikolai Chetverikov came to Sweden mid-December 1986 to work out an arrangement between Gostelradio and Swedish TV for the anti-LaRouche Soviet TV "special." Chetverikov's visit led to some controversy because Chetverikov, formerly expelled from France, was identified by French officials at the time as the boss of the KGB within France.

## Two murders covered up in one year

*The untimely death of Sweden's War Materiel Inspector looks like another covered-up political assassination.*

On Jan. 15, War Materiel Inspector Carl Algernon "fell" in front of a subway train during rush hour at the Stockholm Central Station. Only a few days from then, Algernon was to have been interrogated regarding illegal arms shipments to Iran by the large Swedish armaments producer Bofors.

After a long Navy career, crowned by his 1978 promotion to rear admiral and appointment as Chief of the Command Office of the Defense Ministry, since 1981, Algernon had headed the War Materiel Inspectorate of the Trade Ministry, whose function is to clear arms exports with respect to Swedish law. Recently, Algernon had come under fire as complicit in, or knowledgeable about, illicit Bofors arms exports to Iran and other countries.

After his death, the media gave eyewitness accounts detailing how Algernon was pushed before the train, followed by reports "establishing" that it was all a terrible accident, and that absolutely nobody had seen anything. The eyewitnesses, who all either retracted their stories or mysteriously failed to get in touch with police, included a group of children, a woman, a Swede who called the police from Turku, Finland to testify, and others.

"The police are very concerned to clarify the course of events in detail, so that the sensitive investigation cannot be put into question in the future by interests in Sweden or abroad," one Swedish daily circumscribed what was

clearly emerging as a political cover-up. Unavoidably, parallels were drawn to the murder of the late Prime Minister Olof Palme on Feb. 28, 1986. Not only are both murders surrounded by a thick veil of disinformation, but a strong Iranian arms shipment angle connects the two.

The illicit Bofors arms shipments investigated by Örebro County Prosecutor Stig L. Age, who was about to interrogate Algernon, include both outright arms smuggling and indirect arms shipments to countries who are officially banned from Swedish arms purchases, such as Iran, through third countries. During the last couple of years alone, at least half a dozen shipments of gunpowder and other explosives went from Bofors to Iran via Yugoslavia, East Germany, and West Germany, each shipment of about 150-200 tons. At least once, in 1985, 200 Bofors RBS-70 missiles were sold to Iran, via Singapore. Forty Bofors naval artillery guns were also sold to Singapore, a country which lacks the navy to use those guns itself.

A sophisticated ground-to-air missile system, the RBS-70, would be invaluable for Iran to counter Iraqi air superiority. Conversely, a halt of supplies of missiles and spare parts could be extremely damaging to Iran.

According to the French magazine *L'Express* in November 1986, Palme was murdered by Iranian killers in revenge for blocking arms shipments to

Iran. Such shipments reportedly were ready to depart from Swedish harbors, as an Iranian delegation visited Stockholm in early 1986 to lobby with Palme for their release. Pressured by peace groups for laxity regarding arms exports, Palme, the official United Nations mediator in the Iran-Iraq war, considered it incompatible with his "peace" image to release the arms shipments, once they had been exposed publicly. Shortly after the Iranian delegation returned to Teheran empty-handed, Palme was shot dead.

Bofors directors investigated for the Iran shipments have said that both Palme and Algernon knew about the shipments made via third countries. One Bofors source quoted in the Swedish daily *Expressen* on Jan. 27, said that the way the international arms industry operates and these particular weapons shipments were "something that the cabinet ministers have been aware of."

The same paper on Jan. 24 quoted a Swedish police source, saying that "the War Materiel Inspector of course knew very much about Bofors' business deals and plans. It is very likely that he also knew much about the complicated connections between the Bofors Group and the foreign manufacturers of war materiel."

According to informed sources, Swedish businessman Karl-Erik Schmitz, managing director and majority shareholder of Scandinavian Commodities AB of Malmö, southern Sweden, has been a front-man in the international deals to arm Iran.

Interviewed in November 1985, Schmitz said he had committed no crime and would seek further arms trade "if the price is right." He added that he "had no reason to think of export permits and such things. But you might also accuse the Swedish authorities of turning a blind eye when it was needed."

# Genscher, Trilateral Commission are the winners in German election

by Rainer Apel

The West German parliamentary elections on Jan. 25 resulted in victory for Foreign Minister Hans-Dietrich Genscher, the politician best known for his appeasement of Moscow and the support he receives from the Trilateral Commission grouping of Western bankers and oligarchs. Genscher's Free Democratic Party, the junior coalition partner of Chancellor Helmut Kohl's Christian Democrats, won 9.1% of the vote—compared to 7% in the last federal election in 1983. The FDP now has 45 seats in parliament, and the hand of the treacherous Genscher is significantly strengthened within the ruling coalition.

Genscher promptly boasted, "The vote fully confirmed my foreign policy." The Kremlin was equally delighted, as the Soviet Central Committee's Germany expert Nikolai Portugalov welcomed Genscher's gains as "a vote against the revanchist 'steel-helmet faction' in Bonn." The epithet refers to those conservative, pro-industry, and pro-defense politicians in West Germany who have resisted Genscher's drive for a "New Yalta" deal with Moscow.

Genscher will now use his added leverage to oppose German collaboration with the U.S. Strategic Defense Initiative, to enhance economic cooperation with the Warsaw Pact countries, and to abolish NATO's COCOM restrictions on transfer of sensitive military technologies to the East.

Helga Zepp-LaRouche, the chairman of the new party called Patriots for Germany, stressed that the new government is destined to be short-lived, because of the utter failure of the ruling parties to address the critical issues of economic crisis, foreign policy, and the AIDS epidemic. The conspiracy of silence with which the media and the established parties attempted to smother real political debate, cannot last. "This was the last election in our postwar history," she said, "to allow our pressing problems to be swept under the rug. No longer! The threat to humanity posed by the AIDS epidemic, the world economic crisis, the threat of decoupling, Moscow-controlled low-intensity terrorist warfare, and the acute threat of trade war with our chief ally, the United States—all these threaten us now as before, but even more so than in the past. . . ."

"Today's election results have not changed this situation in the slightest degree. We Patriots have staked our claim to

all these survival issues—issues which will be critical for our future—and we intend to bring them before the citizenry."

## Appeasers strengthened

The liberal FDP did not achieve its gains because of any actual voter support for its policies, but rather because of behind-the-scenes vote-swapping by the party bosses, including the notorious practice of *Leih-stimme*, the "vote loaning" by which the Christian Democrats threw a portion of their votes to the FDP, for party factional reasons of their own.

The result of the election is a strengthening of the anti-NATO currents in all parties of the Bonn parliament, a process that became most visible in the vote increase of 2.7% which the extremist anti-NATO movement of the Green Party scored (from 5.6% in 1983 to 8.3% in 1987). The Greens will be represented in the new parliament with 42 seats, and will enter the parliamentary commissions on the secret services and diplomatic secrets, giving them—and their Soviet controllers—access to classified intelligence.

The Social Democratic Party, West Germany's largest opposition party, lamented its losses (its vote total was 37%) and set out to purge its more moderate executive members. Its defeated chancellor candidate, Johannes Rau, promptly renounced any ambitions to replace the aging Willy Brandt as party chairman (Brandt is retiring from the post in 1988). What remains of the SPD's more moderate wing will be replaced, by 1988 at the latest, by representatives of the anti-defense and anti-American faction, whose leading spokesman, Oskar Lafontaine, has emerged as the leading hopeful to replace Brandt. He was even praised by Hans Apel, defense minister under Chancellor Helmut Schmidt and one of the most pro-defense of the SPD leaders, who said, "Of all the state dukes running for party chairman, Lafontaine is the one with the best chances. . . . After this depressing election defeat, the party needs a charismatic leader."

Lafontaine has demanded the withdrawal of West Germany from the Western alliance, and a complete withdrawal of U.S. nuclear weapons from German territory. He gave a press conference in Bonn Jan. 26 saying that the party's mistake was that it did not work more closely with the Greens.

Even if Lafontaine's march to power in the SPD provokes a walk-out of party moderates, he will have a party machine which controls nearly 25-30% of German voters. Add to this the Greens, whom Lafontaine considers a potential political coalition partner: A "red-green" anti-NATO bloc would have 35-40% of the vote—almost as much as the two Christian Democratic parties, which polled 44.3% on Jan. 25.

Both Chancellor Helmut Kohl's Christian Democrats (CDU) and the allied Christian Social Union (CSU) of Bavarian state governor Franz Josef Strauss lost votes to Genscher's party. They also lost votes among their traditional conservative constituencies, and those social layers hit worst by the government's fiscal austerity policy, such as farmers, steel and shipbuilding workers, craftsmen, and small businessmen. They lost among religious voters, who were particularly disgusted at the Kohl government's "safe sex" approach to the AIDS problem and at liberal compromises on questions of family, education, and abortion.

As a result, the Christian Union parties are in turmoil: CDU manager Heiner Geissler attacked Strauss for creating the fear that if he came to power in Bonn (Strauss has long sought to replace Genscher as foreign minister), he would put an end to détente. Strauss in turn denounced Geissler for his "impertinence."

### **Cabinet members lose the most**

Most striking among the election results was the disproportionate loss of votes by members of the Bonn cabinet and other ranking CDU/CSU officials in their own election districts. While the CDU/CSU suffered an average nationwide loss of 4.5% of the vote, compared to the 1983 elections, Cabinet members and other prominents lost between 6.0% and 8.5% of the vote.

Chancellor Kohl himself proved incapable of winning his own election district, which went to the Social Democratic contender. Kohl's district, Ludwigshafen, is the home of BASF Corporation, one of the three largest German chemical producers; it means that chemical workers voted against Kohl's pro-environmentalist populism, which endangers their jobs. While Kohl may believe he is succeeding in fighting the economic depression, the voters disagreed. The wind is blowing against the chancellor, as it did against President Reagan in the U.S. elections on Nov. 4. Even ranking CDU members in the German labor unions, such as Gustav Fehrenbach, vice-chairman of the national labor federation, warned the government not to continue its austerity policy: "A lot of worker votes were lost to the Chancellor in these elections, and more will be lost in the next elections!"

Perhaps most dangerous of all, the elections strengthened the "Moscow Faction" of the Christian Democrats, those who have recently proposed the reunification of Germany on Moscow's terms. The first statements by prominent Christian Democrats and Chancellor Kohl himself on the elections tried to blame the bad result on "those who attacked détente in the

past weeks." Kohl announced that there would be "no alteration in the government's détente policy after the elections."

The leading spokesman of the Moscow faction, Baden-Wuerttemberg state governor Lothar Späth, who plans to replace Kohl in the chancellorship in the not-too-distant future, announced on Jan. 27 that he would meet with East Germany's ruler, Erich Honecker, March 14-16, to discuss "extended economic cooperation between the two Germanies."

Given the orientation to strict fiscal and monetary austerity of both the German and American governments, trade and monetary conflicts are already pre-programmed. With Genscher's refusal to support the United States against terrorist regimes like Libya, Iran, and Syria, even during the current international hostage crisis, relations will soon get much worse.

### **The Patriots: a new factor**

Despite these dim prospects, the Jan. 25 elections have propelled the new Patriots for Germany party into national and international prominence. It is the only real pro-American party on the country's political landscape, and was the only party which addressed the real issues in the election campaign. Through several million-run leaflets, television and radio spots, and programmatic campaign posters, the Patriots created a stir that shocked the established party leaderships and elites.

The Patriots, running for the first time in national elections, officially gained only between 0.1% and 0.2% of the vote on Jan. 25. The vote was kept low by a media blackout, and by the extremely restrictive nature of the German election system, designed to make the rise of new parties almost impossible. Nonetheless, the Patriots' campaign did reach a significant part of the population, and most important, many of those critical voter constituencies who "deserted" Chancellor Kohl's Christian Democrats.

The prestigious *Frankfurter Allgemeine Zeitung*, a liberal daily close to the Bonn government, warned its readers in an editorial on Jan. 27 not to "underestimate" the smaller parties. Without naming the Patriots, it stressed that nobody should be misled by the fact that the "fringe parties" combined gained only 1.5% of the vote in the elections. "Since [the last elections in] 1983," warned the paper, "a considerable transformation has taken place. . . . The dwarfs among the parties should not be easily discarded as scurrilous signs of the time. One or another of them could emerge to represent a real ferment."

The impact of the Patriots for Germany will be felt in the four state elections that Germany is facing this year. Many voters who abstained from voting on Jan. 25 may return to the polling place in these four elections—to vote for the Patriots. The next elections will take place in May 1987, in the state of Rhineland-Palatinate, which happens to be the state where almost two-thirds of all U.S. soldiers in West Germany are currently stationed.

## Non-Aligned leaders launch AFRICA Fund

by Susan Maitra

At a two-day summit in New Delhi Jan. 24-25, the leaders of nine Non-Aligned nations formally launched the AFRICA Fund, an initiative mandated by the eighth Non-Aligned Summit in Harare, Zimbabwe, last September and given priority emphasis by former Non-Aligned Movement (NAM) chairman, Indian Prime Minister Rajiv Gandhi. The fund, whose acronym stands for Action for Resistance to Invasion, Colonialism, and Apartheid, was conceived as urgently needed to preempt a region-wide conflagration and probable superpower collision in southern Africa.

To make good on the aim to head off a military escalation and facilitate a peaceful end to apartheid, however, the fund's leaders will have to chart a genuinely constructive and non-sectarian path, one that goes beyond the confrontational rhetoric of "sanctions" and transcends the crippling bias introduced in the fund's mandate implying support for the so-called liberation movement, to the exclusion of other critical forces in the South African equation.

The membership of the fund is a balanced lot, led by some of the heavyweights in the Non-Aligned Movement. The strong representation of Ibero-America—in particular, the presence of Peru's President Alan García—is a potentially critical factor—as García's intervention in the recent summit indicates.

President García stayed on in India after the summit on a week-long official visit as the chief guest at India's Republic Day celebration, an occasion for detailed consultation with Rajiv Gandhi. The potential of the García-Gandhi connection was registered promptly by a terrorist attack on the Indian embassy in Lima.

### Appeal and plan of action

As chairman of the AFRICA Fund committee, Rajiv Gandhi presided over the summit. At the group's several hours-long closed-door deliberations Jan. 24, sandwiched between a public inaugural and ceremonial closing the following morning, an appeal, plan of action, and set of rules for operating the fund were adopted.

Vice chairman of the Committee is Zambian President Kenneth Kaunda, and the other members are, Zimbabwe Prime Minister and NAM chairman Robert Mugabe, Congo President and Organization of African Unity (OAU) chairman Col. Denis Sessou-Neusso, Nigerian Chief of General Staff Augustus Aikhomu, Algerian President Chadli Bendjedid, Yugoslav President Sinan Hasani, and President García. Argentine President Raúl Alfonsín sent a special representative, Raúl Alconada Sempé.

The documents had been prepared in several preceding rounds of official meetings in Lusaka and Delhi, coordinated by Gandhi's special envoy to Africa, the former U.N. ambassador N. Krishnan. Indian Minister of State for Foreign Affairs Eduardo Falero had earlier toured southern Africa to assess priorities in terms of the fund's mandate.

The 800-word appeal states the summit leaders' concern at the "sharp deterioration" of the situation in southern Africa and their regret at the continued intransigence of the Pretoria regime. Asserting that apartheid is a "crime against humanity," the appeal calls for concerted action for its complete dismantling. The appeal is complemented by a 50-page plan of action setting forth projects and measures covering seven areas of priority assistance to the front-line states, support for the liberation movement, and mobilization of public opinion and financial resources. Assistance to the front-line states includes relief of shortages of essential commodities, strengthening of transport and communications, compensation for negative trade effects of sanctions, and development of human skills for effective management of national economies. The State Bank of India will manage the fund's account.

### All economic development?

In a session with the press following the summit, Minister Falero reacted sharply to the accusation that the fund was "all economic development." The committee members were agreed, he stated, that the fund's focus is to end apartheid, and that the political edge has to be kept there. He added, "The main purpose is to develop and enhance the self-reliance of the front-line states."

This approach falls short of the recommendation contained in a study for the fund by Dr. R. Panchamukhi, director of the independent think tank, the Delhi-based Research and Information Systems for the Non-Aligned and Other Developing Countries (RIS). Panchamukhi has argued that the short-term objective of assisting the front-line states to enforce sanctions against South Africa was inadequate, and that the long-term development needs of the states of the Southern Africa Coordination Council (SACC) must be incorporated into the AFRICA Fund. "It must be appreciated," the study said, "that the present extent of economic dependence on South Africa of SACC countries would be undesirable whatever the political character of that country."

The study said that the SACC states had been "deliber-



ately incorporated by metropolitan powers and large corporations into the colonial and subcolonial structures centering in general on the Republic of South Africa"—an economic integration strategy in which the "development of national economies as balanced units, let alone the welfare of the people of South Africa, played no part."

The AFRICA Fund's narrowing of approach to aiding the front-line states to bear the brunt of sanctions on South Africa, ignores the economic disaster facing these countries. In Mozambique, relief agencies warn that by mid-1987, southern provinces of the country will be stricken with a famine as horrific as the 1985 famine in Sudan and Ethiopia. All five nations, especially Zambia, face epidemics of AIDS, which has already infected up to 10% of the population.

### **A crippling bias**

Even to be effective in its own terms, the front must succeed in drawing some support from beyond NAM, from the OECD nations, as several committee members stated. Governments as well as institutions and individuals will be invited to participate, according to the plan of action. "All those of who oppose sanctions in good faith [because of the harm to blacks in South Africa and the front-line states]," as Algerian President Bendjedid put it, can come forward to help end apartheid.

Although Minister Falero told the press that there had been "positive response and indications" from countries outside of NAM, so far the fund has mustered a mere \$70 million, and that from committee members themselves. With projects in hand totaling several billion dollars—including more than \$700 million for rehabilitation of migrant labor in Mozambique alone—this is not an auspicious beginning.

Indian officials have successfully beat down the bogey first floated by the British press last September that the fund was a military vehicle. However, the fund's explicit endorsement of the so-called liberation movement, the African National Congress (ANC), the Pan-African Congress (PAC), SWAPO—and its entertainment of some \$50 million of funding requests from that quarter—implies a deeper compromise of its avowed goals to facilitate a non-violent transition in South Africa on two counts. First, it tends to cut the fund's leaders off from contact with other, generally moderate political forces among black and Afrikaaner alike, who are not only significant as political forces, but vital to a negotiated solution.

Second, the so-called liberation movement has already rejected a peaceful solution. ANC leader Oliver Tambo's recent remarks in the United States made that clear for those who had not cared to notice his organization's sponsorship of the notorious "necklace" killings of moderate black activists. Or, one could point to the ANC's boycott of the just-concluded *Indaba*, organized by Chief Buthelezi, the moderate leader of 6 million Zulus, where blacks, whites, and Asian South Africans came up with a formula for multi-party

democracy with universal suffrage. This formula will be applied in Natal, a province containing one-fourth of South Africa's entire population, and could be a model for the country.

Even the fund's vice-chairman Kaunda pointed out that it would not be accurate to put sole blame on the South African minority regime for the persistence of apartheid. In reality, he said, it was "short-sighted individuals in the West who pandered to the magnates of certain multinationals," the real authors, beneficiaries, and overseers of the apartheid system. Having "lived as strange bedfellows with the apartheid regime for half a century," as he himself put it, Kaunda can appreciate the subtle realities of a situation which has otherwise been distorted beyond recognition in the media. But then, in an odd defiance of such insight, he issued a sectarian call on behalf of the ANC in the very next breath.

### **The García factor**

President Alan García's interventions in the public session of the summit point to his potentially decisive contribution to the fund's direction, and its ability to make a viable initiative. García roused his fellow committee members and the 1,000 person audience in New Delhi's prestigious Vigyan Bhavan Conference Hall from a rhetoric-induced fog with a passionate statement identifying the broader significance of the AFRICA Fund.

"Apartheid, colonialism," García said, "are the horrible expressions of a world economic system that has run its course." This system has smothered human creativity and produced the "cultural wasteland we see all around us today," he said. Pointing to the moral bankruptcy of the East and West alike, García said that establishment of the fund is a "moral flag," a step toward the restoration of certain basic ethical norms and human principles with which to create a better world.

The "voice of the poor is rejected," García elaborated. "Daily material conditions are imposed by might and force of arms and international institutions, but it is we poor and not the rich and powerful who are taking the initiative to find a solution. We represent their lost moral strength. We cannot just look to our own national interests, we must look to the whole world."

"We must join in our poverty, and make it our strength, as an expression of hope for the future. For it is not just southern Africa," García said. "Some day, we will have to face up to other, bigger problems—the debt problem, the problem of economic sovereignty, the establishment of a real international currency."

Described by one of India's leading dailies as "an irresistible moderate," García bridged the gap between Africa and Asia on the one side, and Ibero-America's predominantly Catholic-influenced cultures on the other. García's own close relationship to Pope John Paul II could give a powerful new dimension to the fund's work.

# The destruction of Western culture; the strange case of Yuri Lyubimov

by David Goldman

Soviet "dissident" Yuri Lyubimov, for the past several years a leading figure in Europe's cultural scene, shot to prominence in the United States in January 1987, with a surrealistic stage-version of Dostoevsky's *Crime and Punishment*, on the stage of the National Theater in Washington, D.C. In principle, the National Theater represents a flagship institution of American drama, linked to the Kennedy Center, where Lyubimov's friend and political associate, Russian musician Mstislav Rostropovich, conducts the National Symphony Orchestra.

On Christmas Eve, three weeks before the Dostoevsky premiere, Lyubimov hinted that he might return to the Soviet Union on invitation from the authorities—a remarkable development, since the former Chernenko government had made a grand issue of stripping Lyubimov of his Soviet citizenship in 1984. In fact, Lyubimov's case opened what the Western press, and such Sovietologists as Marshall Goldman, see as a new cultural thaw in Moscow. Subsequently, invitations were extended to Lyubimov's friend Rostropovich, and to almost the entire galaxy of exiled Soviet ballet stars, either to return to Moscow permanently, or to perform there.

The importance of the Lyubimov case—as opposed to that of the re-invited dancers, for example—is that the Russian director remained under Soviet intelligence control before, during, and after his supposed "defection" to the West. Soviet intelligence attempted to cover for its control over Lyubimov's activity by instructing local Communist municipalities in Paris and Bologna, among other European cities, to harass him. But the control-network is one whose ties to Russian intelligence date to the period of the Russian Revolution.

Since the Lyubimov case became, in the eyes of Western analysts, something of a thermometer for Moscow's anticipated "cultural thaw," his continued control by Soviet or allied networks, sheds light on the greatest collective blunder of Western intelligence services during the postwar period: their failure to comprehend that the heart of Soviet policy is cultural warfare.

West Germany's mass-circulation newsweekly *Der Spiegel* reported Dec. 29, 1986, "**Raisa Gorbachova, 53, wife**

of the Soviet general secretary, apparently intervened in favor of the avant-guard stage director Yuri Lyubimov. . . . After a visit to the Taganka Theater, Lyubimov's former workplace, Raisa Gorbachova asked, after a discussion between her husband and the actors' collective, what had happened to the anti-Stalin theater piece, *The House on the River*, and complained that the theater no longer had it in repertory. The show had been canceled when the stage director was sent out of the Soviet Union, and is now being rehearsed again."

Reports of Raisa Gorbachova's personal intervention on behalf of one of Russia's most famous "dissidents" are highly credible; they coincide with the rehabilitation of Andrei Sakharov, the exiled Soviet physicist, who is now happily back at his job producing nuclear weapons for the Soviet military.

Perhaps with no special sense of irony, Moscow's power behind the throne, Raisa Gorbachova, waited for Lyubimov's triumph in the opposing capital, to make an extraordinary offer to the exiled theater director. Madame Gorbachova made the offer in her capacity as president of the **Soviet Culture Foundation**, which bears the Bolshevik ideological flame in a more profound way than, for example, the Marxism-Leninism Institute in Moscow; Gorbachova herself is the daughter of the last surviving "Old Bolshevik" collaborator of Lenin, Maxim Titorenko, and Western European intelligence observers point out that husband Mikhail Gorbachov married his way into the succession to the Soviet party chairmanship.

Lyubimov's directorial style had earlier won the unalloyed disgust of European audiences, artists, and critics. Notable was his first major production in the West following his 1983 "defection," Verdi's *Rigoletto* in Florence, where renowned baritone Piero Capuccilli walked out of the production, and the audience literally hissed Lyubimov out of the theater on the first night. His Washington *Crime and Punishment*, his sixth staging in the West, is an exercise in collective brainwashing: the audience must file past two bloody corpses, and submit to an inspection of their shoes by a flashlight-bearing actor searching for traces of blood.

## Who's being led by the nose?

In November 1986, weeks before Gorbachova's friendly

offer reached Lyubimov, none other than **Jeane Kirkpatrick**, a member of President Reagan's Foreign Intelligence Advisory Board, dragged Lyubimov to Vienna, as part of a "human rights intervention" during the Conference on Security and Cooperation in Europe (CSCE) talks in Vienna. While Secretary of State Shultz met his Russian counterpart, Eduard Shevardnadze, Kirkpatrick, Lyubimov, and just-released dissidents Anatoly Shcharansky and Yuri Orlov, took part in a rival conference sponsored by the Sakharov Institute. Within a month, Sakharov was back making bombs, and Lyubimov was negotiating his return.

Wittingly or not, American intelligence appears to have aligned itself with the extreme faction of Dostoevskian messianism, against the mere bureaucratic strain, which Gorbachova and her husband are now fighting.

Throughout all this, Lyubimov took every available opportunity to protest his loyalty to Mother Russia. At a July 1984 press conference in Bologna, Italy, announcing his appointment to head the ATER (the regional theater association controlled by the local Communist government), Lyubimov said, "I have been, I am, and I will remain Russian. . . . The people handling cultural policy in my country are completely incompetent. I do not consider myself a dissident and I did everything possible to find an agreement with the authorities."

The content of Lyubimov's efforts, particularly his stage versions of Dostoevsky, are sufficient to identify Lyubimov with the most extreme variant of Russian cultural psychosis, dating back to Dostoevsky's own plan for Russian world conquest. In Dostoevsky, Lyubimov is in his element. Turned loose on Western classics, he runs wild. Of his *Rigoletto*, produced under Luciano Berio's sponsorship, the London *Guardian* wrote on May 20, 1984, "The kindest thing one could say of the Lyubimov staging was that it was a totally unnecessary insult to the Verdi opera and to the audience. The production could be useful if it serves as a warning to theater managers everywhere to stop importing gimmicky directors from an alien culture for a purely homegrown opera or play."

The production featured puppets of Hitler, Mussolini, and Stalin on stage throughout, and required the tragic title character to imitate Charlie Chaplin's walk and costume.

Western intelligence services may well have no cultural criteria to speak of, but that is no excuse for their credulity (or worse) respecting Lyubimov. Provably, the gang that sponsored these outrages has been allied with Soviet intelligence, through the "Trust" network created during the first years of the Soviet dictatorship, out of earlier relationships between the old Venetian commercial families, and the Czarist secret service *Okhrana*.

Lyubimov's Italian sponsors belong to what Italian musicians refer to as the "Communist music mafia." In a forthcoming interview with the West German cultural magazine *Ibykus*, the leading Verdi baritone Piero Capuccilli, who

walked out on the Lyubimov *Rigoletto* in disgust, spoke for many Italian artists in denouncing the production as a "political operation" by the Communist Party mafia.

### The Communist music mafia

For purposes of identification to the specialist, we identify such individuals as

**Luciano Berio**, the former Communist Party candidate for public office and modernist composer;

**Luigi Nono**, Communist Party leader, composer of operas glorifying terrorism, and son-in-law of the atonal Viennese composer Arnold Schönberg;

**Claudio Abbado**, Nono's closest friend, protégé of the Milan Communist party, and reported former homosexual lover of conductor Leonard Bernstein;

**Massimo Cacciari**, co-founder of the political currents that eventually became the terrorist Red Brigades, later a Communist Party deputy for Venice, and finally, an apologist for a fascist-Communist alliance, among others.

Except for Abbado, whose sponsorship by Bernstein vaulted a mediocre talent into a major international career, the above names are obscure to non-specialist audiences. Nonetheless, they are nodal points in the web of long-range Soviet cultural policy with respect to the West.

To be precise, they are not Soviet agents *per se*, but agents of the ancient Venetian families whose own nihilistic outlook coincides with that of the Russian oligarchy, and who collaborate with the Soviets, on the strength of their uneasy agreement to destroy the cultural heritage of Judeo-Christian civilization.

This writer interviewed Massimo Cacciari at his home in Venice in December 1985. Cacciari was for years the closest associate of fugitive terrorist **Toni Negri**; Negri went on to found the Red Brigades, Cacciari to the Italian parliament on the Communist ticket. According to well-informed sources, Cacciari's principal controllers are two: the aging grand old lady of the Venetian Communist Party, **Countess Foscari**, and her son, architect **Antonio Foscari**. The latter achieved minor prominence last year, as restorer of the "Futurist" art museum at the Palazzo Grassi, a cult-temple to the aesthetic ideals of Mussolini fascism, paid for by Fiat owner **Gianni Agnelli**. That orientation is no surprise, as Cacciari explained, since the Foscari family are the political heirs of Mussolini's foreign minister, the Venetian **Count Volpi di Misurata**.

Count Volpi, the definitive figure of Italian fascism, was a founder of what the Soviets called "The Trust," the external financial organization founded in collaboration with Western bankers, to further Soviet economic interests abroad. He was also the creator of the Venetian *Biennale*, the music-art-cinema festival which did more than any other entity in 20th-century history to promote modernism.

Under Count Volpi's personal patronage, and with the support of the ancient Venetian dogal families, Italian musi-

cal life fell under the control of the Western financier-network with the closest, and longest-standing ties, to Imperial Russia.

Luigi Nono writes cacophonous electronic music to accompany quotations from Marx, Lenin, Che Guevara, and so forth, cobbled together by librettist Massimo Cacciari, the latter-day prophet of a fascist-Communist alliance. One such "opera" premiered in 1975 under the title, *Al gran sole carica d'amore*; the exiled Lyubimov directed a new production of it.

Nono started under the sponsorship of Count Volpi's friend, Venice Conservatory director and leading fascist **Gian-Francesco Malipiero**, and became a major figure in Italian musical life thanks to Claudio Abbado, who produced Nono's trash at La Scala. Abbado, whose sister Luciana married the Communist Party's chief music theoretician, **Luigi Pestalozza**, took over the country's premiere lyric theater, La Scala, in consequence of the leftist rebellions of 1968, when the Italian Communists increased their power over the Milan municipality, which controls La Scala. Brother Marcello Abbado directs Milan's music conservatory.

Abbado's career was made, according to well-informed sources, when his father, fascist collaborator **Michelangelo Abbado**, a former instructor at the Venice Conservatory, introduced the adolescent Claudio to the sexually-voracious Leonard Bernstein, during Bernstein's 1949 visit to Milan. Abbado, in turn, made the careers of **Ricardo Muti**, now conductor of the Philadelphia Orchestra as well as La Scala, **Richardo Chailly**, conductor-designate of Amsterdam's Concertgebouw Orchestra, and various other conductors.

Luciano Berio, the prominent atonal composer, also enjoyed Bernstein's patronage, during a long residence at the Julliard School of Music, and at the Tanglewood Festival of the Boston Symphony, where he dominated the teaching of what he euphemistically called musical composition. Bernstein's close associate (in the elaboration of a silly theory of "musical linguistics") is leftist academic **Noam Chomsky**—who formed in 1979 the American support committee for Toni Negri, closing the circle.

Although Claudio Abbado, the most prominent figure among the music mafia, takes no overt political role, his intimates such as Nono—with whom he spends most vacations—are frequent travelers to Communist states, and public advocates of bloody revolution.

Lyubimov was passed around this circuit following his "defection." His first assignment was the disastrous *Rigoletto*; he then obtained a permanent job under the Communist government of Bologna, at the instigation of Luciano Berio's friend **Umberto Eco** (author of *The Name of the Rose*). In December 1984, La Scala picked him up for a stage-version of Bach's *St. Matthew Passion*, with the support of Abbado's ally, **Carlo Maria Badini**, La Scala's director. This had been planned in 1983, before Lyubimov's "defection." Bernstein's intimate friend, **Seiji Ozawa**, conductor of the Boston

Symphony, brought the production to the symphony's summer festival at Tanglewood in August 1985.

Oddly, Lyubimov's reinstatement in the Soviet cultural pantheon, coincided with the death of his friend **Andrei Tarkovsky**, the theater and cinema director who died in Paris in January, reportedly of cancer. Tarkovsky achieved acclaim in the West when his 1962 film, *Ivan's Childhood*, received the top award at the Venice Film Festival.

On Jan. 9, the Soviet weekly *New Times* deplored Tarkovsky's "tragic fate" at the hands of "bureaucrats" who failed to understand his work. "Exhausted by suffering, did he have the force to understand that the time when bureaucrats edited artists had receded into the past in his homeland? Now, if he had come home, there would be no obstacles between him and the audience, the people," wrote the Soviet journal, which circulates internationally in multilingual translation.

Tarkovsky's defection in July 1984 was a unique case, since it was sponsored officially by the "New Age" cultural circles who otherwise promoted Lyubimov's career in exile. Lyubimov, along with his Washington colleague Rostropovich, attended the July 9, 1984 press conference announcing his defection. The press conference was held in Milan, under the sponsorship of the nominally right-wing Catholic organization, *Movimento Popolare*. The arrangement of defections is, under any circumstances, the most delicate of all matters, and it is difficult to clarify *Movimento Popolare's* role in this regard. However, Lyubimov and Rostropovich's presence at the press conference of the organization had an unambiguous meaning. The unhappy coincidence of Mrs. Kirkpatrick's enlistment of Lyubimov for a demonstration against Soviet human-rights violations, with Gorbachova's re-enlistment of Lyubimov in the cause of Mother Russia, makes clear who, ultimately, led whom by the nose.

If the "conservative" Mrs. Kirkpatrick, closely associated with "right-wing" Catholic circles, allowed herself to become an instrument of Gorbachova's war against the Soviet bureaucracy, the American liberals have virtually begged for this role. Writing in the *New York Times* Jan. 7, Harvard sovietologist Marshall I. Goldman claimed, "Mr. Gorbachov has apparently come to realize that such a policy [of censorship] is inappropriate in the age of high technology . . . that seems in large part to account for Mr. Gorbachov's call to Dr. Sakharov. It is also why the great director, Yuri Lyubimov, has been promised that he would have artistic freedom if he returned from the United States to resume direction of the Taganka Theater in Moscow."

Americans may find it ironic that Mother Russia controls the cultural life of America's capital; much more remarkable is that Gorbachova is willing to bring to the surface the oldest, and most successful, foreign intelligence operation Russia has ever undertaken: namely, the infiltration and subversion of the institutions which bear the cultural heritage of the West.

## Next Patriarch a Germany handler?

*The promotion of Pitirim to "metropolitan" relates to Moscow's plans to absorb Germany into its empire.*

At the beginning of 1987, Pitirim, the Russian Orthodox Church (ROC) Archbishop of Volokolamsk (Moscow) was promoted to Metropolitan of Volokolamsk and Yuryeveska.

Long the head of the Moscow Patriarchate's publishing department, Pitirim has often visited West Germany, and has been at the center of talks between the ROC and the "neutralist" leadership of the Protestant Church of West Germany (EKD). Under the cover of "theological" discussions, these talks have explored the potential for a German-Soviet strategic accommodation based on setting up a pro-Russian, *neutral*, reunified Germany.

The 60-year-old Pitirim, with an enormously long white beard (even by Orthodox standards) is well-informed and well-connected. His intense eyes emanate that Rasputin-like "all-knowing" guru look which seems to have mesmerized many in the EKD. Pitirim is the "Germany expert" of the Russian Church hierarchy. During his many tours of West Germany, escorted by leading EKD officials, he has engaged in long talks with West German business, industrial, political, and religious leaders, some of whom have donated handsome sums towards the ROC's 1988 "Christianization" of Russia millennium celebrations.

Witnesses to discussions Pitirim held in West Germany confirm his talents in organizing Western funds for the upcoming millennium. A high percentage of the 1988 costs is being met by money from the West.

Sources in the World Council of

Churches see Pitirim's promotion as giving him the "inside track" to succeed the long-ailing 76-year-old Moscow Patriarch Pimen. It was clear to all observers in Western European church hierarchies by summer 1986 that Pimen was gravely ill, and that the Orthodox hierarchy was planning the succession. At that time, three possible successors were mooted:

1) **Alexei**, until mid-1986 Metropolitan of Estonia and Tallin (Reval), promoted last year to Metropolitan of Leningrad, while keeping his old post. This move restores the unity of the Leningrad and Tallin archdioceses that existed until the end of War World II. Alexei's promotion also signaled Moscow's "German card," as his real name, von Rüdiger, is that of a German noble family from Estonia.

2) **Denisenko**, the Metropolitan of Kiev, who has an outside chance.

3) **Pitirim**, whose promotion was tipped off months ago by a high-ranking ROC official who insisted that a "mere archbishop" like Pitirim will not be ignored in the succession. "If necessary, Pitirim can be appointed Metropolitan one day and Patriarch the next," he said, to the amazement of the inquirer.

Pitirim is no ordinary archbishop. His family (surname Nechaev) maintains an unbroken continuity, say his EKD friends, to Joseph of Volokolamsk, who led, together with Philotheus of Pskov, the opposition to the Union of the Eastern and Western churches achieved at the Council of Florence in 1439. The pair hatched the mystical world-empire doctrine of

"Moscow, the Third and Final Rome."

Joseph of Volokolamsk was Russia's chief ideologist of the brand of hesychasm (Orthodox mysticism) called "Josephism" (*Iosifyanstvo*) in the middle to late 1400s. Under Josephite rule, anyone who dared to import foreign ideas into Mother Russia was anathemized as a "Judaizer" (a label applied to those introducing such "Western" ideas as geometry, which was banned by the hesychast monks). Joseph (Sanin) of the Volokolamsk Monastery wrote against the "Judaizer movement" and promoted the aggressive claim that Moscow, after the fall of Constantinople to Turkish rule in 1453, was the rightful heir to world political as well as religious leadership. He sought a "concordat" with Muscovy's new rulers by providing them with a concept of theocratic power to justify their rule.

Today, Pitirim, a descendant of Joseph of Volokolamsk's family, is a leading exponent of the "concordat"—church-state accommodation—with the Soviet regime. The *Journal of the Moscow Patriarchate*, which he runs, last year proclaimed that the "Third Millennium will be the Slavonic Millennium" and launched fierce attacks against Pope John Paul II.

Pitirim's collaborator in West Germany and expert on "Russian Orthodox spirituality," Prof. Fairy von Lilienfeld, of Erlangen, delivered a report in honor of her "dear friend" Archbishop Pitirim at the 500th anniversary celebrations of the Moscow Theological Seminary in 1985. The report was titled "Young St. Joseph of Volokolamsk."

The German Protestant news agency "epd" was the first in the West to report Pitirim's promotion in January, adding that the new metropolitan "entertains very close relations to the Protestant Church of Germany."

## A trail of dirty cops

*Police corruption probes may lead the Colombian government's war on drugs onto battlefields it would rather avoid.*

Ongoing investigations by the Colombian attorney general's office of two F-2 police lieutenants arrested in the city of Medellín has the potential to unravel an entire network of police and political corruption in league with the drug mafia.

The two detectives, whose names are being withheld from the public while the investigation of their activities is pursued, are believed to have served as the "intelligence arm" of the infamous "Medellín Cartel" of drug traffickers, headed by Pablo Escobar and the Ochoa clan. That the dirty cops were also reportedly engaged in heroin trafficking, suggests that the mafia network which employed them extends far beyond Colombia's cocaine trade.

Little fanfare has attended the news of the F-2 arrests, but the busts have already prompted a shakeup of the Colombian national police. The police commanders of both the city of Medellín and of Antioquia department (of which Medellín is the capital) have been fired for negligence and may soon be facing formal charges as well. The anti-narcotics section of the national police has been put under the command of army general Antonio Gómez Pandilla, a first in the history of that institution.

Perhaps most importantly, the arrests of the F-2 lieutenants have stripped away one important layer of protection from the cocaine kingpins who have heretofore managed to stay at least one step ahead of police and army raids, based on the warnings of their hirelings. Despite the complaints

of the international media over the failure of President Barco's anti-drug war to snag the "capos" of the drug trade, hardly a word has been devoted to the police clean-up now under way, a clean-up which targets the very security of the drug mafia itself.

The purge in law enforcement will lead, necessarily, to the political protectors behind the dirty cops. Whether the Barco administration is prepared to accept the consequences of its own investigations remains to be seen.

A more serious problem, however, is the Barco government's refusal to face the contradiction of its economic policies—authored by the International Monetary Fund—with its anti-drug commitment. Colombia closed out 1986 with an official 5.3% economic growth rate, cause for great celebration and praise of the government's strict adherence to IMF dictates. However, unlike Peru, whose 8.5% growth rate represented new jobs and increased productivity, Colombia's "wealth" came in large measure from the very dope trade it would defeat.

The sad truth was perhaps best expressed in an article published by the daily *El Espectador* Jan. 18: "The Colombian economy in 1986 had an exceptional performance, thanks to improved prices for coffee and the increase in services income, apparently derived from the drug trade, after two years of adjustment monitored by the International Monetary Fund."

The article notes that services accounted for \$1.1 billion in 1986 income, representing 19% of the coun-

try's total foreign earnings. Despite the war on drugs, services income—repatriated capital and drug money laundered through the infamous *ventanilla siniestra*, or black market window at the central bank—was up 55% over 1985!

According to the president of the Latin American Banking Federation (Feleban), Fernando Londoño Hoyos, the Colombian central bank takes any quantity of money, from anyone, with no questions asked: "There is never an investigation to know exactly the origin of the dollars . . . nor the reason for the transfers, nor which Colombians are violating the law by earning dollars." If the government really wanted the drug traffickers, says Londoño, "they should capture them on the lines at the *ventanilla siniestra*."

This year, the Barco government will be hard put to reconcile its contradictory policies. If it pursues its anti-drug efforts seriously, the cocaine trade will start to suffer in a big way, affecting income through the "sinister window." At the same time, a collapse in coffee prices on the international market is being predicted. A report just issued by National Westminster Bank of London says the fall in coffee, oil, and gas prices this year will give Colombia a huge balance of payments deficit, which would rather quickly deflate its spurious economic growth claims and get it into trouble with the IMF.

At the beginning of 1986, according to the report, Colombia's foreign debt totaled \$13.56 billion, representing 45% of GNP. New credits to sustain such a debt burden could be jeopardized by the 1987 perspective outlined by National Westminster Bank. Which would bring the Barco government face-to-face with a critical choice: a deal with the drug mafia to keep the IMF happy, or growth Perustyle?

## A Malthusian offensive

*The Brazilian government is divided between the Malthusians and those who still battle for development.*

Two days before the creditor governments' cartel known as the Club of Paris approved a debt refinancing package for Brazil, the Brazilian government shifted toward a drastic program for reducing population growth. In a meeting of the cabinet Jan. 19, the Malthusian faction began debate on their proposal that President José Sarney decree a "family planning" program with strict demographic goals. While some Brazilian states have sweeping birth reduction programs, the federal government has never openly favored them.

Announcement of the plan raised a national storm of protest, since the new policy represents a complete break with Brazil's traditional anti-birth control—and therefore anti-Club of Rome—position, a position which Brazil defended during the U.N. population committee's Bucharest and Mexico City meetings at which the world genocide lobby held sway. The government itself is now totally divided between the genocidalists and those who are battling for development.

On the one side are the ministers of education and interior, Jorge Bornhausen and Rolando Costa Couto, respectively, and the highest-level official of the presidential office, Marco Maciel, all of whom are rallied in defense of the new population policy by echoing the population reduction plans elaborated under the Jimmy Carter government known as *Global 2000*, today propagandized by such groups

as the Trilateral Commission.

"It is impossible to reduce poverty without reducing population growth," affirms Bornhausen, while Costa Couto insists, "The immense majority of the poor—more than 60% of the population—do not utilize birth control," so that the amount of wealth produced by the country is inadequate to finance the birth of three million new Brazilians each year.

The counterattack to these Malthusian fallacies was not long in coming. The pro-growth federal congressman Carlos Santana, former health minister and currently president of the health commission of the House, charged that birth control—disguised or not—is an imposition of the creditor banks: "The World Bank, through the reports of its presidents, has always made its proselytizing for a rigid birth control policy explicit." He added, "It is no secret" that some foreign banks have imposed a policy of birth control as a basic condition for granting credits or making investments in Third World countries. In response to the sophism that claims that the country, and the world, is overpopulated, Santana said, "The world has 20 inhabitants per square kilometer; Brazil has less than 15." He also warned that Brazil's birth rate was in fact falling drastically.

To give an example of this, it should suffice to note that, especially in the "Africanized" Brazilian northeast, the United Nations and the U.S.-

based Planned Parenthood International have been sterilizing millions of fertile women. In the case of Manaus, deep in the Amazon, 33% of the women have already been sterilized.

At the same time, the CGT and CUT labor federations explicitly view the proposed birth control policy as "imposed by the International Monetary Fund."

However, the real architect of the plan to reduce population growth in Brazil is the World Bank agent Helio Jaguaribe, a member of the Club of Rome, and the *éminence gris* behind the Sarney government.

Jaguaribe prepared a study called *Brazil, 2000*, which he presented to the government as a plan to combat "absolute misery." Jaguaribe's study has been widely accepted within the Foreign Relations Ministry, among other institutions.

Jaguaribe's proposal is a collection of World Bank recommendations designed to promote agricultural slave labor instead of productive industrial employment. Among the proposals that stand out in his plan, for example, are "taking necessary measures" so that the labor force does not grow by more than 2.5% a year. What of new workers? Jaguaribe suggests they be prevented from emerging at all by keeping the rest of the population buried in pick-and-shovel labor.

Upon commenting on the new birth control plan, Jaguaribe stated: "I received the news with great satisfaction, since there can be no doubt that high population growth rates make development more difficult."

Thus Brazil finds itself deeply divided, and not on a partisan basis, but on the fundamental question of development or zero-growth. In the faction of the first are elements of the military, church, political parties, and labor unions.



## Compromise on AIDS policy

*It is coming down to a fight pitting the Schiller Institute and EIR against the Italian Communist Party's "gay" lobby.*

In Italy, as elsewhere, panic is rapidly spreading over AIDS, which has already caused 300 deaths, many of the victims being babies born to drug addicts. The special commission to fight AIDS formed on Jan. 13 by Italian Health Minister Donat Cattin was not able to take the urgent measures which had been demanded by the Schiller Institute in Italy, including screening and quarantine. On Jan. 24, the special commission, chaired by Professor Aiuti, known for his Malthusian theories in favor of population reduction, came out with the first official "rules," which are the result of a compromise among the 28 "experts" forming it.

The government document on AIDS confirms that "AIDS is an infectious, communicable disease, with a very high mortality rate," that "the disease can be transmitted not only by patients, but also by asymptomatic carriers," and that other forms of transmission besides blood and sperm are "possible but not demonstrated," such as mosquitos, saliva, aerosols, etc. Nevertheless, it does not call for universal screening, or quarantine, limiting itself to "advice" such as "the population should not use drugs, and should avoid casual sexual contacts, or use condoms." These are not dissimilar from the "safe sex" rules adopted in other countries, and which will exterminate the world population within 40 years if nothing more is done. More precise rules are discussed in Italy only for service workers whose jobs "imply the use of

needles and cutting instruments, which can provoke the emission of blood, such as barbers, dentists," etc., but such precise rules are limited to disinfecting or changing the instruments each time.

Not mentioned in the government report, but one of the hottest issues inside the commission itself, is the compulsory reporting of AIDS cases to the operational center inside the Health Ministry. The government issued an executive order classifying AIDS as an "infectious disease," meaning "compulsory reporting," last November, a decree which drew hysteria from ARCI-GAY, the Communist Party homosexual organization, and the "organized prostitutes," a kind of prostitutes' union also established by the Italian Communist Party.

Instead of sticking to compulsory reporting by name, as was decreed, Aiuti's special commission on AIDS is discussing how to change the law on infectious diseases in order to avoid compiling a name card for each patient and seropositive individual, so as not to offend the "privacy" of homosexuals and prostitutes. Even on blood transfusion, one of the "experts" forming the commission, who should be sued for attempted murder, told *EIR* that it would be wrong not to accept donated blood, because it is an "act of generosity," and that tests should be done after the blood is donated. Some justify such criminal proposals by saying that screening and tests would put "patients in a ghetto," while others at least do not lie, and admit that "tests

would be necessary, but they cannot be done because of the budget cuts" imposed on the health budget by the International Monetary Fund.

It is not surprising that the government document on AIDS has only increased the fear and mistrust of Italians, who started calling the offices of the Schiller Institute and *EIR* in Rome, identified by the daily *Giornale d'Italia* as "the most advanced in the fight against AIDS," to find out what should really be done. Others started calling radio and TV stations airing broadcasts on AIDS to ask why nobody is speaking about the "economic reasons behind AIDS," such as starvation and lack of hygienic measures in Africa, and also in southern Italy and other poor areas of Italy.

Those who are truly eager to launch an emergency plan to stop AIDS in Italy will attend a Feb. 12 conference on "Italy's role in the fight against AIDS" organized by the Schiller Institute in cooperation with the Fusion Energy Foundation and *EIR*. *Giornale d'Italia* reported on Jan. 15, "Already in 1973, thanks to the initiative of the American politician Lyndon LaRouche, now a candidate for the White House, an *EIR* task force on biological holocaust was formed by Prof. Warren J. Hamerman, and with the cooperation of famous pathologists, biologists, and other researchers, published, also in Italian, the *Special Report* on AIDS distributed by *EIR*." In preparation for the international conference in Rome, conferences on the *EIR Special Report* were held in Milan, Rome, Trieste, Salerno, and Avola (Sicily). The attendance of hundreds of doctors, biologists, and citizens showed that very few people believe Professor Aiuti's lies, while the majority support the emergency measures and the campaign for tests and quarantine launched by the Schiller Institute.

## Growing strain in Thai-U.S. relations

*In the face of economic attacks from the United States, Thailand is looking for new options—and Moscow is ready.*

**W**e print here sections of an article published in the Bangkok Nation on Dec. 31, 1986, reviewing how U.S.-Thailand relations deteriorated during the last year, with Moscow picking up the benefits. The downward turn in ties between Thailand and the United States hinged on U.S. protectionist measures against Thai products. The U.S. Farm Act, while damaging U.S. farmers, has led to a collapse of Thai rice exports, and the U.S. Textile Production Bill, the "Jenkins Bill," would decimate Thailand's textile industry.

For Thailand, the tensions between Bangkok and Washington are a shock. Thailand has a long friendship with the United States. In the 19th century, King Rama IV offered elephants to President Lincoln to help fight the American Civil War. In this century, Thais were drawn to the United States during World War II, when the United States aided the Free Thai Movement against the Japanese and fought for Thailand's national sovereignty.

Both the U.S. and Soviet Union dominated the Thai foreign policy scene in 1986. It was a year when Washington lost out to Moscow after a better start at the beginning of the year. . . .

Throughout the year, the focus of Thailand's external relations was on the U.S. regarding protectionist moves and the endeavor of Thailand to understand the American political process—the complex and intricate system of the U.S. government. It was the year Thai leaders reminded the U.S. time and again that the country's

stability and economic well-being was crucial to the development of the democratic process here. . . .

But the Thai explanations fell flat as the U.S. lawmakers were more concerned with their constituencies, as U.S. congressional elections were due in November. . . .

For the first time, the Thai authorities realized that despite the traditional close ties between Thailand and America, when it comes to protecting one's interest, particularly the U.S.'s, no amount of friendship can alter a decision to accommodate the interest of the other. The Thais used to think that America would continue to help and be sympathetic to our needs. Most of all, America was our good friend for years and we took it that the country was bound to help us, no matter what. But that kind of illusion has disappeared. Of course, one could argue that this sort of uneasiness had gradually disappeared during the U.S. disengagement from the region, notably after the American troops left Thailand. But it wasn't until the past two years, more specifically this year, that Thailand truly came to grips with the harsh reality of the Thai-U.S. ties that we better save our own neck, come what may.

Thai-U.S. security ties in 1986 remained strong and showed no signs of wavering. . . . The U.S. decision to drop the foreign military sales credit for Thailand, as a result of the budget balancing Gramm-Rudman law, will certainly affect the Thai government, notably the Defense Ministry. It would

be wise for the leaders of the two countries to prevent any spillover from the outcome of future trade or economic conflict into efficient defense ties. Many Thai politicians have expressed their readiness to use Thailand's strategic importance and have threatened to do so as a trade off with the economic issues. If such an idea receives support in the years to come, it can jeopardize and eventually damage the security cooperation between Bangkok and Washington. . . .

Simply by virtue of the stalemate in Thai-U.S. ties emanating from the ongoing economic conflicts, Thai-U.S.S.R. ties took a new turn for the good in the latter half of 1986, and without any concession from Moscow. . . .

Foreign Minister Siddhi Savestila is scheduled to visit Moscow next May—something he has tried to avoid for the past two years. . . .

Let us face it, the Thai government and people spent 1986 worrying what the U.S. would do next. The whole nation was frustrated. In more ways than one, the trade conflict with the U.S. was used time and again by the opposition and the business community to attack the government; they thought that trading with the communist bloc would help ease the economic woes and help Thai farmers to release their farm surplus. With constant pressure from the two groups and the U.S. protectionist measures against its trade partners mounting, Thailand decided to respond to the Soviet call to improve relations.

Siddhi said recently that in the coming year, Thailand will focus on its relations with the Soviet Union and its East European allies with the aim to expand Thailand's overseas market there. Certainly it can be done, but Thailand has to pay some political price with what might come thereafter.

# International Intelligence

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## **Howe demands end to SDI research**

British Foreign Secretary Sir Geoffrey Howe told the International Institute of Strategic Studies in London Jan. 27, "Overconcentration on military technology, to the detriment of civilian research and development, is unhealthy to the economy as a whole."

"Howe Takes Issue with Weinberger on Space Weapons," headlined the Jan. 28 *Guardian*, commenting on Howe's speech. It called the speech "an urgent warning to the U.S. administration to take no precipitate actions over the deployment of space weapons."

Howe's speech stressed repeatedly that the West "can no longer afford a large-scale military-technology development program."

The former Chancellor of the Exchequer said: "We have to accept that not everything technically possible may be affordable or prudent. . . . Arms control holds out the hope of freeing resources in tight national budgets for other uses."

"In theory, the East or West could build weapons that go to the outer limits of technology," but "neither side has limitless resources. Somewhere the spending has to stop. . . . Economic realities are just as real in the military domain as they are in the marketplace."

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## **Call for Israeli policy reassessment**

"Recent developments in the Iran-Iraq war should lead Jerusalem to reconsider its attitude towards the two belligerents" in the Gulf War, writes Israeli commentator Arye Naor in the Jan. 23 *Jerusalem Post*. Iraq should be seen by Israel as the "better bet."

Until now, under the sway of the Ariel Sharon faction, Israel has been arming and supporting Iran.

Naor says that now is the "proper time, perhaps even a unique opportunity, for a

reassessment of our basic strategy. . . . Israel needs an innovative approach in its policy-making, which will use the peace with Egypt in order to broaden diplomatic horizons. . . . But time is short. A massive Iranian victory on the Basra front, could have grievous implications for the prospects of the peace process. . . .

"The belief that once Khomeini dies, Khomeinism will vanish, is based on wishful thinking. . . . Iran has developed a Muslim identity, based on fundamentalist ideology according to which Israel is no less than the incarnation of Satan on earth."

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## **Genscher negotiates over German hostages**

The German foreign ministry has established direct contacts with the Iranian government, according to news reports in Bonn—allegedly in an attempt to free two German hostages in Beirut.

The German ambassador in Lebanon, Antonius Eitel, is reported to have met with Sheikh Mohamad Fadlallah, leader of the Shi'ite Hezbollah (Party of God) in Lebanon, in an effort to secure the release of Rudolf Cordes and Alfred Schmitz.

Genscher first let it be known that the foreign ministry was "trying to establish" direct contact with the Iranian Revolutionary Guards in Teheran. Then, Iranian Speaker of the House Hashemi Rafsanjani announced that the German government had asked him personally to mediate in the affair.

It has now been admitted by Genscher that he sent a ranking ministry official, Middle East section head Reinhard Schlagintweit, to Teheran to meet with Rafsanjani.

Experts point out that Genscher has had a secret agreement with the Khomeini regime to permit the Iranian secret service to build up a terrorist apparatus in Germany, on condition that no assassinations occur on German soil. But, on Jan. 13, German authorities arrested Hezbollah terrorist Mohamad Ali Hamadei, wanted for the July 1985

TWA hijacking and murder of a U.S. Navy Seal. Only three days later, Ali Akbar Mo-hamadi, former personal pilot of Rafsanjani, was shot dead by two terrorists in Hamburg. On Jan. 17, Cordes was taken hostage in Beirut, and on Jan. 21, Schmitz was seized.

What price is Genscher willing to pay? No doubt, the foreign minister would like to sweep the answer under a Persian carpet.

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## **U.S. aid cut-off halts Bolivian anti-drug war**

Bolivia's war on drugs ground to a halt Jan. 1, when the United States "inexplicably" cut off funding for the helicopters which the Bolivian Air Force was using against cocaine producers and traffickers, Army Commander Gen. Jorge Rodríguez and Foreign Minister Guillermo Bedregal told the press Jan. 27.

Bedregal said a "serious relationship" is needed between the two countries if the war on drugs is to be prosecuted. He denounced the U.S. action, saying that because of the aid cut-off, numerous actions planned by the Air Force against cocaine producers and traffickers did not take place.

General Rodríguez, commander of the Army, told the Bolivian daily *Hoy* that the United States halted aid for "inexplicable reasons." Because of it, the Air Force had been placed outside the anti-drug struggle.

Both spokesman stressed that the anti-drug fight remained a "high priority" for the Bolivian government, but the U.S. attitude could seriously hinder the policy.

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## **Push soap opera as population control**

Chicago's MacArthur Foundation has made a grant for the propagation of soap opera in the Third World, as the preferred medium to push "population control" policies, the *Daily Mail* of London reported Jan. 28. The

Foundation is giving 4 million pounds sterling-equivalent to promote "population control soap operas" in Africa, South America, and elsewhere.

Part of the grant is going to the New York-based Center for Population Communications, headed by David Poindexter, who told the *Mail*, "The Foundation wanted a new approach, something that might create a breakthrough."

Poindexter will be developing a television series, gathering writers and producers to test the concept of the "educational soap opera" in Kenya, Brazil, Nigeria, Zaire, Turkey, India, Indonesia, Egypt, the Philippines, and other countries "that together account for half the population growth of the Third World."

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### *Associate of Haig and Kissinger may spill beans*

"Now they will hear me, especially Haig. We will speak in front of the judges. We will speak about certain political assassinations committed abroad," declared Francesco Pazienza, an Italian associate of former U.S. secretaries of state Alexander Haig and Henry Kissinger.

Pazienza is under arrest and waiting to testify before a Bologna, Italy court in the trial of the terrorists accused of the massacre-bombing of the Bologna train station on Aug. 2, 1980. Reportedly, that atrocity, which killed 81 people, was planned by the Monte Carlo Freemasonic Lodge, a section of the notorious Propaganda-2 (P-2) lodge.

Run by former Mussolini-era torturer Licio Gelli, P-2 was broken up within a week of the first assassination attempt against the Pope in 1981. It was implicated in both "left" and "right" terrorism, drug- and gun-running, and illegal flight-capital operations. Numerous high-level political, business, military, and intelligence figures were sent to jail or became fugitives.

Both Henry Kissinger and Alexander Haig are said to be members of the Monte Carlo Lodge. After P-2's exposure, Haig

dispatched aid Michael Ledeen to Rome, a trip reportedly aimed at covering up as much of the scandal as possible.

Pazienza, thanks to the sponsorship of Gelli, Haig, Kissinger, and Italy's current foreign minister, Giulio Andreotti, became the behind-the-scenes boss of the Italian secret services during the early-1980s period of the bombing and exposure of P-2. He reportedly worked directly with Ledeen on the cover-up assignment.

Pazienza gave no indication of what "assassinations committed abroad" he had in mind. But after P-2's exposure, one member of the lodge, Banco Ambrosiano head Roberto Calvi, was murdered, Freemasonic-ritual style, his body found hanging under Blackfriars Bridge in London.

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### *García in India: 'Ignore the IMF'*

Peruvian President Alan García arrived in India on Jan. 23 for that nation's independence celebrations two days later. He hailed India for embodying "the will of a nation, which despite its limitations, advanced toward technological modernity, toward economic, agricultural, cybernetic, and nuclear independence."

He recalled Nehru's struggle against colonialism, and asked, "Will we obey those who set high interest rates on money? Will we obey those who give us norms of material consumption, who sell us arms and foment divisions among us? Let's tell them we will not obey their commandments, because they are unjust. We will tell them that from now on, we are going to disobey the rules of their system, because it is an irrational and inhuman system."

During a Jan. 25 press conference in New Delhi, García heaped scorn on the International Monetary Fund. "We will pay when we develop . . . have wealth, and when we have satisfied internal debts to our people." He closed with the dictum: "The best response to the IMF is to ignore it."

## Briefly

● **QUEEN ELIZABETH II** gave a royal medal Jan. 26 to Malcolm Williamson, her chapel-master and official court composer, only three days after Williamson had denounced Prime Minister Margaret Thatcher as a "stupid dog."

● **MICHEL FOUCAULT**, founder of the sociological school of "Structuralism," died last year, and the cause may have been AIDS. Pasteur Institute researchers have indicated to the media that "Foucault was one of the very first in France to die of AIDS." One foreign expert on Foucault's work commented: "Well, structuralism is a kind of safe sex. Obviously, it didn't help."

● **THE KREMLIN** has created a new foreign ministry department to deal with the Scandinavian countries and Great Britain as a single unit. This would correspond to a similar division within the Soviet KGB, in which one separate department deals with Scandinavia and Britain.

● **BORIS PANKIN**, Soviet ambassador to Sweden, will figure into a libel case in London dealing with matters of Soviet espionage. *To Ethnos*, a Soviet-funded paper in Greece, decided to sue *The Economist* "Foreign Reports" newsletter for claiming Pankin ran an international espionage network of which *To Ethnos* was part. Hearings in the case begin Feb. 9.

● **CENTRAL AMERICA** may be invaded through Honduras, according to the talk in Texas, say two political sources in Austin. Rumors are fairly widespread that the United States is preparing either an invasion of Nicaragua or a considerably increased military presence on the U.S. southern border and inside Honduras. Since it is expected Congress will kill aid to the Contras, such action might be the administration's response.

## Secretary Weinberger takes on the decouplers

*As EIR reported last week, U.S. Defense Secretary Caspar Weinberger has launched a campaign to make the Soviet threat and the early deployment of the Strategic Defense Initiative (SDI) the central theme of administration policy. The speeches which we excerpt here, delivered over a two-day period, constitute an extraordinarily profound and incisive intervention into the national discussion of these issues.*

### **No troop withdrawal from Europe!**

*The following are excerpts from a speech to the Denver Rotary Club, Denver, Colorado on Jan. 22, titled "U.S. European Troop Withdrawals: Counterproductive and Dangerous."*

Since our founding, America's geography has made isolationist foreign policies seem the wisest course to some, but fortunately not to all. Until this century, that isolationist formula seemed to carry tolerable risks. But it took two devastating world wars to convince our citizens that the security of America begins well beyond our shores. . . .

It is critical to remember that U.S. and European security are inextricably linked. Western Europe is freedom's front line and by far the greatest attraction for Soviet ambitions. We station troops in Europe because it is in *our* interest to do so. The United States could not live in a world in which Western Europe was overrun by the Soviet hordes.

NATO has served as an essential guarantor of our freedom for two generations. It was and is our principal hope for preserving the basic shared values of Western civilization. Any proposal to alter NATO's extraordinarily successful for-

mula must be considered only if it would improve NATO's ability to do what it has accomplished so well for 40 years. . . .

Any major U.S. troop withdrawal from Europe would harm America's security and the cause of freedom. The Soviet Union and its Warsaw Pact allies have a massive quantitative advantage over NATO and are rapidly improving the quality of their forces. To meet this growing threat and to ensure deterrence, all NATO nations including the United States must seek to *improve* all our defenses, and all our defensive forces. A U.S. troop withdrawal from NATO would gravely weaken the security of the free world.

The Soviets have some 70% of their conventional forces available for operations in Europe. While we continue to make very significant progress in improving our capabilities for dealing with problems in other regions, our first requirement is fielding the forces to prevent Western Europe from falling under the Soviet heel. Moreover, our presence is a political signal to the Soviets that intimidation will not work. This remains the reason why we concentrate our forward-deployed forces there. We have helped prevent war and Soviet political encroachments in Europe precisely because of our determination to maintain strong military forces there, in concert with our NATO allies.

We must recognize that our allies, individually and collectively, are making a greater contribution to the common defense than many people realize. In fact, their defense contributions exceed our own in a number of key categories. For example, the non-U.S. NATO members maintain three and one-half million personnel on active duty, compared to a little over two million for the United States. In ground combat

strength and tactical air power, non-U.S. alliance members would contribute roughly 60% of NATO's total force if war were to occur. During the 1970s, defense spending of our NATO allies rose at a rate of 2% per year in real terms. In contrast, U.S. defense spending declined in real terms by 20% during that decade.

Rather than prompting a surge in allied burden-sharing, major U.S. troop withdrawals from Europe likely would have the *opposite* effect. Our pullout could convey a message that the United States is either no longer concerned about the Soviet threat, or has lost the will to maintain an effective deterrent against the threat. Either impression would only strengthen the hand of those in Europe who argue for major cutbacks in defense or political accommodation with the Soviet Union. If we do less, the Europeans would likely do less, and we *all* will be less secure. The result over time could well be an unraveling of the Atlantic alliance, and the neutralization of some of our strongest allies, with all that implies for America's vital interests.

Also, the notion that we could save a lot of money by withdrawing from NATO and use those savings for other things, is as wildly erroneous as the other parts of the withdrawal thesis. Troop withdrawals from Europe actually would entail heavy costs in the near term, while generating only limited savings in the long term. A withdrawal of 100,000 U.S. personnel from Europe would incur one-time costs of \$500 million for transporting the forces home. Renovating or constructing new facilities for them in the United States would cost another \$4.7 billion. And while eventual reduced operating and support costs for the forces here, versus in Europe, are estimated at around \$600 million per year, we could not begin to generate net savings for about eight or nine years. Nor are we sure there would even be any net savings, because our European hosts bear some of these support costs now. . . .

If we were to withdraw a force of 100,000 from Europe, we would, under our current rapid-reinforcement policy, need the capability to return it there in 10 days or less. The least expensive way to do this would be to buy a second set of equipment for prepositioning and enough airlift to move residual equipment. This would cost about \$20 to \$25 billion, including over 100 additional wide-bodied cargo aircraft. Alternatively, returning the entire force and its equipment by air would require over 1,000 additional aircraft at a cost of around \$100 billion. But, we probably could not operate such a large number of additional aircraft on already overcrowded European airfields.

Thus, if it is an attempt to save money, every cost argument favors *staying* in Europe, not pulling out. But this is not a matter to be settled by green-eye-shaded accountants. . . . Far from enhancing our overall deterrent strength, withdrawal of any substantial number of U.S. troops from Europe would signal to our allies and adversaries alike that we are backing away from our commitments. . . .

In sum, even the hint that the United States would seri-

ously consider major unilateral troop withdrawals from Europe is potentially damaging to the leadership we are committed to provide in the defense of freedom and deterrence of aggression. Now is the time for *reasserting* our resolve to stand by our allies and protect our interests. A U.S. retreat from our commitments abroad would undermine the unity and strength of free nations. And unity and strength are our first defenses against hostile powers whose preeminent aim is to split and dominate free nations. . . .

## The SDI and exploration of space

*From a speech on Jan. 22 before a meeting of the National Space Foundation in Colorado Springs, Colorado.*

. . . For three decades now, increasingly lethal generations of Soviet nuclear missiles have been produced. Fostered by a professional Soviet technocracy and their successful acquisition of vast amounts of Western technology, five generations of ever more capable Soviet missiles have been deployed to support Moscow's global ambitions. Shaped over 30 years, that force is characterized by such large-yield warheads and increased accuracies that we have concluded Soviet missiles are designed unmistakably as first-strike weapons. Further, the deep philosophical and political hostility between the United States and Soviet Union, exacerbated by the unrelenting global ambitions of the Soviet leadership, have forced the West to arm itself with a powerful arsenal of retaliatory weapons.

The world has changed as a result of these events. And it is on the verge of changing again. The Soviet Union's military strategy does not comprehend or accept the notion of deterrence that prevailed in the West. Mutual destruction was such a terrifying prospect to peace-loving democracies that nuclear war was considered unthinkable. Thus, efforts to defend against nuclear missiles were deemed unnecessary, unworthy of study, and worse—it would be “provocative”—the worst word in the appeaser's vocabulary. The Soviets, however, never accepted this notion. They pressed forward with a broad, though largely secret program to build strategic defenses against nuclear weapons. They have been very successful.

Today, the Kremlin enjoys the world's only deployed operational antiballistic-missile system, the only operational anti-satellite system, the most comprehensive, in-depth, and capable air defense system ever invented, and an organization for passive defense of its shelters for 175,000 party and government leaders.

The Soviets have invested nearly four decades in strategic defense, including defense against ballistic missiles, and two decades in the potential application of new technologies to ballistic missile defense.

In the last 10 years, the Soviets have spent 15 times as much on strategic defense as the United States. They are thoroughly modernizing their ABM system around Moscow. Further, they are constructing nine new large phased-array

radars to add new capabilities to the network of 11 ballistic-missile warning and tracking radars already in use. . . .

Since the late 1960s, the Soviets have been pursuing the same advanced technologies that they have attempted to delay in the U.S. by propaganda attacks on the SDI program. In laser research alone, for example, their \$1 billion per year effort dwarfs our own. They have 10,000 scientists and engineers at work on such research.

In some areas, the Soviets have progressed well beyond the research stage. They already have ground-based lasers that could interfere with our satellites; they could have a prototype space-based anti-satellite laser, which could be available by the end of the decade; and we expect them to test ground-based lasers for defense against ballistic missiles in the next three years. They also could begin testing components for large-scale deployment of a laser ABM system in the early 1990s.

Although less well developed, the Soviets have a particle beam weapons program under way. It may yield a prototype weapon capable of disrupting satellite electronics in the 1990s. Their research on microwave weapons is also progressing. In fact, their capability to develop microwave weapons is at least as good as ours. . . .

We must conclude that the Soviets are developing a capability for rapid and comprehensive ABM deployments. Several of the major components are already in place for an ABM system well in excess of any treaty limits. The cumulative effect of the Soviet effort clearly suggests preparation for large-scale ABM defense of the Soviet Union. And the large phased-array radar network around the Soviet Union . . . includes the radar of Krasnoyarsk, which is a violation of the ABM Treaty. We believe that this radar network could support a nationwide ABM defense. . . .

Our SDI efforts have drawn great criticism from seemingly well-intentioned and well-informed corners. But have you noticed some reduction in the decibel level of so-called technical critics? I have. And I am not surprised, because some elements of our research have proved successful beyond the expectations of the most optimistic scientists and engineers. In fact, our research has progressed so well that we now have an unprecedented degree of confidence in the feasibility of defense against Soviet missiles—for ourselves and our allies.

Let me give you a couple of examples of how far we have come in recent months.

The first is the result of our Delta-180 experiments. . . . Among the successes of this mission was a needed comparison and evaluation of different types of sensors and detectors that produced encouraging results. Forty-two detectors were used, employing various wave lengths—from infrared to ultraviolet. . . . The information gained in this experiment shows us that we can find and track objects in space.

Another Delta-180 experiment also produced remarkable results. This experiment investigated a space kinetic kill vehicle. We put together functionally the components that would

represent a space intercept of an object being boosted out of the atmosphere. This experiment was so successful that it established firmly the principle that a moving target can be hit with a kinetic weapon from space. . . .

We perceive opportunities to begin describing technologies and concepts for a first phase of protection against Soviet nuclear missiles. This phase could include both ground and space-based components operating to detect, track, and destroy ballistic missiles in the boost and late mid-course phases of flight. It would be the first element in the evolution of the full system. It would not be a point defense, as some have urged, to protect missile fields. It would be an integral first phase of our whole tiered defense.

We have no intention of developing any strategic defenses, unless we are confident that they will be elements of the entire defensive system. Thus, phase one must look forward to phase two, three, and beyond. Some would have us deploy so-called off-the-shelf technologies now. This we reject because, I am sorry to say, there are no technologies on the shelf that can do the job we want and need. An early deployment of defensive components that protected only some military assets and was not a part of a global defense, would weaken our SDI program and rob us of limited resources. Phase one, whatever form it takes, must be one piece of the entire system that provides a thoroughly reliable defense for the free world. . . .

## **The Soviet role in terrorism**

*From a speech to the International Conference on Terrorism, Jan. 21:*

. . . Terrorism is a crime. Terrorists are criminals to be dealt with whenever possible by the police forces and legal system of the nation concerned. But, when terrorism is sponsored or abetted by sovereign states, it becomes a matter of *international* conflict, which must be dealt with by the full range of political, economic, and, if necessary, military instruments available to sovereign states.

We see in state-sponsored terrorism significantly different levels of involvement, support, and accountability. These levels might be called, first, the *policy* level; second, the *logistical* level; and, finally, the *operational* level.

The Soviet Union supports terrorism at the *policy* level by actively encouraging and helping client states. The Soviets do not engage in terrorism directly. Rather, they provide political and military support from a distance. Thus, Moscow can rely on surrogates and clients to provide the operational arm of terrorism and, most importantly, the political insulation that has enabled the Soviets to threaten the West while retaining the illusion of plausible denial.

In practice, the Soviets embrace a duplicitous policy toward terrorism. In order to maintain respectability and legitimacy, Moscow overtly pursues a conventional diplomatic course while, at the same time, covertly engaging in subversion and destabilization—and this includes the equipment,



expertise, and support that fuels many of the world's terrorist groups. This practice is not an aberration, but an important, long-term policy.

At the second level of involvement in terrorism, the *logistical* level, we find Soviet allies, clients, and surrogates like Bulgaria, East Germany, and Cuba providing weapons, training, and material support to terrorism. For instance, the Italian investigation into the attempted assassination of Pope John Paul II revealed the clear complicity of the Bulgarian secret service.

Finally, at the third level of involvement, the *operational* level, we find three states directly engaged in terrorism in pursuit of their own national goals—Syria, Libya, and Iran. Public trials in London and Berlin have conclusively demonstrated direct Syrian involvement in terrorist actions. Yet, despite the collective actions of the West, there appears to be no substantial modification of Syria's overall support to terrorist groups or its use of terrorism to support Syrian political goals; nor have we seen any change in the terrorist policies of Libya and Iran.

Libya's Muammar Qaddafi remains the most notorious proponent of terrorism. . . .

And then we have the case of Iran. Everyone knows the current government of Iran actively supports and engages in terrorism. When discussing Iran and our entire strategy against terrorism, it is important to keep in mind, as the vice-president made clear last night, that our policy has been, and will continue to be, no concessions to terrorists. That policy is correct. Nothing has happened to convince us that we should alter that policy. . . .

An effective strategy against terrorism must embrace the entire range of options open to us, including, as a last resort, the military option. Indeed, political and economic actions are all the more effective when the terrorist state understands clearly that behind these other measures stands effective military power, capable of an appropriate and timely response. . . .

We have always had the military forces, structure, and ordnance for nuclear and conventional deterrence; but until recently we lacked the precision required for more precise military action in a terrorist situation. We have made progress in developing these anti-terrorist and counter-terrorist capabilities. But we still need greater flexibility. We need more options. In addition to the broadsword, we need the stiletto.

We are therefore in the process of reorganizing our special operations forces by establishing both a U.S. Special Operations Command and an Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict. Inherent in this reorganization is increased emphasis on our counter-terrorist capabilities. . . .

### **Socrates and the defense of freedom**

*From a speech at the University of Colorado at Boulder on Jan. 22, titled "The Role of the University in the Defense of a Free Society."*

. . . I do not see any conflict between the aims of the Academy, and the defense of freedom in the United States and our allies. Indeed, I see a great harmony, and even a fulfillment of those aims. I believe that aiding in the construction of SDI is only a part of a larger obligation and a major opportunity for the Academy to help defend this republic and our freedom. . . .

It is perhaps no coincidence that free government as we know it took shape in the same ancient world that saw the rise of western academies. Especially in Athens, the ideal of a society of self-governing citizens shone brightest, if often imperfectly. The freedom of Athens was inseparably bound up with the rule of law, public deliberation, and devotion to procedure. . . .

Free societies are *always* imperiled, either from within or without. From within come those forces of forgetfulness, or self-indulgence or fear, which make a citizenry lose touch with the worthiness of its institutions of self-rule and which make unpreparedness seem so much more potentially attractive than preparedness. From without come the organized onslaughts of war or aggression on the part of nations which tend to be more eager and able to exploit the elements of force and fraud always present in international affairs. . . .

One of the principal goals of this nation is to defend ourselves and our friends against the many threats facing us. The university has an essential role in this defense. We must always recall a harsh truth about our adversaries. If we stand devoted to the university of free inquiry and the republic of free citizenship, we must remember that the governing principles of the Soviet Union declare both to be a sham. The policy of its leaders is to undermine the existence of free inquiry and free government wherever possible. . . .

Given the real world in which we live, it is not only consistent with the purposes of the university to assist in the development of the Strategic Defense Initiative; it is a fulfillment of its real purpose, which is to defend the soul of free society through discovery, debate, and learning.

If I were to search for a model of that man who best embodied the love of free inquiry and the love of free citizenship, it would be Socrates. He said in the *Apology* that Athens was committing a grave injustice against him by condemning him to death. Defiantly, Socrates vowed never to cease from examining the grounds of the well-lived life. Yet, he always fought his city's battles and was known for his great courage in her defense. He claimed that both his questioning of Athens and his willingness to defend his city stemmed from his love of knowledge. Moreover, in the *Crito*, the sequel to the *Apology*, Socrates refused to leave Athens for another city, even to save his life. Where else could he go, he asked, where he would be as free to philosophize?

Like her modern descendant, America, Athens was not a perfect society. But also like America, Athens was a free society—a society that was free to perfect its imperfections. As such, she won the allegiance of the man who was free to know, and knew best how to be free.

## State of the Union: Don Regan 'Hooverizes' Reagan

by Webster G. Tarpley

On the Friday after he delivered his State of the Union message, President Reagan carried out the futile and self-destructive gesture of vetoing the Clean Water Bill, which had passed the House of Representatives by a margin of 406 to 8, and which had been approved by the Senate in a similarly lopsided 93 to 6 vote. The day before Reagan's veto, he had received a letter from 76 senators—well over the two-thirds margin that is required to override a veto—urging him to reconsider his announced commitment to reject the measure.

Nevertheless, acting out of ingrained ideological obsession and on the advice of White House Chief of Staff Don Regan, the President insisted on the veto. Don Regan's directing is rapidly completing Reagan's Hooverization, from popularity to scorn. In justifying the veto, Reagan called the Clean Water Bill a "budget buster" of waste and pork barrels, and said that his veto was being affixed to the bill in the full knowledge that it would be speedily overridden. The President added that he did so in order to send a message to the markets of the United States and the rest of the world that his administration is going to be fiscally responsible. He threatened the Congress, should it continue on its present course, with the responsibility for derailing his "great recovery." With that the weakened President was set up for a veto override by the following Tuesday.

Don Regan and his bureaucratic retainers, known as "the mice," have an uncanny but perhaps spontaneous instinct for acting out the Hoover profile. Earlier the week of Jan. 26, the administration proposed to abolish the Temporary Emergency Food Assistance Program (TEFAP), which spends about \$50 million per year to distribute surplus cheese, butter, flour, rice, honey, dry milk, and corn meal to millions of destitute Americans. The administration wanted instead to use some \$29 million of this money to pay for salary increases

for the bureaucrats of the Department of Agriculture. It turns out that storing the food is more expensive than giving it away, and the request was unanimously rejected by the Senate Appropriations Committee.

Don Regan is also an expert on procuring bad relations with Congress. On the day of the State of the Union speech, the White House told Republican congressional leaders the President would sign a bill for emergency aid to the homeless that was \$50 million over what he had considered acceptable. Previously, the White House had urged the legislators to court public opprobrium by voting against the very same bill.

Hearings at the Senate Appropriations Committee Subcommittee on Labor, Health, Human Services, and Education turned into a shouting match that pitted Republican Sen. Al D'Amato (N.Y.) and Florida Democrat Lawton Chiles against Department of Education official John Walters. Walters was attempting to defend the almost \$1 billion in cuts in the War on Drugs appropriation that the Don Regan mice have included in the administration budget. "For God's sake, get in the real world," D'Amato yelled at the witness. "Is that all the hell that needs to be spent?" chimed in Chiles. "You don't care. You don't give a rip. You don't think we count. Have you ever read the Constitution? You don't think Congress exists."

It was thus not surprising that President Reagan's meeting with Speaker of the House Jim Wright (Tex.) and Senate Majority leader Robert Byrd (W. Va.) also turned acrimonious. The President's opening gambit was the assurance that he would veto the Clean Water bill, and from there on it was all downhill. The meeting went "very confrontational" as the Democrats promised to pass a trade bill, predictably punitive in thrust, by April or May. The Democrats took it as an affront when Reagan refused to confer with them in a meeting in

which tax increases might be on the agenda. "I think it's the opening gun of 1988," contributed Sen. Bob Dole (Kan.), whose own presidential campaign has long since left the starting gate.

A bipartisan group of Senators, including Republicans John Heinz III (Pa.) and John Chafee (R.I.) and Democrats Dale Bumpers (Ark.) and Patrick Leahy (Vt.), introduced legislation to compel the administration to respect the limits written into the unratified, expired, and violated SALT II accords of 1979, which President Reagan correctly repudiated last May, and which both the United States and the U.S.S.R. have exceeded. In December, 57 senators signed a letter calling on the President to abide by the terms of the defunct accord.

In sum: Just a few days after both sides had exchanged their vows of bipartisan cooperation, the Irangated and Hooverized President Reagan, stubbornly negating all economic reality and now elementary political reality as well, was locked in bitter struggle with a Congress aware of the economic depression ravaging its constituencies, but drifting, because of its inability to identify and attack the causes of that depression, toward highly dangerous trade war measures and suicidal defense cuts.

That combination, under conditions of aggravated world crisis, could prove fatal to this nation and to this civilization. The chances of a better outcome now depend on the increasing power of the campaign of Democratic presidential contender Lyndon H. LaRouche.

### Reagan apes Herbert Hoover

Reagan's State of the Union Address, apart from the reassurance offered by his apparent recovery from surgery, was a catalog of lost opportunities. Reagan reaffirmed his hated policy of rapprochement with Iran. He claimed to have vanquished inflation—not an extraordinary feat in a depression, as Herbert Hoover found out. He trivialized the Soviet threat as something located in Afghanistan and Nicaragua, with no reference to the impending Soviet ABM breakout and Ogarkov's missile exertions. While he pleaded for further aid to the Contras, whom the Washington bureaucracy now views as ripe to be dumped, his defense of the Strategic Defense Initiative was purely *pro forma*, and did not incorporate any significant material from Caspar Weinberger's recent speeches. Neither the rapid experimental progress in the SDI program, nor the perspective of deciding in favor of initial deployment in the near future, was mentioned.

Rather, the President recited from his usual *cahier de doléance*: The deficit is too big because the federal government spends too much; a balanced budget amendment to the Constitution should be passed; a line-item veto for the President is long overdue; the Gramm-Rudman deficit reduction targets must be strictly respected, and not tampered with, as some Democrats desire; there must be no tax increase. Some new verses were added to the litany of Reaganomics: A program of welfare reform through "state-sponsored, com-

munity-based demonstration projects" to slay the "welfare monster"—more murderous austerity. The speech contained no mention of the AIDS pandemic, nothing to defend the U.S. alliance system or oppose Trilateral decoupling, nothing on trade war and the collapse of the dollar. References to education and "competitiveness" were fluff.

The Democratic reply, delivered by Wright and Byrd, was more interesting. Wright talked about the "staggering trade deficit," about the decline in the standard of living ("downward mobility"), about "educational mediocrity" and illiteracy. He developed the image of the Port of New York exporting junk metal and waste paper. He cited the "desperate condition" of the family farms, the worst since the Great Depression. Wright's merit is to deflate the big lie of the Reagan Recovery, demoting that fabrication from ontological statement to lying demagoguery, even for Washington institutions. Wright was also useful in debunking Reagan's claims to be helping education, pointing out that the President's budget cuts 28% of federal spending in this category. He also hit at the hypocrisy of the administration's war on drugs cuts.

Wright's proposals verged on dirigism in advocating incentives for investment in the modernization of aging industrial plants. His evocation of the G.I. Bill was apt. He advocated a highway bill to create 165,000 jobs—a modest New Deal-style infrastructure item. But then he came back to that "comprehensive trade bill," based on "free trade and "fair trade": "America has the right to insist that other countries treat American-made products the same way we treat their products"—a nightmare of Smoot-Hawley in the midst of a world depression. There were still no real solutions: nothing about Volcker, credit policy, debt moratoria.

### Dump Don Regan

But the more the general frustration builds, the better the chances that Don Regan may finally be ousted. The Senate Intelligence Committee has released its report, which Sen. David Boren (D-Okla.) is summing up for television audiences. Boren is saying that the report proves the existence of a parallel government which has existed at least since the time of the Lumumba assassination in the Congo in the early 1960s. Boren is highlighting the role of Michael Ledeen as an agent of that government, as a private citizen working part-time for the NSC who can command audiences with Israeli Foreign Minister Shimon Peres. Boren is pointing to the difficulty the secretaries of state and defense had in meeting the President, while Oliver North and his Contra pals could walk into the Oval Office at the drop of a hat, thanks to the good offices of Don Regan. So there may be substance in a *Boston Globe* report that Shultz, Weinberger, and James Baker of the Treasury have signaled to the President that he must choose between them and Don Regan.

The *Globe* notes that although Regan survived the first attempt to dump him, back in December, a second attempt is now being mounted, backed up this time with the threat of mass resignations from the cabinet.

# Failed Contra policy comes under fire

by Gretchen Small

While top administration officials, including President Reagan himself, insist that the United States remains committed to its failed Contra policy in Central America, a rebellion is brewing in U.S. military ranks against continuing a policy which has been, by any criteria one cares to choose, an unmitigated disaster.

General Paul Gorman, former chief of the U.S. Southern Command, surprised a Senate committee Jan. 28, when he demanded that the United States go back to square one on its Central American policy. The general's answers to Senate questioning after his testimony shook Washington. "We have to overhaul the entire Contra policy, and put in place an apparatus capable of conducting a long-term fight, or else quit now," Gorman stated. "The Contras as presently constituted are only a cross-border raiding force, of no concern to the Sandinistas. The Sandinistas know that the jungle is irrelevant . . . they don't care who controls it." He ridiculed U.S. intelligence on Nicaragua. "There is no way to make a military assessment of the effect of military operations within Nicaragua, because we do not have any intelligence."

Gorman astounded the senators by stating his support for the Contadora countries and the approach they have used. "The core four (Honduras, Costa Rica, Guatemala, and El Salvador) are the key, but the efforts of Mexico, Colombia, Venezuela, and Panama have helped to forge a consensus among the countries in the region," he testified. What is needed is for the United States to build up its allies in the region, particularly Costa Rica and Honduras. "We need to do . . . technology transfer to the militaries of the region, to make them independent," he argued, citing as examples such basics as the technology to produce a "boot sole which can withstand the volcanic rock," or for food packaging "so the military can carry C-rations" on its marches.

Gorman stressed the need to build up infrastructure in the region, giving examples of ways the United States can assist its neighbors. "We need to develop a replacement airplane for the C-47. . . . This plane is the lifeblood of the political and administrative apparatus of the governments in the region, and they are being held together with bailing wire. If we developed a replacement, this would convince these governments that we intend to stick around. . . . The area is in desperate need of roads. . . . These things are more impor-

tant than helicopters."

Asked later by *EIR* to comment on the opposition of Assistant Secretary for Interamerican Affairs Elliott Abrams to an economic development strategy for the region, the general answered: "Read my testimony, I disagree with him. . . . We should be in the road building business in Central America."

## Dope-runners vs. nation building

What broke the conspiracy of silence surrounding the Contra fiasco, is the Contras' involvement in the Soviet-dominated narcotics traffic in the Western Hemisphere. Even Secretary of State George Shultz did not dare deny it outright, before the House Budget Committee on Jan. 28. "I don't want to say that there has been no instance in which anybody involved with [the Contras] has ever had any contact [with drug trafficking]," Shultz hedged. But for him, "whatever problem there is, is quite under control."

Revelations on the Contras' drug connections have exposed some old skeletons in the U.S. intelligence community's closet. A Jan. 16 article in the *Wall Street Journal* reported on Cuban-American drug-runners and terrorists' role in advising the Contras. Long before the Iran-Contras scandal broke, U.S. military officials expressed in private their concern over penetration by Castro's intelligence service, the DGI, of Brigade 2506, the Cuban-American group which participated in the Bay of Pigs, and was reactivated by the CIA to aid the Contras.

Now that concern has been made public. Exposed in the *Journal's* article is how drug-running contaminates Brigade 2506 as a whole. The Brigade functions as an "old-boy network of Cubans . . . based in Miami and stretch[ing] across Central America," the *Journal* notes. Its members "range from colonels to convicted drug-smugglers," who function on the basis of "fierce loyalty" to one another. "We all keep in touch. . . . We love each other," Eugenio Rolando Martínez, a Brigade member who participated in the Watergate burglary, told the *Journal*. Jose Basulto, a close friend of Felix Rodríguez, the Brigade member in charge of a CIA counterinsurgency program and Contra resupply operation in El Salvador, told the *Journal* that he, too, would gladly give "an *abrazo*" to another Brigade member, whom he freely acknowledged is a major drug-trafficker.

## Dope-runners before allies?

As news of the Contra drug connection weakens U.S. credibility on every front, the pressure for a full-scale review of the entire Contra policy has mounted. Nervous Contra supporters in the administration demanded a demonstration of commitment to the Contras. They won that round, when on Jan. 23, National Security Adviser Frank Carlucci, NSC Latin American adviser Jorge Sorzano, and the loudmouthed Assistant Secretary of State for Interamerican Affairs, Elliott

Abrams, called a meeting at the White House of "private" supporters of the Contras.

A gung-ho campaign on the Contras' behalf was proclaimed by all. Abrams went further, launching into a tirade against any U.S. ally opposing the suicidal strategy of building up Nicaraguan Contra drug-runners, labeling such opposition "Communist." He denounced the policies of the eight leading countries which make up Contadora and its support group (Mexico, Colombia, Venezuela, Panama, Argentina, Brazil, Uruguay, and Peru). The United States "is opposed to fake negotiations, and that's the problem we've had with Contadora," he said. The Contadora Group "has tended to be led from the left," he charged, singling out Mexico and Peru as the most "vociferous and most influential" leaders in this regard.

Mexico took the brunt of his attack. Secretary of State Shultz will lecture Mexican Foreign Minister Bernardo Sepúlveda when they meet Jan. 29-30, Abrams announced, that Mexico's advocacy of a negotiated solution in Central America "serves neither our interests nor Mexico's interests." Sepúlveda will be in Washington for the Sixth Binational U.S.-Mexican Meeting.

Abrams, who has urged Ibero-America's own military capabilities be torn down, threatened that, either the nations of the region support the Contras, or the United States will invade. "There is only one power in the Western Hemisphere which can keep peace in Central America, and that is ourselves. This is the path which will be followed if the Contras are abandoned," he said.

Meanwhile, other loudmouths joined his "war on Mexico" campaign. Sen. Jesse Helms (R-N.C.), who spent last year demanding that the United States back a bunch of Panamanian and Mexican drug-runners, has ordered the Senate Foreign Relations Committee to prepare an "in-depth study" denouncing Mexico's policies in Central America, Mexico's *Excelsior* reported Jan. 25. Background press briefings by U.S. officials pumped the line that the United States is "deeply suspicious" of Contadora's actions, and views Mexico with "great displeasure."

The Contadora Group had provoked Abrams's rage by sending a delegation of its foreign ministers to Central America the week of Jan. 19, to sound out new possibilities for securing stability in the region. Contadora has repeatedly urged the United States to stop arming another band of terrorists in the region, and instead help strengthen U.S. allies, so that they can defend themselves against any domestic or foreign threat.

At the end of this trip, Contadora members issued a statement promising to "maintain" a dialogue with the United States, "whose contribution is necessary to reach a peaceful solution" in Central America, but slammed "the persistence of acts that violate international law," by both the United States and the Soviet-allied Sandinista regime in Nicaragua.

"No visible progress" toward ending conflict in Central America was achieved by the foreign ministers' visit, the *Washington Post* reported, but called this "an apparent victory for U.S. diplomacy!"

### Fire Abrams!

U.S. allies in Ibero-America are in an uproar, particularly in Mexico, where Abrams's abusive remarks became banner headlines. The response was summarized best by Mexico's former ambassador to Washington, Sen. Hugo Margain, who told the press, the United States is "morally disqualified" to question any party's search for peace in Central America.

"Elliott Abrams is nothing more than an arms-trafficker," columnist Gaston García Cantu charged in a front-page article in *Excelsior* Jan. 26. "He has neither the moral, political, or intellectual condition to speak contemptuously about anyone, never mind our country's foreign policy. An arms-trafficker is a criminal." President Reagan is acting like Teddy Roosevelt, Cantu added. No American President is hated more in Ibero-America than Teddy "Gunboat" Roosevelt.

Abrams's attempt to split the Contadora Group provoked disgust in other countries. Abrams has "verbal incontinence," commented Venezuelan Foreign Minister Simon Alberto Consalvi. "All the ministers both of Contadora and the Contadora support group fully agree on all the proposals we have formulated for peace and the negotiating process in Central America. There is no way to discriminate among them."

U.S. Democratic presidential candidate Lyndon H. LaRouche, intervened into the brewing crisis. The immediate dismissal of Elliott Abrams is "indispensable to regain some degree of credibility for the United States in Central and South America," LaRouche urged in an interview with New Solidarity International Press Service on Jan. 25. "Abrams's behavior toward the nations of Central and South America has been consistently outrageous."

His retention in office "will be construed as the administration's commitment to failed economic and political strategies" in intra-hemispheric relations. "We must have a 'Chapter 11'-style reorganization of the indebtedness of Central and South America now, or we shall face the fall of many 'Saigons' throughout the hemisphere," he warned. "That senile parody of Bay of Pigs policy, U.S. support for the drug-linked 'Contras,' is to be seen as a foolish, desperate gamble, a self-deluded effort to pretend that there is nothing wrong with our present policies in this region, excepting the existence of the Cuba-linked government of Nicaragua.

"The entirety of present policy toward the region is one blunder piled atop another," the candidate noted. "It is astonishing that the Soviet press does not restrict coverage of current U.S. Central America policy to the pages of the humor magazine, *Krokodil*. Abrams is the essence of that pattern of policy blunders."

# LaRouche starts bid in New Hampshire

by Marla Minnicino

Contending that President Reagan is locked into an almost hopeless position, and that no other candidate is qualified to deal with the tasks facing the United States, the internationally known Democratic political figure Lyndon H. LaRouche, Jr. launched his bid for the 1988 presidential nomination at a Jan. 26 press conference given by three of his associates in Concord, New Hampshire.

LaRouche decided to speed up his campaign, when it became clear that Reagan was "digging himself deeper and deeper into the political mire" on the economy and Iran policy. LaRouche said on Jan. 18 that the Republican Party would not be able to regain majority support from the American population for four to six years, and that in 1988, voters would elect a Democrat. "The difference this time," said LaRouche, "is that the next Democratic President must be an awfully good one, no ordinary sort of Democrat."

At the Concord press conference, New England campaign coordinator Richard Black announced that LaRouche's New Hampshire campaign committee will be chaired by retired Air Force Major Robert A. Patton, a former candidate for the Democratic U.S. Senate nomination and a 23-year veteran of the Strategic Air Command. Patton, joined by Webster Tarpley, international affairs adviser to the National Democratic Policy Committee, will begin a statewide tour on Feb. 2. Black reported that LaRouche's supporters in the state—numbering "in the hundreds"—would begin campaigning door-to-door on his behalf. "The gong has sounded and the organization will be built."

LaRouche currently commands 20-25% support among Democratic voters in many parts of the country, and potentially double that in voter preference, as indicated by private polls and election tallies. A LaRouche-backed candidate won 34% in New Hampshire's congressional primary last year, with similar or higher totals garnered by LaRouche Democrats in Pennsylvania, California, and elsewhere. When two LaRouche candidates won the Democratic nominations for secretary of state and lieutenant governor in Illinois last March, the Democratic Party was thrown into turmoil.

LaRouche acknowledges that, as an "anti-Establishment figure" opposed to the policies of the New York, Boston, London, and Swiss bankers, the deck is stacked against him. However, in a Jan. 27 statement, responding to a Concord reporter's query, LaRouche noted that, in a crisis, even sec-

tions of the Establishment will "have to face the fact that my policies may be the only kind of solution available." He said, "Those more practical folks among the Establishment have to ask themselves, 'Is there some other candidate who could carry out LaRouche's policies, without actually letting LaRouche himself into the White House?' Could an errand-boy sort of President, another 'pretty political face,' handle the job? The answer is, he could not."

According to LaRouche, there will be three key issues in the upcoming election—national defense, the economy, and AIDS. With the number of people infected with the fatal disease doubling every 8-10 months, and with 4 million Americans already infected, AIDS will be the most powerful issue in the 1988 election. In Concord, Dr. Ernest Schapiro of the *EIR* Biological Holocaust Task Force presented the latest global data on AIDS. He noted that as the number of AIDS victims outside the "high risk" groups increases—spearheaded by a breakdown in biological resistance and compounded by economic collapse—more and more governments will be forced to repeat the warnings issued by LaRouche and his task force since 1985. Schapiro presented LaRouche's 12-point AIDS warplan, which would utilize the full range of bio-medical, scientific, and technological resources available, in an Apollo Project-style, global program.

On the economy and defense, which LaRouche has identified as the number two and three "gut" election issues, Major Patton detailed the twin threats facing the United States: 1) the imminent military decoupling of the U.S. from Europe, sought by Democrats like Senator Nunn; and 2) the "Herbert Hoover economics" of President Reagan's Trilateral Commission advisers, who are ruining the nation's defense and industrial capabilities. Patton said, "If Mr. Reagan continues to perpetuate the fraudulent economics of zero growth by informing the nation that the 'economic recovery' continues, then history will record the ghost of Herbert Hoover once again at 1600 Pennsylvania Avenue."

If the present budget-cutting mentality prevails, said Patton, "We, as a nation, will be told we cannot afford to find a cure for AIDS, nor can we put the Strategic Defense Initiative in the sky to defend our peoples. The Soviets are already grinning." The Trilateral Commission's scenario for a trade war with Europe also plays directly into Soviet hands, he added.

Black cited LaRouche's March 13, 1984 call for a total boycott of Khomeini's Iran and its collaborators as the kind of policy the United States should have pursued. He warned that if President Reagan does not root out the treasonous Iran policy inherited from "Trilateral puppet" Jimmy Carter, he will go down with his administration, and hand the Middle East over to the Soviets. Black also charged that by failing "to rid his administration of Wall Street guru Don Regan and Boston Brahmin William Weld—Reagan has sowed the seeds of his political demise."

# Panic over AIDS seizes United States

by Kathleen Klenetsky

Last fall, leading medical officials, top politicians, and the major media joined forces to defeat Proposition 64, a California ballot measure that would have required the use of standard public-health measures to stem the spread of the AIDS pandemic, charging that it would spark needless "panic" about a disease, which, they claimed, could be brought under control through "safe sex."

Now, some of the same people who fought the Prevent AIDS Now Initiative Committee (PANIC), and heaped scurrilous abuse on its most famous endorser, Lyndon LaRouche, are ringing the alarm themselves. Since mid-January, the media has begun to admit that AIDS has careened out of control, and that the measures employed thus far to counter its spread have failed utterly.

Three months ago, the *Baltimore Evening Sun* editorialized against Proposition 64 as a "fascistic" measure. But on Jan. 23, the newspaper ran a lead editorial, headlined "Let's Panic!" responding to a report by the Governor's Task Force on AIDS, which showed that 1 out of every 20 people in Baltimore is infected with AIDS.

"Increasingly, in Baltimore and elsewhere, epidemiologists and those involved in directly treating AIDS are forsaking the traditional 'don't panic' posture and saying, in effect, let's panic," the editorial said. "A state task force tells us as many as one out of every 20 persons in Maryland is already infected . . . as the debate focuses on such issues as 'right of privacy' and whether condoms should be advertised on television. Such issues pale into insignificance in light of the peril, which is perhaps surpassed in its calamitous potential only by all-out nuclear war. The least we can do is to immediately activate emergency mechanisms to cope with the coming catastrophe."

The editorial pointed to the recent announcement by Johns Hopkins Hospital that it will accept no new AIDS patients, because the 600 it is now treating is the maximum it can accommodate, as "the kind of jolting news that we can expect with increasing frequency as the magnitude of this worldwide epidemic becomes apparent."

Six days later, the *Sun* ran another editorial calling for expanded AIDS testing, terming existing efforts to slow the fatal virus "pathetically inadequate."

On Jan. 18, the *Washington Post* carried a column entitled "Time to Panic About AIDS." The article began: "An editorial appeared in the *New York Times* on Nov. 7 headlined 'Don't Panic, Yet, Over AIDS.' . . . One could almost see

the editors congratulating each other on their level-headedness, on avoiding the sensationalism of lower-class journals and anti-AIDS fringe groups like the LaRouchies. But as a result of such levelheadedness, thousands, perhaps millions of Americans may die."

On Jan. 27 and 28, respectively, the *New York Times* and *Wall Street Journal* ran lengthy features reporting that an intense debate has broken out over the ethics of AIDS testing and tracing. "The epidemic spread of AIDS, now estimated to infect more than one million Americans, is raising a public policy debate on whether to embark on a large-scale testing and tracing of sexual and drug contacts," the *Times* reported, noting that New York State's initial decision not to declare AIDS a communicable disease is subject to revision. "Right now there is an ongoing groping for the best way of controlling what is one of the worst epidemics of the 20th century," Dr. Kevin Cahill, a member of the New York City Board of Health, told the paper.

According to the *Times*, critics of the current do-nothing policy "assert that the existing policy [of no testing] is a misguided reaction to pressure from civil libertarians and homosexual advocates, with the tragic result of spreading the disease." The article quoted Joseph Lisa, chairman of the New York City Council's AIDS subcommittee, attributing current policy to "the political ramifications of the fact that, unfortunately, AIDS manifested itself here first and foremost in the male homosexual community." To delay testing, Lisa told the *Times*, "is to delay the inevitable and cause many more innocent people to be infected."

The *Journal* prominently featured Robert Redfield, a top federal AIDS researcher, charging that the ethical debate over AIDS tracing is wasting precious time. AIDS is "the public health threat of the century. . . . We can't allow political sensitivities to prevent public-health policy," the paper quoted Jerome Groopman of New England Deaconess Hospital.

These tiny glimmers of sanity reflect the fact that reality is finally forcing the medical community to acknowledge that AIDS is a species-threatening disease.

New York City Health Commissioner Dr. Stephen Joseph revealed Jan. 16, in an interview broadcast over local television, that there are "500,000 people in this city [New York] who are infected" with the killer disease, meaning that 1 in every 10 New Yorkers is capable of infecting others. The projected rise in AIDS cases, he said, "will change everything about the city, its demography, the political and economic life of the city."

On Jan. 29, Health and Human Services Secretary Dr. Otis Bowen told the National Press Club, "If we can't make progress" in fighting AIDS, we face "the dreadful prospect of a worldwide death toll in the tens of millions a decade from now." The AIDS pandemic is so serious that it will make earlier disasters such as the Bubonic Plague, smallpox, and typhoid "pale by comparison."



## White House edgy about Soviet SDI

Why was White House assistant press spokesman Dan Howard so testy Jan. 28 when I asked why the Soviet strategic defense program was left out of the administration's annual report to the Congress on National Security Strategy released that day?

A whole section of the report is on "Principal Threats to U.S. Interests," but there is no mention of what Defense Secretary Weinberger has stressed during his public speeches all month. Weinberger and acting CIA director Robert Gates have both spoken of the threat of a Soviet strategic defense "breakout."

The discovery of three new Soviet phased-array radars on the Western borders of the Soviet Union last fall by U.S. satellites, plus 18 years of Soviet research into the military application of lasers and other directed-energy systems, could mean that the Soviets are perilously close to breaking out of the Anti-Ballistic Missile (ABM) treaty altogether, with a sudden deployment of a nationwide defense system.

When I pressed Howard on the omission of this issue, he gave the same answer used by enemies of the U.S. SDI program. He said, "The three new radars do not technically violate the ABM treaty."

The point is not technical violation of a section of the treaty, but indications that the Soviets have always in-

tended to break the treaty, and prepared to "violate" it only at the point they announce an operational nationwide ABM system—or when "all birds fly" in a preemptive first strike.

Howard finally conceded that the issue is not technical violation of the ABM treaty, but Soviet ABM breakout potential. He disposed of it with a terse statement, "OK. Is it a threat? Yes. Is it an imminent threat? No." Just how far is the White House willing to "look the other way" concerning Soviet war plans in order to achieve yet another "arms control" agreement?

## No question of Sprinkel's loyalty

My associate Stan Ezrol recalls the following: "In September 1982, the grapevine reported that the current chairman of the President's Council of Economic Advisers, Beryl Sprinkel, then Treasury Secretary Donald Regan's Undersecretary for Monetary Affairs, had been responsible for preparing the United States' position papers for the annual World Bank/IMF meeting.

"These policy papers were the pride of Sprinkel's Mont Pelerin Society cronies. The Mont Pelerin Society had been founded at the height of the Nazi era to export the sentiments of the SS's well-wishers to economics departments throughout Europe and North America. Sprinkel, a beer-hall economist and ex-Chicago collections man, with manners and sentiments akin to, but somewhat cruder than, those of the fictional Archie Bunker, had transmitted Mont Pelerin's demands that World Bank and IMF lending be used to dictate starvation terms to developing and industrial nations alike.

"I bumped into Sprinkel at a huge

cocktail reception during that IMF/World Bank meeting. Beryl, needless to say, had been partaking heavily of the available refreshment, and was largely ignored by the crowd. I introduced myself and said, 'Mr. Sprinkel, I'm so pleased to meet you. They say you're responsible for everything.'

"The puzzled Sprinkel, asked, 'Wha? What's that?' I explained, 'The policy documents. The position papers. They say you did it all.'

"Sprinkel flushed with embarrassment and pride and called over his wife. 'Barbara, I want you to meet Stan Ezrol, he's with The Press.' 'Mrs. Sprinkel,' I said, 'They say Beryl did all the work on the U.S. policy,' He grinned with pleasure. She giggled. 'And it's got people very, very angry.'

"Well, actually, Don Regan approved everything,' Sprinkel blurted out, and waddled away, leaving Barbara behind.

## Curran: AIDS carriers voluntarily abstain

Dr. James Curran, director of the AIDS program at the Centers for Disease Control, told me in an interview that he thinks persons who know or suspect that they are "AIDS positive" will go out of their way to avoid infecting others on their own, and therefore no constraints on their behavior are necessary. Curran had the audacity to justify CDC inaction on AIDS on these grounds at a U.S. Conference of Mayors seminar on the deadly virus.

Yet, numerous studies show that terminally ill patients commonly adopt a "denial syndrome" where they refuse to accept their diagnosis or change their behavior, and that persons who are sexually promiscuous—at highest risk for transmitting AIDS—commonly exhibit compulsive behavior patterns that are very difficult to alter.

## Maritime Strategy not for decoupling

*Admiral Crowe, chairman of the Joint Chiefs of Staff, says it's simply a framework for coordinating naval matters with the Allies.*

The Naval Institute has published the transcripts of a series of seminars held to discuss the Maritime Strategy and its impact on the strategic planning process of the United States. This is a useful service, helping to create a for-the-record body of material which illustrates "who thinks what" about the Maritime Strategy; and so far there are quite a variety of opinions about just what exactly the Maritime Strategy is.

It has been reported to us, that the prevailing understanding of this concept in Europe is that it is the theoretical justification for a U.S. troop withdrawal from the continent, and a retreat to a "fortress America" posture by U.S. military planners. This perception is reinforced by popular scenarios which posit a protracted conventional war with the U.S.S.R. Such scenarios, to the extent that they are accepted as doctrine, imply that the United States has finally abandoned the commitment to using a nuclear deterrent on the European battlefield. That is exactly what Zbigniew Brzezinski and his epigones have been arguing at the hearings on national strategy now being held by the Senate Armed Services Committee.

In a recent article in *Proceedings*, F.J. West, an ex-deputy to James Schlesinger, addresses his argument to U.S. naval planners, and insists that they must become the spearhead of the attempt to force the acceptance of this concept—roundly denounced by Caspar Weinberger and other DoD officials—on the U.S. and Allied military establishments. West disparages the

tendency of naval officials to ignore the lunatic assumptions which underly his and Brzezinski's strategy, and simply address the Maritime Strategy as a framework for coordinating naval matters among the Allies. He labels this the Mustin Shuffle, referring to Vice-Adm. Henry Mustin, past Commander of the U.S. Second Fleet. The way to impose such a policy, he says is "to proceed with its interservice development—without asking the allies."

He also reveals the concerns nagging the Kissingerian geopoliticians (we hear that the Marines define geopolitician as a civilian with rocks in his head) infesting the Pentagon bureaucracy: "Some proposals for defense reorganization suggest an opposite approach: The President issues broad national security goals which the Joint Chiefs of Staff especially the Chairman, coordinates with the Commander-in-Chiefs to turn into a military strategy. . . . But the clock cannot be turned back to the 1940s, when Presidents worked without the presence—or intrusion—of a Secretary of Defense or the NSC staff."

Therefore, to reinforce Mr. West's concerns, we present the exchange between Sen. Sam Nunn, and Adm. William Crowe, at the aforementioned Senate hearings:

**Nunn:** What about strategy planning at the level of the JCS. . . ?

**Crowe:** I know that the most well known, or most publicized, is the Maritime Strategy, for example, and

the Maritime Strategy was originated to do just what you describe. It was a conceptual scheme that was gotten together to illustrate how naval forces could be used in various types of modern warfare, and why the types of equipment the Navy was buying was a wise idea, etc. . . . however, there is no such thing as a maritime or a Navy strategy for the United States. We have a national strategy . . . to begin with, I don't believe that the scheme known as the "Maritime Strategy" is a strategy. It's a conceptual way that you might use military or naval forces.

The unified commanders—and I . . . wrestled with the Maritime Strategy when I was Commander-in-Chief Pacific—the unified commanders take those suggestions and say, "Here are my problems, and here are my forces, and here are the things that the Navy can do in my scheme" . . . and they use those in building their theater strategy, which includes Army, Air Force, Marine as well as naval forces, and that's where the marriage is made, and it is made very well.

Now there are some things that the Maritime Strategy doesn't emphasize, such as escorts for Europe, but the Commander-in-Chief Atlantic emphasizes that mission, and he considers it his primary mission, and he has got it built into his strategy, and he takes and picks and chooses things from the Maritime Strategy, things he can do, and use, and what he can't use. And he comes up with a theater strategy which can achieve what he wants.

**Nunn:** So if the Secretary of the Navy gives a briefing on how he envisions using aircraft carriers, that is not the strategy of the United States?

**Crowe:** I do not consider it so. That is the Secretary of the Navy's view of how he wished to use naval forces.

## Wright, Byrd host 'competitiveness summit'

House Speaker Jim Wright and Senate Majority Leader Robert Byrd cohosted a "competitiveness summit" on Capitol Hill Jan. 21, providing a high-profile kickoff for a trade bill which they intend to pass during this session of Congress.

Participants included over 50 corporate executives, labor union officials, and university and other economic and engineering specialists. About 60 members of the House and Senate also attended, including several committee chairmen and the leaders of the Congressional Competitiveness Caucus, which announced its formation Jan. 14 with 155 House members.

Discussion represented a mish-mash of outlooks concerning the cause and remedies for the massive trade deficits. While Wright emphasized the need for "bold action" and Byrd promised an omnibus trade bill this year, Rep. Buddy MacKay (D-Fla.), co-chairman of the competitiveness caucus, doubted that an omnibus package would be passed. "We're not going to get out of it [trade imbalance] in the 100th Congress," MacKay said. Sen. John Chafee (R-R.I.), another co-chairman, claimed that remedies would be "a whole series of small steps," a process clearly inadequate to solve current problems.

Wright mocked the economic dogmas of Adam Smith. "No invisible hand builds the roads, the airports, and the bridges necessary to keep our economy running," Wright said. "No invisible hand builds the research laboratories necessary to increase the productivity of American industry. This country urgently needs more

public investment." Howard Beasley III, chairman of Lone Star Steel Co., seconded Wright, noting that after technology investment and voluntary cuts in salaries by management and labor, they were still unable to compete, as other governments provided infrastructure.

In a *New York Times* op-ed Jan. 22, Wright proposed a "Build America Trust Fund" for a national rebuilding program.

From here, the quality of the proposals issued went quickly down hill. The Democratic Leadership Council, supposedly the moderate-conservative Democrats, in a paper handed out at the summit, reported accurately enough that over half of the decline in U.S. competitiveness during the 1980s was not due to the dollar but to declines in "productivity growth and the factors that underlie it—private savings, interest rates and civilian R&D," with wage declines actually offsetting the competitive decline.

But their proposed remedies included more of the futile deficit reduction exercises, and a new buzz-word called "democratic capitalism," a scheme for labor-management "co-participation" and social engineering—techniques for the enforcement of austerity perfected during Mussolini's fascist regime.

## Third World debt faulted in trade decline

The role of Third World debt in the decline of U.S. exports may be the subject of congressional action this year. Rep. Bruce Morrison (D-Conn.), a member of the House Banking Com-

mittee, predicted that legislation "will go forward" either as part of trade legislation or through some other vehicle.

A platform for airing schemes to keep the debt crisis within manageable bounds, was provided by the Bretton Woods Committee's annual meeting Jan. 21, the organization which oversees the International Monetary Fund and World Bank, which have imposed genocidal austerity on nations, drying up export markets.

Sen. Bill Bradley (D-N.J.), who first proposed some debt forgiveness, has now been given the chairmanship of a new Senate Finance Subcommittee on International Debt. At the Bretton Woods meeting, a proposal by Sen. Paul Sarbanes (D-Md.) and Rep. David Obey (D-Wisc.), and another by Sen. Carl Levin (D-Mich.) and Morrison sought a new facility in the IMF or World Bank to buy up Third World debt at a discount, passing the benefit along to the debtor nation.

Sarbanes proposes that the Japanese and Germans finance this facility. While the banks would "take a hit," Sarbanes said, "a good deal of the problem of trade imbalance could be greatly eased if you could resume growth in the Third World." Attacking the austerity approach, Sarbanes and Morrison claimed that paring back the debt overhang was necessary to resume development.

Morrison said that in preparing concrete proposals, ensuring that the banks agreed, and limiting the annual payout but not reducing overall debt, were his guidelines.

The anti-austerity rhetoric seeks only to manage the looming debt catastrophe, and has not produced any serious recovery proposals.

But even these inadequate propos-

als were rejected by Fed chairman Paul Volcker as "schemes of desperation" which could lead to a "politicization of the process" of debt management.

### **Aspin stays chairman of House Armed Services**

Rep. Les Aspin (D-Wisc.) succeeded in winning back the support of enough liberals in the House Democratic Caucus to keep his chairmanship of the House Armed Services Committee Jan. 22, by a vote of 133 to 116 on the third ballot.

The outcome was a disappointment to pro-defense advocates who had hoped that the Democratic Caucus rejection of Aspin on Jan. 7 would lead to a more conservative Democrat taking over the chairmanship.

Aspin will now, according to most Hill observers, have been taught to be more responsive to liberal demands. Liberals were upset at his support for the MX missile and his support of aid to the Contras.

However, forcing Aspin to operate in a more openly liberal fashion will strip away the media-created image that Aspin was somehow giving Democrats a pro-defense image.

Aspin has been upstaged in this role anyway, as Sen. Sam Nunn (D-Ga.) has begun a series of 15 hearings in the Senate Armed Services Committee, whose thrust is to set the stage for U.S. withdrawal from various international strategic commitments because of budgetary constraints.

Aspin succeeded in beating his strongest challenger, Rep. Marvin Leath (D-Tex.), a "Boll-Weevil" conservative Democrat, after Reps. Nicholas Mavroules (D-Mass.) and Charles Bennett (D-Fla.) were elimi-

nated in the balloting. The strongest point working in Aspin's favor, according to his supporters, was Leath's more conservative voting record.

### **Helms beats Lugar for Foreign Relations post**

Senator Jesse Helms (N.C.) defeated Sen. Richard Lugar (Ind.) by a vote of 24 to 17 in the Senate Republican Caucus Jan. 20 to become the ranking Republican on the Senate Foreign Relations Committee.

Helms attributed much of his success to senators' commitment to the seniority system. Liberals such as Sen. Lowell Weicker (Conn.), who feared that he would get dumped from committee positions if the vote hinged on ideology and popularity, circulated a letter on Helms's behalf. Helms claimed that the State Department worked against him.

According to sources, however, Helms got crucial backing from elements within the administration committed to support for the Contras and the arming of Iran.

Congressional sources confirmed that Helms will attempt to steer the Iran arms investigation. His office had introduced representatives of drug and weapons trafficker Sadeq Tabatabai (Khomeini's son-in-law) and Iranian Speaker of the House Hashemi-Rafsanjani to the National Security Council, and assisted in contacts with Iranian "moderates." Over two years ago, Helms became allied with the Israeli Mossad elements of Ariel Sharon—the same who have now been caught running the arms supplies to Iran and the Contras.

The Senate Foreign Relations

Committee is now the point at which far left views meet far right. Helms is battering U.S. allies in Central America such as Panama, while Committee chairman Claiborne Pell (D-R.I.) and the radical left Democrats on the committee will batter them from the left, charging human rights violations and cozying up to the Sandinistas.

### **Oil import tariff to get consideration**

Imposing a tariff on oil imported into the United States in order to protect domestic U.S. production from international oil prices below the cost of production, is getting serious attention in the new Congress.

Sens. David Boren (D-Okla.) and Jeff Bingaman (D-N.M.) have introduced legislation which would impose a tariff equal to the price difference between the cost of the imported oil and a set price of \$18 per barrel. Senators Bennett Johnston (D-La.) and Pete Domenici (R-N.M.) have introduced similar legislation, but which limits the tariff to a maximum of \$5 per barrel.

While similar legislation was not even reported out of committee in the last Congress, this year Senator Boren is chairman of the Finance Energy and Agricultural Taxation subcommittee which has jurisdiction over the legislation. Boren has scheduled hearings for Jan. 30, and Finance chairman Lloyd Bentsen (D-Tex.) is optimistic that a bill will get out of committee to the Senate floor for debate. Speaker Jim Wright (D-Tex.), on the "Face the Nation" television program in early January, stated that "chances are good" for House action on the matter as well.

# National News

## U.S. to build nuclear particle accelerator

President Reagan has approved construction of a \$6 billion, 52-mile-long nuclear particle accelerator that is 20 times more powerful than any existing accelerator, Energy Secretary John Herrington announced on Jan. 30.

The device, known as the Superconducting Super Collider or SSC, would accelerate two beams of protons in opposite directions through a 10-foot-wide tunnel 52 miles in circumference, smashing into one another at nearly the speed of light. The Soviets are now working on a particle accelerator 13 miles in circumference, which is more than twice the size of those now in operation. The Energy Department said the accelerator would cost \$3.2 billion and would take eight years to build.

"In high-energy physics, the development of the supercollider is the equivalent of putting a man on the Moon," Herrington said. "It will have spinoffs, discoveries, and innovations that will profoundly touch every human being."

The appropriation will require congressional approval.

## N.J. mayor leads march against budget cuts

Thomas Dunn, the mayor of Elizabeth, New Jersey, on Jan. 26 led a march of 100 off-duty police officers and firefighters, to protest impending cuts in the city's workforce. The marchers started from city hall and progressed to the site of Gov. Thomas Kean's former real estate office. They blamed the governor and the state legislature for failure to help financially strapped cities like Elizabeth.

Dunn was forced to lay off 260 municipal employees, due to the cutbacks in state and federal funding. He said that the loss of

45 police officers and 30 firefighters would mean that "anarchy will take over urban cities, because we'll be turning over the streets to the criminal element and [the loss of firemen] will add to the chaos."

Dunn is the first New Jersey mayor who has attempted to rally city workers behind him to change the state's policy. The mayors of Union City and Jersey City, New Jersey, on the other hand, have praised Governor Kean's plan for a \$85 million aid package for the cities. The monies will be raised by eliminating a tax-break program for homeowners and tenants.

## LaRouche Dem excluded from League debate

Sheila Jones, candidate for the Democratic mayoral nomination in Chicago's Feb. 24 primary, was excluded from participation in a debate scheduled by the League of Women Voters for Feb. 12, on the grounds that she is a political associate of Lyndon LaRouche.

The League claims it means to exclude Jones because she is not a "viable" or "major" candidate. Yet in March 1986, Mrs. Jones polled 16% in a statewide Senate primary. She went on to manage the campaigns of Mark Fairchild and Janice Hart, the Democratic Party nominees for Illinois lieutenant governor and secretary of state.

The League claims that it is only inviting candidates who have polled at least 10% in polls conducted by the *Chicago Sun-Times* and *Chicago Tribune*. Conveniently enough, Jones's name was left out of the polls!

## Chicago's mayor gives Tambo keys to the city

Oliver Tambo, leader of the terrorist African National Congress (ANC), was given the keys to the city of Chicago by a representative of Chicago Mayor Harold Washington on Jan. 24. Tambo was in the United States

for meetings with U.S. Secretary of State George Shultz, Henry Kissinger, and others.

He was hosted at a luncheon in New York City by a group of executives from top U.S. corporations, calling on them to immediately shut down all their operations in South Africa, if they have not done so already. Among those in attendance were John Reed, chief executive officer of Citibank, and W. Michael Blumenthal, head of Unisys Corporation.

The ANC, which gets arms and funding from Moscow, is outlawed in South Africa, where its members are famous for the brutal policy of "necklacing" moderate blacks—placing rubber tires filled with gasoline around their necks, and igniting them.

In an interview with the *New York Times* published Jan. 22, Tambo defended the murder of white South Africans, saying that when blacks there learn that a white has been killed in racial violence, "that kind of thing comes like a drop of rain after a long drought." Whites, he said, "are used to blacks being killed," but "they are not used to bleeding themselves."

In response to a recent State Department document which contended that the ANC was deeply obligated to Russia and the South African Communist Party, Tambo said: "Because we are getting arms from them for free does not mean we are mortgaging ourselves. And I dominate the ANC. Yes, I dominate, I am not dominated and controlled."

## 'Soviet-style justice' in Billington detention

Legal counsel for Michael Billington argued before a Virginia court on Jan. 30 that "Soviet"-style justice is being carried out by the Commonwealth of Virginia, in the detention without bail of Billington, a political fundraiser employed by an organization associated with 1988 Democratic presidential candidate Lyndon H. LaRouche, Jr.

Argument was made by attorney Carlos

Recio before Federal District Judge Albert V. Bryan, Jr. of the U.S. District Court for the Eastern District of Virginia, in Alexandria.

Billington is now entering his second week of detention without bail, following his arrest on Jan. 16, when he was served with a warrant signed by Gov. Gerald Baliles of Virginia on behalf of the governor of Missouri. Billington had been charged in October with selling unregistered securities and transacting business as an unregistered agent in the state of Missouri. Billington was declared a "fugitive" from Missouri and extradition proceedings were initiated.

Billington has stated that he has never set foot in the state of Missouri and never engaged in the sale of securities. His "crime" is to be an associate of LaRouche.

Attorney Recio emphasized that no judicial hearing has taken place anywhere in the country to investigate the charges lodged by the Missouri prosecutor. Billington, he stressed, represents no danger to the community, nor is there any chance he might flee.

The violation of Billington's constitutional rights "could not be more clear," Recio said. There is one country in the world, the attorney told the court, where a man can be held, for no good reason, indefinitely without bail: the Soviet Union.

Judge Bryan refused to rule on the issue of Billington's constitutional rights, and denied the motion for his immediate release, deferring to the outcome of appeal to the Virginia state courts and the challenge to extradition on Feb. 5.

## Shultz admits Contra link to drug traffic

U.S. Secretary of State George Shultz reluctantly admitted that the Nicaraguan Contras are tied to the international drug trade, in testimony before the House Budget Committee on Jan. 29. Shultz said, "I believe that whatever problem there is, is quite under control. . . . I don't want to say that

there has been no instance in which anybody involved with them has ever had any contact [with drug trafficking]."

The State Department "has moved from a position that there was no drug involvement by the Contras to saying that the problem is now under control," a Senate source told the Reuter wire service. "Obviously the entire issue needs to be thoroughly investigated with testimony under oath, to determine to what extent the Contras have used narcotics funds or facilitated their use to purchase weapons."

## Dwyer: no 'justice' in Justice Department

R. Budd Dwyer, the Pennsylvania state treasurer who shot himself in front of a packed press conference in Harrisburg on Jan. 22, wrote a letter to congressional leaders (with a copy to the *Washington Times*) denouncing the U.S. Justice Department, which he apparently mailed the day of his death.

"It's too late to help me, but it's not too late to help others," he wrote, asking lawmakers to conduct a full investigation of the scandal that probably caused him to commit suicide.

Dwyer took his own life one day prior to his scheduled appearance before U.S. District Judge Malcolm Muir, for sentencing of up to 55 years in jail. Dwyer and co-defendant Robert Asher, the former state chairman of the Republican Party, were convicted by a federal jury last Dec. 18 on charges that grew out of an alleged \$300,000 bribery scheme. Dwyer maintained that he was innocent.

In his letter, he wrote that until an investigation occurs, "I suggest that the word 'justice' be removed from the Department of 'Justice' buildings, stationery, forms, I.D. cards, badges, subpoenas, etc., and a blank left in place of the word, as a reminder to that department's staff members and citizens of the United States that we do not have a true 'justice' system in the United States."

## Briefly

● **NASA'S 'SPACE 1995'** blueprint, due to be released this spring, will include plans for manned bases on the Moon and Mars, the *London Times* reported on Jan. 28. The paper quoted NASA administrator Dr. James Fletcher: "It is unthinkable the U.S. would consider not being Number One in space. We need not be Number One in every detail. Space is a visible sign of how well a country is doing."

● **GEN. JOHN GALVIN**, chief of the U.S. Army's southern command, arrived in Buenos Aires on Jan. 28 for meetings with Argentine Defense Minister Horacio Jaunarena. They discussed growing tensions between Argentina and Great Britain, according to Reuter.

● **HENRY KISSINGER**, in a reversal of policy, called for military retaliation against countries that back terrorism, in an ABC-TV interview on Jan. 25. "We should warn Iran and Syria that we will take measures against them, beginning with economic sanctions, but not stopping at military action," Kissinger said. Although Kissinger supports the geopolitical crisis management in the region which gives terrorists free rein, he would seem to be seeking a job under a President George Bush.

● **CURRENT NEWS**, the daily publication of the Department of Defense and the United States Air Force, carried in full on Jan. 29 an *EIR* article by Webster G. Tarpley, titled "Weinberger Fights Against Trilateral Defense Sell-out" (*EIR*, Jan. 23, 1987). Besides attacking Sen. Sam Nunn and others attempting to decouple the Western alliance, the article describes Lyndon LaRouche's policy for the Strategic Defense Initiative and a national economic mobilization.

● **JOHN WHITEHEAD**, deputy secretary of state, met with Poland's President Wojciech Jaruzelski in Warsaw on Jan. 31, and also spoke to Lech Walesa, founder of the Solidarity movement.

# *Not too late for moral economics*

In a stinging rebuke to the Adam Smith heresy among some leading U.S. Catholics, the Papacy of John Paul II has strongly reaffirmed Paul VI's famous encyclical, *Populorum Progressio*, for the 20th anniversary of that call for global economic justice, coming up on March 26. The rebuke takes the form of a short document issued late in January by the Pontifical Commission "Justitia et Pax," which is the subject of our lead economics article on page 4.

The enemies of Christian morality in economics, are Adam Smith, Max Weber, the Rockefeller-backed University of Chicago, and the heritage of President Theodore Roosevelt. The evil feature of Smith's "Invisible Hand" dogma, is that it encourages individuals and governments to adopt practices which do murderous evil to much of humanity, and declares that God, not man, is responsible for the consequences of that wickedness performed by individuals or governments in the name of "free trade."

Although the United States declared its independence, and went to war against Britain in 1776, in rejection of Smith's doctrine, Smith's doctrine was given respectability among both U.S. Protestants and many Catholics later during the 19th century, and became the official policy of the U.S. government under President Theodore Roosevelt.

The one significant factual defect in the Vatican document is that it locates the conflict as one between rich and poor nations. The root of the problem is not the OECD nations whose governments have supported such policies, but the controllers of those Donald T. Regans and Henry Kissingers, those powerful, supranational financier interests which have so far succeeded in imposing their greedy, and often neo-malthusian wills upon the policy-making of governments. The document's omission of this key fact, should probably be seen as reflecting the Church's desire to avoid the appearance of meddling into the internal political processes of the OECD nations.

Although the Introduction of the document insists

that the Church speaks "without proposing action programs which would be outside her field of competence," influential commentators view the document as rejecting the debt-policies of both Fidel Castro and International Monetary Fund, in favor of the moral approach adopted by Peru's President Alan García.

This document expressly leaves the design of "action programs" to the political authorities. It confines itself to identifying the morally abhorrent consequences of prevailing debt policies, and outlining moral guidelines for new forms of "solidarity" among industrialized and developing nations.

The nearest approach to a definite programmatic proposal in the document is underscored in the concluding paragraph of a short sub-section entitled, "Final Proposal": "Without drawing a parallel with what was done after World War II to accelerate the reconstruction and economic recovery of economies seriously damaged during that conflict, is it not imperative to start working on a new system of aid from the industrialized countries to the less prosperous ones, in the interests of all and especially because it would mean restoring hope to suffering populations?"

Perhaps the authors of the document had not overlooked the 1986 proposal of then-Prime Minister of Israel Shimon Peres, that a "New Marshall Plan" be launched as the only visible way to durable peace in the Middle East. The failure of the Reagan administration, and others, to seize the opportunity represented by Peres's proposal, and to use this as a model for solving the problems of debt and global security, was a great tragedy, a mistake for which we shall probably pay with many lives lost unnecessarily.

As the document specifies, the Papacy appeals to our consciences. It is indicated to be our responsibility to propose and implement the "action programs."

If President Reagan wishes to act as a Christian in these matters, even belatedly, one hopes that the Papacy's message will assist him in finding the political will to do so.



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