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Executive Intelligence Review

January 1, 1988 • Vol. 15 No. 1

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1987 in Review

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EIR/Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and last week of December by New Solidarity International Press Service P.O. Box 65178, Washington, DC 20035 (202) 785-1347

European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, D-6200 Wiesbaden, Federal Republic of Germany
Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Rosenvaengets Alle 20, 2100 Copenhagen OE, Tel. (01) 42-15-00

In Mexico: EIR, Francisco Díaz Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

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Postmaster: Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

EIR

From the Editor

LLyndon LaRouche, in the report which leads this year-end review issue, states that there is no causal connection between financial collapse and economic depression, and proceeds to outline what it will take to spark the long overdue economic recovery in 1988. To quote from his conclusions:

“Thus, we have economic solutions immediately before us, which, if we assume they will be applied, should fill us with optimism about the future of our nation and civilization generally. The physical feasibility of these solutions is beyond reasonable doubt; the remaining issue, is their political feasibility.

“*EIR* and this author admit that we are very uneasy about the future of the United States and of civilization generally. With Moscow preparing to move for a strategic showdown as early as 1991-92, and given the vigor of the trends which have persisted in the West over the recent 20 years, we must concede that it appears that U.S. policy is likely to continue in the present direction, under a new government as bad, or perhaps even worse than the governments elected over the recent two decades. If all those things are probable, as they appear probable today, then the United States as we have known it is doomed to an early end, and civilization in general with it.

“Yet, despite these terrible appearances, we think that the people of the United States, at least the majority of them, are too good, in the final analysis, either to deserve such a miserable fate, or to allow themselves to continue to be dragged down in such a direction. We think that there is a sleeping potency for goodness embedded in the majority of the U.S. citizenry, a capacity to rise above the self-damning tendencies for that slavish ‘other-directedness’ which seems to have shaped popular behavior increasingly during the past two decades. It is our belief that such a quality of goodness lies waiting to be drawn upon in our people, which prompts us to be optimistic about the future.”

From that standpoint, the editors offer in this issue and in next week’s, where we will follow up with articles reviewing 1987’s events in Asia, the Middle East, and on the Ibero-American economic front, a picture of world reality as seen today by the leadership of the patriotic faction.

Nora Hamerman

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The day after "Black Monday," Oct. 20, 1987: A crowd anxiously watches the market quotations.

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The 1930s depression was not caused by the 1929 stock market crash, but by the budget-cutting austerity policies of the Hoover administration, depressing production, following the crash. Today, the Reagan administration's imitation of Hoover is producing a new great depression in the same way. Lyndon H. LaRouche, Jr. summarizes the most recent developments, and how they came about, and then examines the way in which financial markets and physical economy interact.

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Why the so-called 'economists' were wrong

Financial versus economic analysis

by Lyndon H. LaRouche, Jr.

It has long been a popular delusion, that a major economic depression must follow a major stock-market crash, as night follows day. During the recent 50 years, inside the United States, this popular belief has made most frequent reference to the famous New York Stock Exchange panic of 1929. People, including many who call themselves "economists," take it for granted, that once the 1929-31 wave of financial collapses hit, the 1930s Great Depression was inevitable.

For that and other reasons, a rise in the Dow Jones Index is generally seen by wishful dreamers as a sign of economic health. The merest hint of a brief rise in that Index is sometimes sufficient to transport wishful dreamers into manic euphoria. Such beliefs may be popular ones, but the difference between ordinary and popular delusions, is that it is the most popular delusions which are most likely to have fatal consequences.

What caused the Great Depression of the 1930s, was not the 1929 stock-market panic. That Depression was caused by the budget-cutting and other austerity measures taken by President Hoover and the Hoover Congress over the period 1929-32. The Depression became inevitable when the governments and bankers of Europe reacted with policies in the same spirit as the Hoover administration's.

What the Western governments did, was to loot production, trade, employment, and wages, in a desperate and futile effort to perpetuate the policies which had caused the financial crisis. The reason the financial markets were collapsing, in the first place, was that the Versailles monetary system created at the end of World War I, had become a vast financial bubble.

International finance, from the Versailles conference onward, had been an inverted pyramid standing on its tip. What the British and French owed to the Americans was guaranteed by the unpayable war-reparations debt which Weimar Germany owed to the British and French. The system was built around the assumption that Germany must pay this debt, and credit was extended and pyramided throughout markets on the assumption that ultimately the Germans must pay.

When the negotiations about yet another reorganization of the pyramided German war-reparations debt, the so-called Young Plan, showed plainly that that



Dana Scamilton

Lyndon LaRouche, campaigning in New Hampshire, visits the home of his birth in Rochester, Sept. 4, 1987. With him is his New Hampshire campaign coordinator, Dennis Speed.

debt was never going to be paid, the bloated, already leaking financial bubble burst.

The financial bubble should have been allowed to collapse in some orderly way, while using the power of governments to create new credit to build up a parallel, new financial and monetary system, to expand production, trade, and employment. Eventually, the United States did get around to such measures, which is how the later recovery from the Depression occurred.

Today, we can not emphasize too much, that what Hoover and others did, was directly opposite to what should have been done. Successive waves of such austerity-measures, during the 1929-32 period, pushed the level of production and trade below the economic break-even point, the point below which not enough is being produced and traded to maintain the physical economy. The sharp cut-off in credit-flows to production and trade, over the summer and autumn of 1931, drove the physical economy below this break-even point. Then, the economy itself collapsed, and the Depression of the 1930s began.

Had the Hoover administration taken a different route, beginning 1929, that Depression would not have occurred. Had low-cost credit been generated by the U.S. Treasury and steered into investments in physical output, at any point prior to the British pound devaluation of September 1931, the financial bubble would still have collapsed, but the economy would have gone into a non-inflationary expansion.

This is the lesson to be drawn for today. We proceed now with a summary of the most recent developments, and how they came about, and after that examine the way in which

financial markets and physical economy, although two very distinct processes, interact.

The Reagan bubble pops

At about the time of the Black Monday stock-market panic, President Ronald Reagan broadcast his assertion that the U.S. economy had passed through 59 months of uninterrupted recovery. Then came the President's November broadcast; as if by clockwork, the President announced that there had been 60 months of uninterrupted recovery.

Different people hear things differently. One must suppose, looking at popular opinion about us these days, that most people hearing the President tick off his announcements of yet another month of "unbroken prosperity," never asked, "What was it that happened 60 months ago?" I counted. I remember the incident of October 1982 very well; I was on the losing side in an economic-policy fight, over the Mexico debt-crisis, within the Reagan administration at that time. That policy-fight is the reason the President's script-writer dates the beginning of the so-called "economic recovery" from October 1982. That is the date President Reagan chose the pathway leading into the Big Crash of 1988.

By the summer of 1986, it was virtually a settled fact that 1988 would be the year of the Big Crash. The President's decisions of October 1982, in tandem with actions of fellows such as Citibank's Walter Wriston, had created the biggest financial bubble in history. *EIR* also knew that the October 1986 deregulation of the London stock markets was going to throw an added element of instability into world markets.

This instability was added at the point that price-earnings

FIGURE 1a
Stock prices, 1987
 (Dow Jones industrial average)

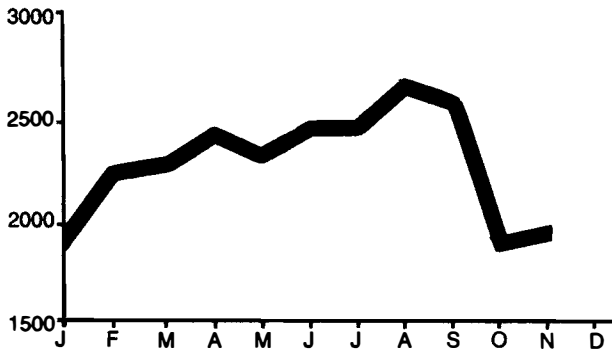
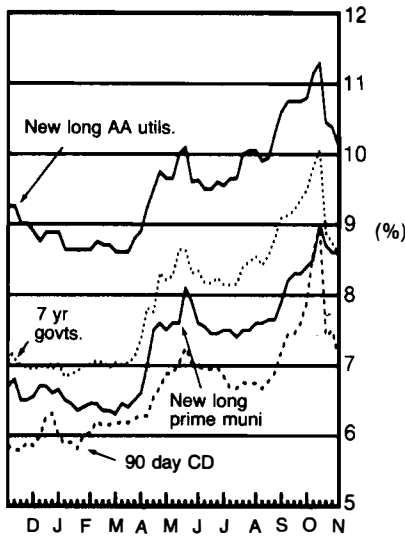


FIGURE 1b
Bond prices, 1987

Yields



The bond market and foreign exchange rates

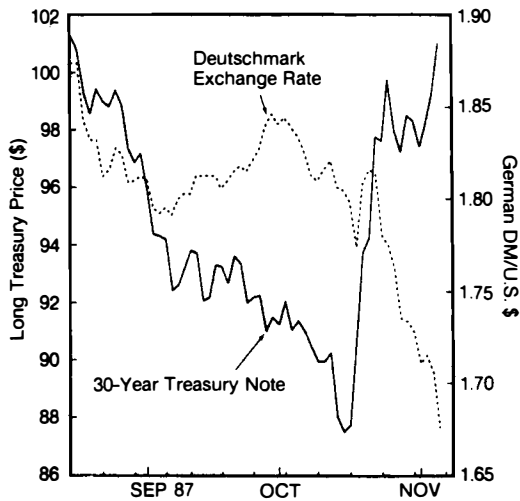
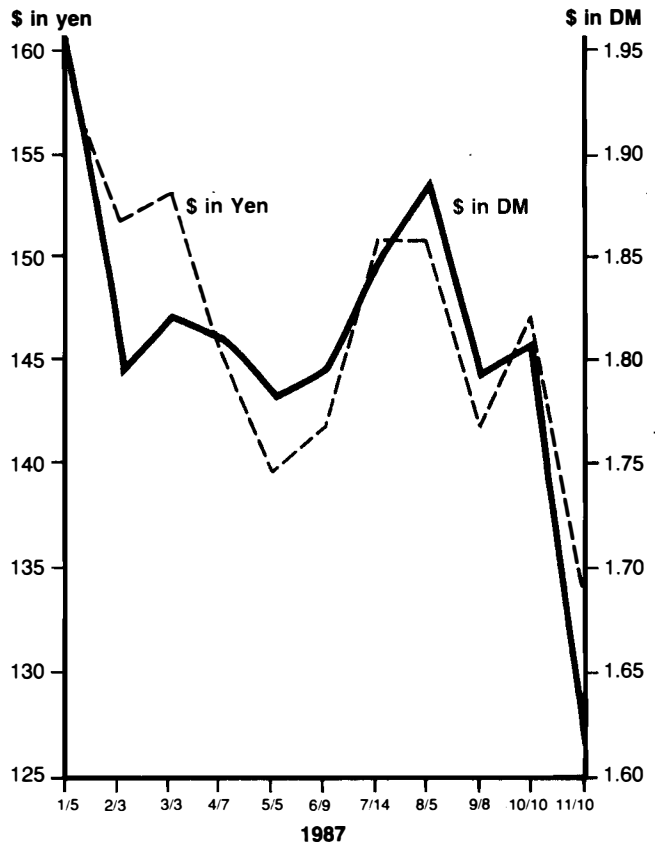
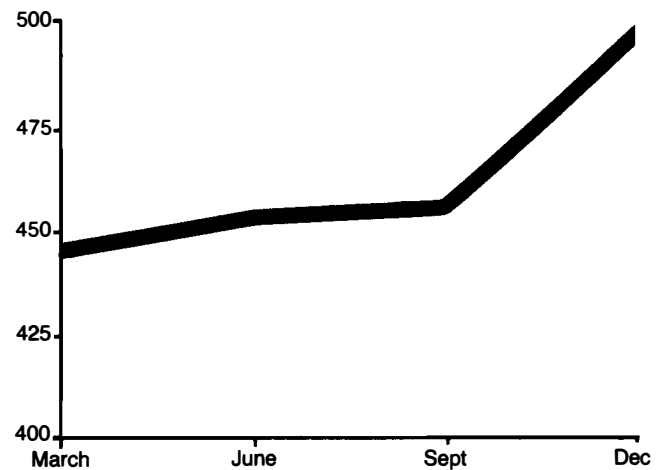


FIGURE 1c
Currency rates 1987



Source: Executive Intelligence Review

FIGURE 1d
Gold prices, 1987



ratios of private securities were floating between 100 and 200 to 1, nominally, and near to 1,000 to 1 in many cases, if one acknowledged the highly leveraged content of what passed for earnings income. Under the circumstances, *EIR* knew that we must expect some major financial shocks already in 1987, even before the Big Crash scheduled for 1988.

About that time, U.S. Treasury Secretary James Baker III seemed to turn as mad as the proverbial Hatter. ("Alice in Wonderland" comes up with increasing frequency, when one is speaking of Reagan administration economic policies.) During early 1987, Baker began pushing down the value of the U.S. dollar. Since the U.S. has come to depend more and more on vital categories of imports, and is the world's biggest debtor at this time, driving down the price of the dollar on world markets is obvious lunacy. Baker insisted it was going to improve our trade-balance, although, in fact, it could only make the United States' balance of payments accounts much worse.

It seems that Baker hates Western Europe and Japan. The real purpose of his driving down the dollar, was not to improve U.S. trade-balances. His purpose was to clobber our allies in Western Europe and Japan, our major creditors. He wishes to terrify those neighbors of ours into obedience, by burning down the neighborhood. He appears to be one of those fellows who thinks the clever way to burn down the neighbors' houses, is to set fire to one's own.

By March and April, bond markets were in deepening trouble as a result of this; when bond markets slide downward under a collapsing dollar, over months, stock markets as hyperinflated as this one are soon to follow.

The international bankers pulled on Baker's reins, beginning about May. Perhaps as much as \$90 billion of reserves, or more, were poured in to prop up the sagging dollar at the

level to which Baker had driven it by the beginning of the spring. Futures markets were stretched to the limit, to keep the stock-market bubbles puffed up into August. In May, I calculated: "The stock-market boom will hold up for about three months, this way, and will almost certainly reach a ripeness for a major blow-out by about the end of early October's settling of accounts."

I am an economist, not a financial analyst; I make stock-market forecasts very rarely. I comment on the economic consequences of developments in financial markets; but, rarely have I forecast the month of a major turn in financial markets.

FIGURE 2b
Bond prices, 1929-32

(Price per \$100 bond)



FIGURE 2c
Currency rates and gold, 1929-32

\$/oz gold

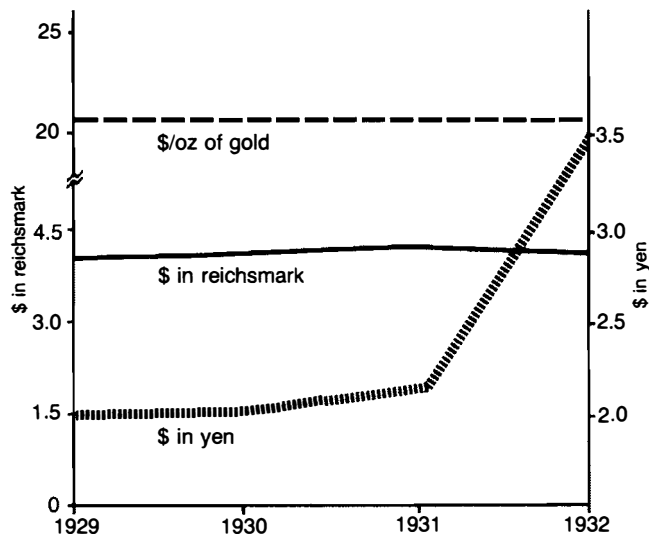
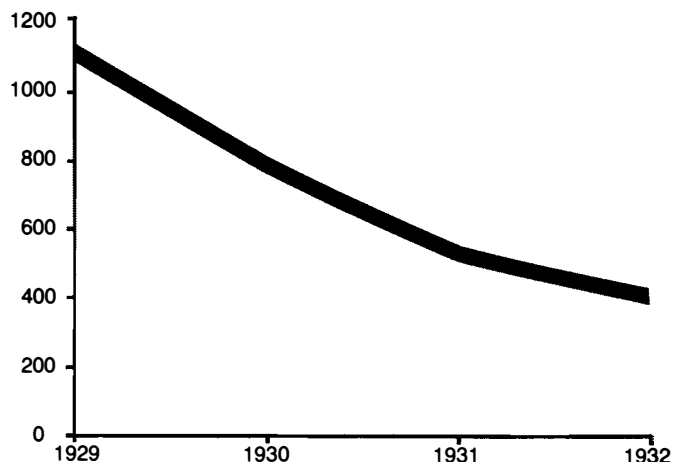


FIGURE 2a
Stock prices, 1929-32
(Million dollars per million shares)



My release of May 26, 1987, forecasting the October blow-out, was one of the rare occasions I have indulged in stock-market forecasts.

The preceding occasion was during spring 1982, when I forecast a debt blow-out to hit markets "not later than September" of that year; the blow-out hit the markets in mid-August. So, on May 26, 1987, I forecast a probable first shock of a new worldwide financial collapse to hit during October; over the interval between Oct. 6 and 19, it happened.

Today, the world is in a deep financial collapse, analogous to 1929-32 but much worse. So far, the Reagan administration, the leadership of Congress, and most foreign governments are behaving just as foolishly as the Hoover administration, the Congress, and most of the governments of the world did, back in 1929-32. If we look back to 1929-32, and compare the addresses and measures of the administration and leaders of the Congress then and now, the words and actions are nearly identical.

The collapse is the bursting of a gigantic international financial bubble, most of that bubble built up over the same 60 months to which Ronald Reagan referred in his recent broadcast. He is striving so desperately to insist upon an economic recovery which in fact never occurred, that he appears willing to do almost anything except admit that his policies of the 1982-87 period were costly errors.

Bush league thinking

By late November, there was great concern inside the presidential campaign of Vice President George Bush: Would the really big crash come during the spring of 1988, or could Bush's friends in Washington, on Wall Street, and in Western Europe find enough chewing gum and toothpicks to hold the international financial system together until after the Novem-

ber 1988 election? Unless madmen attempt to deal with this crisis with the sorts of hyperinflationary measures as the German Weimar Republic adopted during the 1921-22 period, the big deflationary blow-out is scheduled to occur before the summer of 1988.

Theoretically, by hyperinflationary schemes—if Tokyo and Western European capitals all agree to go along with such tactics—Vice President Bush might conceivably succeed in stalling the visible big financial crash until after the November 1988 election. There is probably not enough loose chewing gum and toothpicks to hold things together past summer. It seems unlikely that any Republican could be elected President in November 1988.

"Sixty months of unbroken recovery" simply never happened. Any healthy economic growth means hefty increases in per capita constant-dollar income of the average household, plus hefty increases in revenues from capital improvements in basic economic infrastructure, agriculture, and industry. A market rising on the basis of such a real expansion of earnings does not become a financial bubble. Financial bubbles are formed, and collapse, as this one is doing, when the earnings were largely fictitious ones.

FIGURE 3a
Index of U.S. agricultural production, 1929-33
1947-49 = 100

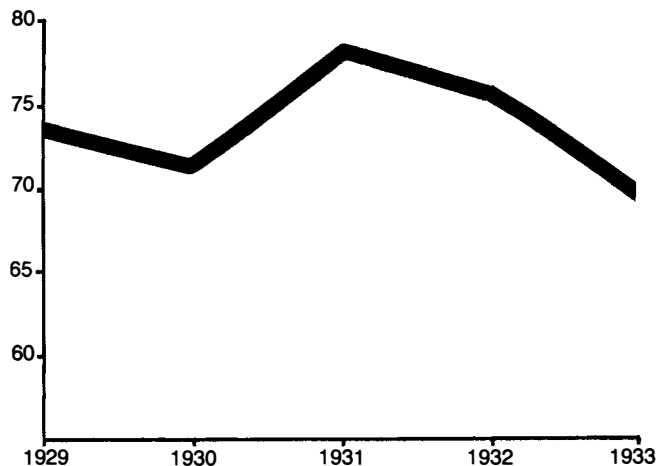
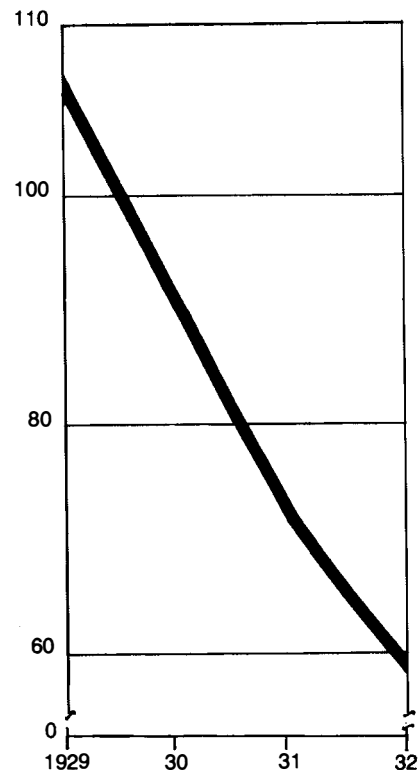


FIGURE 3b
Index of U.S. industrial production, 1929-32



Source: Federal Reserve Board

Reagan inherited bad policies

Reagan created the bubble that is bursting now, but he did not begin the collapse of the U.S. economy. He merely continued the economic downslide, and made it significantly

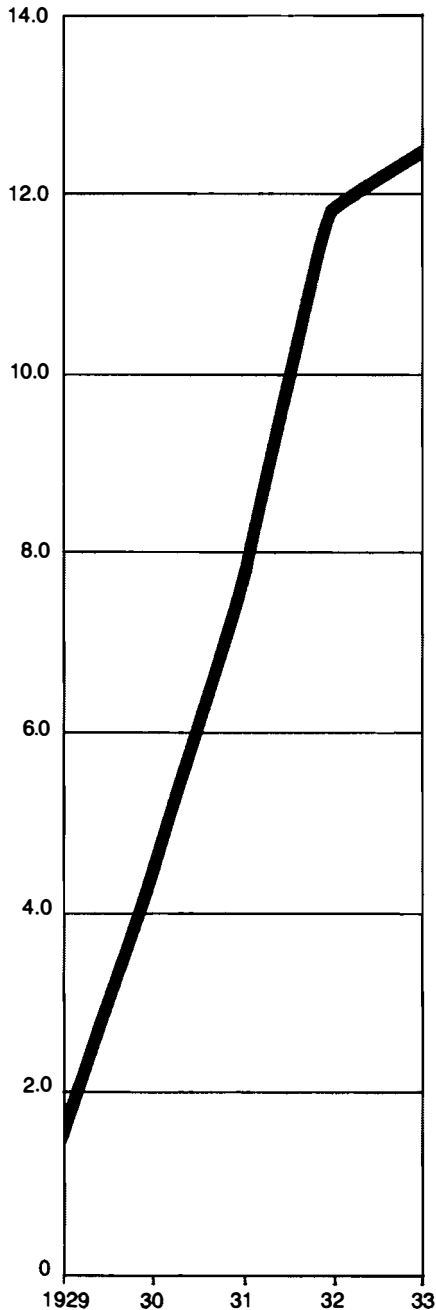
worse, especially with his second-term measures of added deregulation, trade-war noises, and Gramm-Rudman budget-cuts. The erosion leading into the economic collapse of the Reagan years had begun about 20 years earlier, at about the time California Governor Ronald Reagan was first being seen as a potential national political figure of the future.

The downslide of the U.S. economy began during fiscal year 1966-67, when President Johnson's administration cut the rate of high-technology capital formation in basic industry, and inaugurated malthusian population policies, consumerism, and the "post-industrial society." Nixon made it much worse, by introducing the Milton Friedman policies leading into the crisis of summer 1970, and the collapse of the dollar in August 1971.

Nixon made it much worse, by acting to scrap the gold-reserve monetary system, and force our allies to adopt a "floating exchange-rate" system, instead. He should have done what Johnson failed to do in the February-March crisis of 1968: raise the price of monetary-reserve gold to a fair-market price, rather than allowing the price of the U.S. gold

FIGURE 3c
Estimated U.S. unemployment, 1929-33

(millions of workers)



Source: Bureau of Labor Statistics

FIGURE 3d
Standard & Poor's index of common stock, 1925-33

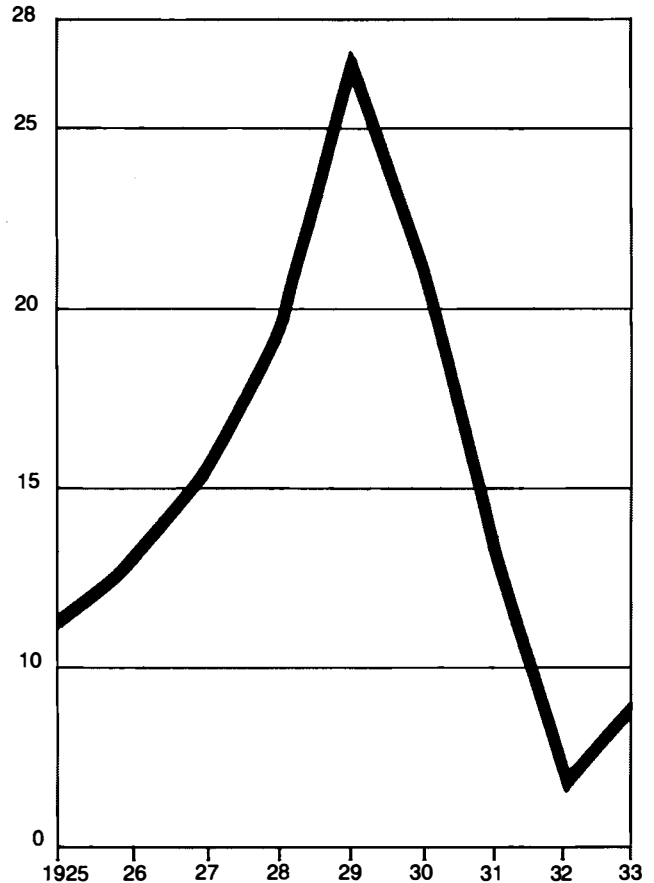
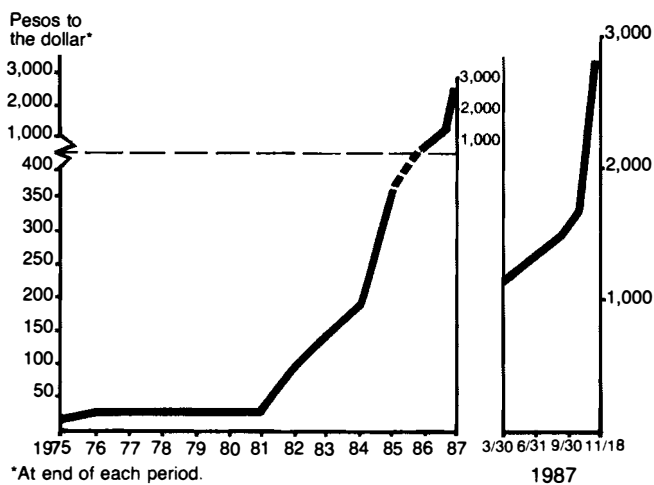


FIGURE 4

Devaluation of the Mexican peso, 1975-87



reserve to be held way below its true value.

Nixon reacted wrongly to the petroleum-price crisis of 1973-74. Instead of cutting the energy-consumption of a U.S. economy whose productivity and growth depend upon expanding energy-supplies, as he did, he should have launched a large-scale expansion of U.S. domestic energy-production, combined with agreements with petroleum-exporting nations in the Americas.

Carter was a disaster on every count, including his monetary and economic policies. Carter capped all his other blunders with his October 1979 introduction of the "Volcker policies." As Paul A. Volcker himself had stated in England during the previous spring, while campaigning there for appointment as U.S. Federal Reserve chairman, that the right name for these policies was "controlled disintegration of the economy." That was the name the policy had been given at birth, by its mother, the New York Council on Foreign Relations. CFR had sponsored a 1975-76 task-force study, named *Project 1980s*, in which this policy was a prominently included feature.

Unfortunately, the CFR task-force had done its work all too well, and Volcker proved very skillful in its implementation. Beginning October 1979, there was a continuous controlled disintegration of the U.S. economy, leading into the deep recession and debt-crisis of 1982, and the financial panic now in progress.

So, President Reagan is not to be blamed for the present economic disasters. Except for one thing, he did nothing but continue the Carter administration's monetary and economic policies, as Carter had continued, and worsened the policies he had inherited from Johnson, Nixon, and Ford. The terrible thing which Reagan added to all the follies which he inherited and continued, was the decision he made in October 1982, the time from which he dates his non-existent "uninterrupted

economic recovery."

A few remarks on the October 1982 decision set the stage for examining the deeper question which is the principal subject of this report.

'Operation Juárez'

Back in 1982, I was on relatively good terms with the Reagan administration. In the bipartisan agenda which I had presented to the transition team, during December 1980 and January 1981, I had included the proposal for what became known later as the SDI. I was occupied in defining the technical and economic feasibility of a crash program to develop and deploy such a defensive system, and was conducting some back-channel discussions of this possibility with Soviet channels on the Reagan administration's behalf.

About January 1982, it was clear that U.S. support for International Monetary Fund (IMF) austerity policies was creating the preconditions for explosion of a near-term debt-crisis in Mexico and nations of South America. During the spring of that year, I coined the term, "debt bomb," which *Time* magazine and others put into general usage later that year. By the end of May, it was clear that the explosion of that debt-bomb would begin not later than September. I discussed this problem with members of the National Security Council, as well as my friends in or close to a number of governments of Central and South America.

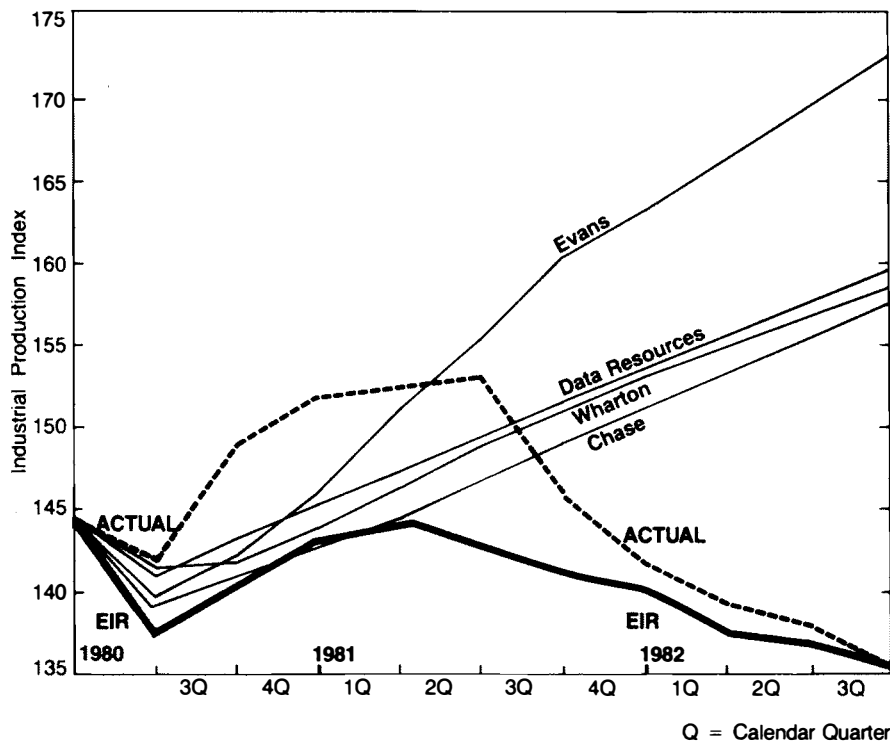
These discussions of the "debt-bomb" crisis reached a turning-point during the same weeks I met with an old friend, Mexico's President José López Portillo. We had not met for direct discussions earlier, because of the heavy pressures on the Mexican government, especially from U.S. banking circles, not to permit such a meeting to occur. We had transmitted our thoughts through my intermediaries with whom the President met periodically, or our more frequent meetings with his. The time had come for us to meet.

I warned Mexico's President: They—the New York banking crowd—intend to take your country apart piece by piece. The crisis will hit no later than September. What I indicated as taking Mexico apart piece by piece, was both what has been done to Mexico since October 1982, and the additional wave of destruction, centered around the former Nazi sympathizer-party of Mexico, the PAN, now in an advanced stage of preparation for unleashing during 1988-89.

During the same week, I met, less conspicuously, with other leading figures of Hispanic America. One of the spokesmen proposed to me then, that the time had come for action on the debt-crisis along the lines I had been proposing for seven years. What was needed to guide policy-shapers, was a book summing up both my analysis of the problem and the proposed measures to be taken. That discussion led to my production of such a book-length report, entitled *Operation Juárez*. This book was completed by the end of July, and issued to the Reagan administration, as well as various circles in Central and South America during the first week of August.

FIGURE 5

Comparative forecasts made in September 1980, for 1981 and 1982



Within two weeks, the crisis I had projected for not later than September hit, in the form of the Mexico debt-crisis. For about an hour, the entire international financial system hovered on the brink of chain-reaction collapse. President Reagan was induced to telephone President López Portillo, making offers which averted the panic. Then, President López Portillo acted along the lines I had outlined in *Operation Juárez*. For a approximately a month, Mexico appeared on the road to economic recovery; a general solution to the "Latin American debt-crisis" appeared in sight.

What was planned, according to my discussions with leading Mexican economists, was a mobilization of broad-ranging capital improvements in Mexico's infrastructure, proceeding with water-management projects to increase the nation's agricultural productivity, and an industrial development nourished by the expanded markets in infrastructure-building. The governments of Argentina and Brazil were temporarily committed to allying with President López Portillo on the policy.

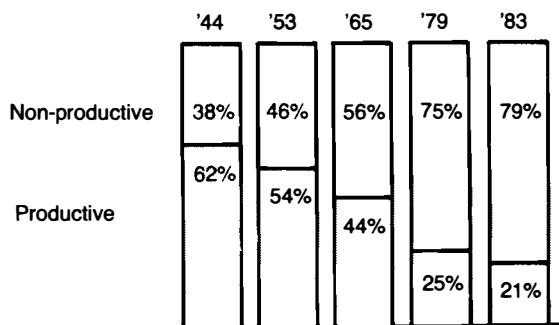
Had this continued, there would have been no continued U.S. budgetary crisis, trade-balance crisis, or the present financial collapse. The expanded capital-goods markets in Central and South America would have stimulated the U.S. economy's industrial growth, and shifted Japan away from

dependency upon U.S. markets into growing opportunities for capital-goods exports into the developing sector. Western Europe would have benefited considerably, especially West Germany, Italy, and the Iberian peninsula.

Unfortunately, with the greatest opportunity for success in more than 20 years right in his hands, President Reagan

FIGURE 6

Trends in industrial employment, 1979-87



flubbed it. He listened to other voices, including that of Citibank's Walter Wriston. Mexico was crushed, and the biggest financial bubble in history began to be built up around the New York City and Boston financial markets. The following year, every member of the Reagan administration associated with me in pushing through the SDI, and in discussions of *Operation Juárez*, was pushed out of those positions, replaced by persons less unacceptable to both the Democratic and Republican cronies of Moscow's Comrade Armand Hammer.

With the backing of the International Monetary Fund, and supranational private financial syndicates, the United States looted the economies of its allies in Central and South America in the following way.

Technically, most of these nations owe not a penny on their long-term external debt now listed at nearly \$700 billion. If we go back to 1974, and trace the history of those nations' external indebtedness in terms of both the original loans taken and payments on those loans, the original debt has been repaid entirely, or in the greatest part. Even by 1982 standards, those nations have paid about a net \$150 billion against a nominal debt of \$450 billion then. More than the entirety of the increased debt of those nations since 1982 is a pure financial swindle out of the tradition of New York waterfront loan-sharks from the 1940s and 1950s.

What the supranational financier syndicates, the IMF, and the Reagan administration have dictated to these nations, under the rubric of "IMF conditionalities," is the following. 1) Drastically lower the price of your currency: thus lowering the earnings from imports and increasing the cost of paying the same amount of dollar-denominated debt-service; 2) Shut down all investment, and even entire sectors of industry, to convert that "saved" money into debt-service payments; 3) Pay with increased exports of manufactures, raw materials, and food, at the expense of the internal economy.

In that way, the U.S. has been skimming off an additional several hundreds of billions of dollars annually from the economies of Central and South America, including the siphoning off of more than \$100 billion annually in "free imports" of manufactures, raw materials, and foodstuffs into the United States.

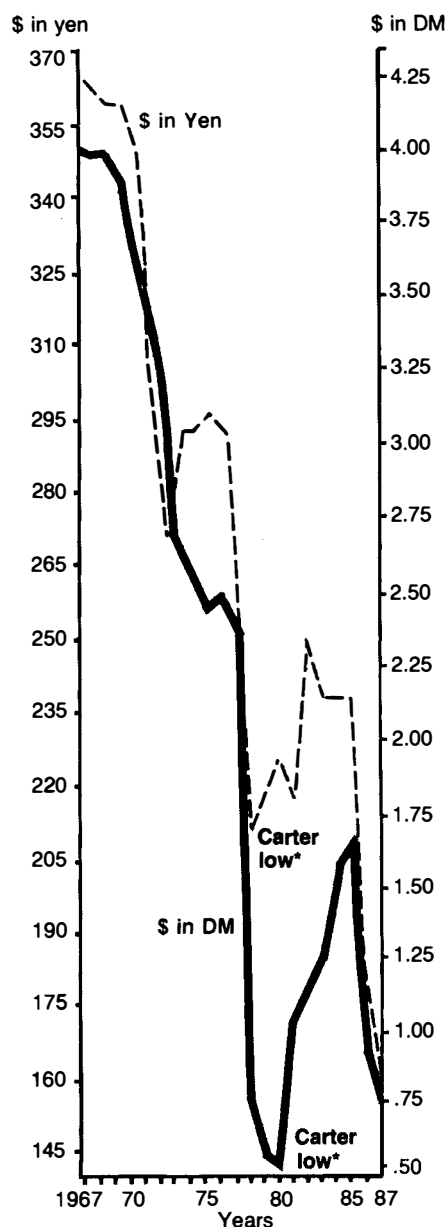
The result of this arrangement is to inflate the external debt of these nations, while destroying their capacity to continue to pay debt-service even at levels of earlier periods.

A similar process has been occurring, at the same time, inside the economies of the U.S.A. and Western Europe. Agriculture and industry, as well as the simple maintenance of basic economic infrastructure, has been looted to provide earnings income to support speculative gains on financial markets. The effect suggests a man eating his own leg, to nourish himself in preparation for competing in a marathon. Productivity and productive capacity have been destroyed in the process of looting physical output's capacity to produce

revenues, in order to increase the margin of short-term capital gains in financial paper.

This has been Reagan's "60 months of uninterrupted economic recovery." That "recovery," such as it is, came to a panic-stricken halt on October's Black Monday.

FIGURE 7
U.S. dollar in deutschemarks and yen
1967-1987



*Amounts are averages for those years; the real Carter low came in April 1979 1.72 DM

Source: *International Financial Statistics*, International Monetary Fund.

Fraudulent accounting practices

Ever since approximately 1966-67, under Lyndon Johnson, the federal government has resorted increasingly to fraudulent accounting practices, to produce the economic data reported for political effects. One might prefer to the word "fraud," "politically cosmetic adjustments in statistical perceptions." I prefer to call it fraud.

The Reagan administration, including the statistical section of the Federal Reserve System, has been engaged in increasing fakery of this sort over the recent five years. Unemployment figures are lowered simply by dropping millions of unemployed from the labor-force statistics. The rate of inflation reported is lowered, by attributing large chunks of price increases to non-existent "value improvements." Another trick, is to change some of the accounting definitions used, from one accounting period to the next. "Seasonal adjustment" is one of the important opportunities for deliberately misleading statistical manipulation used. In large degree, "basic economic indicators" are made up out of thin air.

If all of that sort of fraud were cleaned out of federal statistics over the past five years, there would have been only a few months during which an actual improvement might have appeared to have occurred. Even those months show a significant economic deficit if certain fallacies inherent in the Gross National Product method of national-income accounting are corrected.

Outright fraud aside, the key to understanding how the presently ongoing collapse of the financial system was brought about, is study of the fallacies inherent in the present system of national income accounting. That system was devised under the direction of a Soviet-trained, one-time Harvard economist, Prof. Wassily Leontief. The measurement on which the system is based, is called "Value Added." Value Added represents, most simply, the increase in selling price over costs.

In such a system of accounting, every class of seller and purchaser is listed twice: once as a buyer, and again as a seller. A chart is constructed, divided into rows and columns. In the rows, the sellers are listed; in the columns, the buyers. The total Value Added accumulated by all of the sellers in a year, is estimated as the net product of the nation for that year.

The system has a few added refinements, which are not relevant to this report. We are concerned only with certain among the axiomatic fallacies built into the system as a whole, and only with those fallacies which tend to cause accounting to show the national economy operating at a profit, when it is in fact operating at a loss.

The most obvious of the errors in the system, is the fact that it makes no distinction between two general classes of cost and expense: costs of producing physical output, and those aspects of a national economy, such as administration,

finance, sales, and not-production-related services, which are analogous to "overhead expense" in a manufacturing firm.

For example, let us suppose that General Motors decides to get out of production, and shift its operations into such soft categories as finance, real-estate speculation, and sales of not-production-related business and services. Let also suppose it retains the same total number of employees, at the same pay-scales, in the new mode, as in the old. The result would be, that the apparent Value Added contributed to the National Product by a "post-industrial" General Motors would remain about the same as when it was still manufacturing.

Let us suppose the U.S. economy as a whole is moving in that "post-industrial" direction, as it has been doing for about 20 years. The result is less physical output per capita, for the population as a whole, and less physical output per square kilometer of land-area, precisely as has been the direction of drift over the past 20 years, precisely as has occurred over the past 14 years. Yet, the nominal Value Added has generally increased over this period as a whole.

During five years, 1983-87, of the 1980-87 period, with collapse of standard market-basket value of physical output per capita and per square kilometer, with basic economic

Debt reorganization

Operation Juárez, by Lyndon H. LaRouche, Jr., *Executive Intelligence Review*, 1982.

"LaRouche replies to 1988 Doomsday forecast by Castro," *EIR*, July 2, 1985 and July 9, 1985.

La integración iberoamericana: ¡Cien millones de nuevos empleos para el año 2000! by the Schiller Institute, with an introduction by Lyndon H. LaRouche, Jr., 1986. Reprinted in English translation in a series in *EIR*, Sept. 5, 1986 through May 1, 1987.

"The World Bank's population policy for Brazil," by Lyndon H. LaRouche, Jr., *EIR*, March 20, 1987.

"World debt and the world social-democracy," by Lyndon H. LaRouche, Jr., *EIR*, April 24, 1987.

"Brazil's debt crisis in the world's financial crash," by Lyndon H. LaRouche, Jr., *EIR*, Nov. 6, 1987.

"Weimar-style hyperinflation explodes in Republic of Mexico," by Lyndon H. LaRouche, Jr., *EIR*, Dec. 4, 1987.

infrastructure rotting, agriculture being collapsed by looting of farm income, and entire industrial belts collapsed, there has been reported a steady growth in numbers of new workplaces (chiefly in low-paid services) and in GNP!

So, on the grounds of GNP data, and by aid of some bits of statistical fraud, the President has declared a collapsing economy to be "fundamentally sound," and a collapse of the economy's productive potential to be a process of "uninterrupted recovery." Such are the yardsticks which the federal government and others have used to measure the performance of the economy. Policies of government, and firms, have been adjusted to show improvements according to such absurd yardsticks, with the result that the rate of collapse of productive potential is accelerated in order to show greater

prosperity as the yardsticks used define "prosperity."

The absurdity of it all is underlined by the recent year's discussion of the federal budget crisis. If we use a strict market-basket standard of accounting, the constant-dollar level of the federal operating budget has been declining over the Reagan years, in all categories excepting entitlements and debt-service accounts. Debt-service alone has been the largest single chunk of the annual federal operating deficit. So, it is clear that the budget-crisis has been caused by a collapse of the federal tax-revenue base. Outside financial sectors, the constant-dollar level of farm and business income, and household incomes per capita has been declining, as would have been impossible had there ever been a genuine economic recovery under Reagan.

FIGURE 8
U.S. imports, exports, and balance of trade
(In millions of \$)

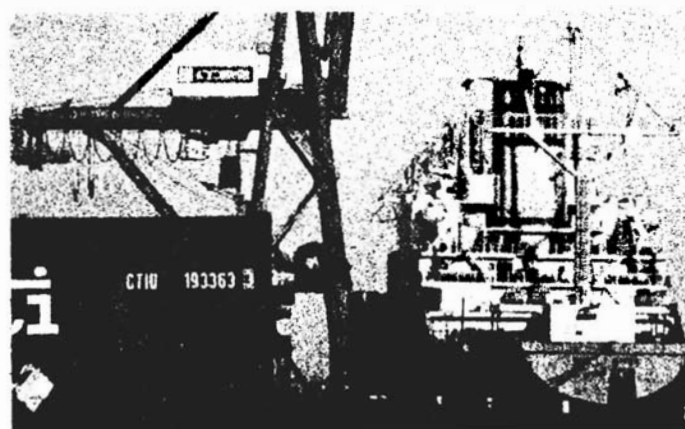
| | Imports | | | | |
|------------------|---------|--------|---------------|-------------|--------------|
| | Total | Canada | Ibero-America | West Europe | Asia Mideast |
| Oil | | | | | |
| 1976 | 26,384 | 2,275 | 2,197 | 371 | 2,568 |
| 1977 | 33,910 | 1,610 | 2,730 | 776 | 2,868 |
| 1978 | 32,140 | 1,246 | 3,004 | 1,390 | 2,951 |
| 1979 | 46,100 | 1,888 | 5,852 | 2,113 | 2,910 |
| 1980 | 62,014 | 2,207 | 8,487 | 3,987 | 4,650 |
| 1981 | 61,940 | 1,932 | 8,963 | 6,732 | 5,408 |
| 1982 | 45,862 | 2,225 | 10,117 | 6,734 | 4,081 |
| 1983 | 36,809 | 2,665 | 7,521* | 4,762** | 10,149 |
| 1984 | 36,529 | 3,457 | 6,700* | 4,023 | 15,480 |
| 1985 | 33,034 | 4,437 | 7,012* | 2,859** | 13,129 |
| Machinery | | | | | |
| 1976 | 15,446 | 2,647 | 1,111 | 4,803 | 6,729 |
| 1977 | 18,837 | 2,978 | 1,209 | 5,509 | 9,049 |
| 1978 | 24,752 | 3,505 | 1,644 | 7,646 | 11,750 |
| 1979 | 28,045 | 3,948 | 2,118 | 8,775 | 12,914 |
| 1980 | 31,904 | 4,014 | 2,291 | 10,225 | 15,035 |
| 1981 | 38,212 | 5,104 | 2,789 | 10,323 | 19,546 |
| 1982 | 39,684 | 4,758 | 3,146 | 10,238 | 21,048 |
| 1983 | 46,975 | 5,141 | 3,232* | 10,465 | 26,952 |
| 1984 | 68,390 | 7,731 | 4,117* | 9,247 | 31,737 |
| 1985 | 75,299 | 7,347 | 4,715* | 10,149 | 36,323 |
| Transport | | | | | |
| 1976 | 14,378 | 6,574 | 146 | 3,284 | 4,326 |
| 1977 | 17,571 | 7,697 | 205 | 3,946 | 5,668 |
| 1978 | 22,873 | 8,773 | 295 | 5,187 | 8,549 |
| 1979 | 25,634 | 8,625 | 357 | 6,582 | 9,904 |
| 1980 | 28,642 | 8,291 | 375 | 7,412 | 12,321 |
| 1981 | 31,415 | 9,892 | 408 | 6,938 | 13,916 |
| 1982 | 33,635 | 12,149 | 371 | 7,321 | 13,630 |
| 1983 | 39,156 | 14,983 | 342* | 8,142 | 15,499 |
| 1984 | 50,802 | 20,261 | 550* | 8,468 | 18,398 |
| 1985 | 61,965 | 22,032 | 835* | 10,877 | 24,266 |

*Mexico only

**United Kingdom only

| | Exports | | | | |
|-------------------------|---------|--------|---------------|-------------|--------------|
| | Total | Canada | Ibero-America | West Europe | Asia Mideast |
| Grains | | | | | |
| 1976 | 10,911 | 143 | 916 | 2,997 | 3,213 |
| 1977 | 8,755 | 110 | 880 | 2,415 | 2,426 |
| 1978 | 11,634 | 101 | 1,478 | 2,152 | 3,411 |
| 1979 | 14,451 | 132 | 1,684 | 2,489 | 4,176 |
| 1980 | 18,079 | 178 | 3,142 | 3,059 | 6,191 |
| 1981 | 19,457 | 188 | 2,964 | 3,067 | 6,784 |
| 1982 | 14,747 | 146 | 1,799 | 2,454 | 10,064 |
| 1983 | 15,152 | 143 | 1,148* | 1,821 | 6,777 |
| 1984 | 16,076 | 155 | 721* | 146 | 5,859 |
| 1985 | 11,050 | 144 | 505* | 85 | 2,966 |
| Non-agricultural | | | | | |
| 1976 | 97,266 | 23,324 | 14,389 | 26,418 | 14,907 |
| 1977 | 103,843 | 24,960 | 15,236 | 28,622 | 15,864 |
| 1978 | 121,829 | 27,515 | 18,323 | 33,333 | 20,181 |
| 1979 | 143,833 | 30,512 | 22,546 | 42,988 | 26,695 |
| 1980 | 175,336 | 32,250 | 29,707 | 54,254 | 34,271 |
| 1981 | 185,623 | 36,309 | 32,392 | 51,606 | 34,242 |
| 1982 | 170,535 | 30,697 | 25,210 | 47,031 | 35,999 |
| 1983 | 159,862 | 35,087 | 6,815* | 44,381 | 48,835 |
| 1984 | 174,243 | NA | NA | NA | NA |
| 1985 | 177,684 | 43,861 | 16,870 | 25,189 | 42,915 |

*Mexico only



On economics, the President is an irrational ideologue. The very notion of an “invisible hand” was something which the British East India Company’s anti-American tract-writer, Adam Smith, had introduced into political-economy as a new disguise for the doctrine of irrationalist hedonism which had been the centerpiece of his 1759 *Theory of the Moral Sentiments*. By definition, Smith insists that the “invisible hand” is an unintelligible principle, hence an irrational one. The most weak-brained of the celebrated economics professors, Milton Friedman, insists upon this, as does the President.

What the President has done in all his economics and monetary policy, is to apply this unintelligible—purely irrationalist—dogma to all sorts of situations, including his passion for “free trade” and “deregulation.” He shapes his

economic policy to fit this dogma, and his administration variously fakes the statistics or simply chooses incompetent yardsticks, to show that the President’s ideology is working successfully—whether it is, or not.

The collapse of U.S. agriculture, amid a worsening worldwide food-shortage, he sees as a necessary fulfillment of “free trade” policies. The collapse of industry, he regards similarly. The shift of employment, from skilled and semi-skilled manufacturing, into low-wage, highly redundant unskilled services, he sees as a sign of growing prosperity.

True and numerous as the President’s flaws are, we must not tolerate his being made the scapegoat for the crisis. President Reagan himself has done very little the seven years he has been in office. He was not in the same class of passivity as a White House doormat—a useful object in its own right, but it is a useful correction of popular prejudice to tilt perceptions a bit in the direction of such comparisons.

The ‘establishment’ factor

In a literal reading of our federal Constitution, the President is responsible for the consequences of all policies excepting those sometimes imposed upon him by the Congress or the federal courts. In reality, our constitutional form of government has become to a large degree merely an appendage of a “behind-the-scenes” oligarchical power loosely identified as “the establishment.” As Elliot Roosevelt reported his father’s wartime observation, during this century, the government of the United States has been altered subtly, but persistently along the lines of a parliamentary model supplied by the British system. That trend was established by Franklin Roosevelt’s cousin, Teddy, at the beginning of the century, and has been more or less in continual progress since.

Today, since about 1963, throughout Western nations, the quality of elected politicians has been systematically eroded, replacing the “strong political personalities” of the earlier periods with a mixture of political mediocrities and what are termed often administrative “technicians.” Whatever we might assume from study of our Constitution, the power of Presidents and Congresses to design and implement policy has been eroded to the degree that the President and Congress become almost a theatrical diversion acting out lines dictated to them by the establishment.

To master the crisis now enveloping our nation, we must understand and remove the causes for that crisis. To do that, we must go back no later than about 20 years ago, when the Johnson administration of 1967-68 introduced the first significant changes in policy leading us into the present catastrophes.

The mess we are in was built up by 20 years of bad policy: the “post-industrial” drift into obsolescence and ruin, the lunacy of the “floating exchange-rate” monetary system, Volcker’s “controlled disintegration of the economy,” the bestial savagery of “IMF conditionalities,” and the past five years’ build-up of the biggest financial bubble in history.

Balance of trade

| | Imports | Exports | Balance |
|------|---------|---------|------------|
| 1976 | 120,677 | 114,997 | - 5,680 |
| 1977 | 147,685 | 121,212 | - 26,473 |
| 1978 | 172,025 | 143,660 | - 28,365 |
| 1979 | 206,327 | 178,578 | - 27,749 |
| 1980 | 240,834 | 216,592 | - 24,242 |
| 1981 | 261,305 | 228,961 | - 32,344 |
| 1982 | 243,952 | 207,158 | - 36,794 |
| 1983 | 258,048 | 195,969 | - 62,079 |
| 1984 | 325,726 | 212,057 | - 113,669 |
| 1985 | 345,276 | 206,925 | - 138,351 |
| 1986 | | | - 156,000 |
| 1987 | | | - 175,000* |

*Estimate

Over the course of the 1980s, the steady decrease in U.S. exports and the steady increase of U.S. imports was primarily a function of the loss of U.S. production capacities. Under the post-1979 Volcker regime, especially since 1982, an overvalued dollar has been used to import goods from abroad at bargain prices, replacing goods the United States was no longer producing, and so creating a record trade deficit.

As the charts show, between 1982 and 1985, U.S. imports of machinery—something the United States ought properly to be exporting—nearly doubled, from \$39.6 billion to over \$75 billion. Similarly with transport equipment.

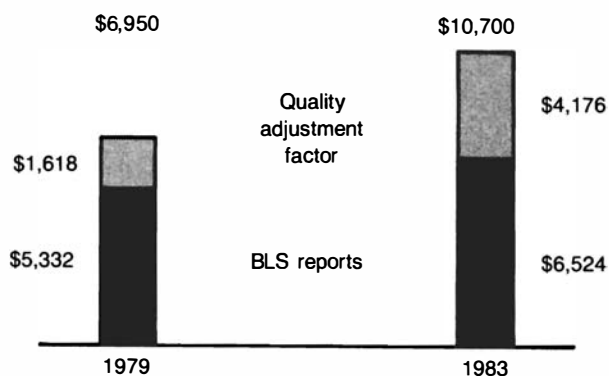
As a function of the United States’ forcing Mexico to export heavily after 1982 to earn foreign exchange for debt service payment, U.S. imports of machinery from Mexico rose by roughly 25%, while overall, Ibero-America’s imports from the United States fell by one-third. During the same period, U.S. non-agricultural exports as a whole remained relatively flat.

It was this dynamic that sent the U.S. balance of trade in that period from a negative \$37 billion to more than \$175 billion in the red.

FIGURE 9

The 'quality adjustment factor' swindle, 1984

New car price



None of those five Presidents created these policies, and most of the time none of them really understood what he was doing when he pushed such policies through, or merely defended them. During the past 40-odd years, the important policies of government were created within an "establishment" that has remained a fixture of power as Presidents came and went, chiefly the "liberal Eastern establishment."

That "establishment" is not rational. This is not to imply that many of the individual members of the establishment are not rational by all ordinary standards. It is to underline the fact, that the way in which the establishment is organized reduces policy-deliberation within the establishment as a whole to a kind of process of bargaining which leaves no room for rationality in the results of this bargaining.

The establishment is a collection of power-blocs, which reach majority-decisions not on the basis of reason, but by "cutting deals." Once a bargain is struck, that bargain becomes the policy of government. Very often, the policy adopted makes no sense. It is not supposed to make sense; it is supposed to be policy.

"Reagan's economic ideology is pathetic? You are right, of course; but that is not the point. Silly as it is, that ideology happened to serve our purpose at the time. That was our decision; buck it, as you did, and we teach you a very painful lesson we hope you have the sense to learn. It is very dangerous to oppose establishment decisions." The establishment's view of the matter is that it makes the rules, and allows no outsider to attempt to break those rules once the establishment has agreed upon them for the time being.

So, we should not be surprised that U.S. monetary and economic policies make no sense; they weren't supposed to. These policies were chosen because that was the irrational compromise struck among a majority of the establishment.

How powerful is this establishment? Dear ladies and gentlemen, we don't wish to upset you unnecessarily, but you are living under a very efficient sort of dictatorship, with

many painful similarities to George Orwell's fictional *1984*. It is a dictatorship of an establishment that is just as irrational, capricious, unjust, and cruel as the fabled Zeus of Olympus. It is a terrible power, an awful tyranny, but most of you have worn its shackles for so long, you no longer remember the freedom you surrendered years ago.

In the U.S.A. today, there is but one more terrible power than the Olympus-like establishment, the Creator Himself. To deal with the hubris of establishments such as our own, the Creator has embedded some terribly efficient laws in this universe. Those who like to see justice within their own lifetimes are often disappointed by what appears to them to be the slow pace of the Creator's judgment upon evil-doing establishments. An adult's generation is a span of about 40 working-age years; sometimes generations pass before the laws of Creation overtake the hubris of the Olympian establishments.

So Athens was crushed in punishment for its condemnation of Socrates, but Socrates was dead more than a generation before the punishment was administered. The peculiarity of the present moment of crisis, is that after about two generations of terrible bungling, the Anglo-American Olympians, the principal rulers of the postwar world, have come before the seat of judgment by the Creator's laws; a judgment beyond their power to defy has overtaken them. The time has come for them, as for the Biblical Sodom and Gomorrah, that they must abruptly change their ways, and become rational, or they shall be destroyed, along with many of us hapless folk who have been cowardly enough to tolerate establishment follies.

We did not tolerate the idiotic policies of the past 20 years because it was proven to us that these were rational policies. How could the majority of senior citizens, or farmers, or former employees of vast tracts of idled industrial enterprise, believe a word Reagan said when he spoke of 59 or 60 months of uninterrupted recovery? We did not believe a word of it; what we believed was that Reagan's expressed policy perceptions on the economy were backed by a power too awesome for us to challenge.

The journalist asked the impoverished citizen: "Do you have faith in the economic recovery?"

"Of course," the poverty-stricken citizen replied brightly, smiling into the camera, "I watch television and read the newspaper headlines."

Riesman called such behavior "other-directed." Under dictatorships, the slaves enjoy the consolations of going along with the crowd. "It is easier to get by, that way." Nazi Propaganda Minister Joseph Goebbels would understand, perfectly. That sort of "other-directed" society is what most of you have become. That is how you gave up your freedoms so easily, and why you are able to tolerate that loss of freedom with so little sign of resistance.

In a society which has accepted the liberal's philosophy, that all values are relative, that there is no provable truth,

how can anything be a lie, unless it is shown contrary to what is called "popular opinion"? Is the economics ideology around Washington a cult-dogma which sometimes appears to be as arbitrarily irrational as the teachings of the Khomeini dictatorship? Are the yardsticks used to measure prosperity absurd? As long as popular opinion can be induced to regard these as authoritative policy, who dares object—barring the countervailing action of the laws which the Creator has embedded in this universe.

It becomes the case, that if a nation or civilization, such as our own, continues to conduct its affairs in defiance of morality and reason, as ours has done, there is no remedy for this state of affairs except that the laws which the Creator has embedded in creation shall crush old policies and establishments as millstones pulverize grain. That is why we never get out of bad policies such as those of our past 20 years, except through crises so potent that they threaten to crush our nation itself, as we are so threatened now.

If we continue the present way of making national policies, our nation, our civilization, are doomed over the few years ahead. We have come to the time when that decision must be faced. To escape doom, we must turn to the very rationality we have evaded these past 20 years. We must discover the intelligible laws which govern physical economic processes, and adopt those laws as our laws of daily practice. Among the changes we must make to that effect, is to discard as rubbish everything taught as "economics" in our universities and in Washington these past decades, and learn and apply a rational form of economic science instead.

Finance and economy

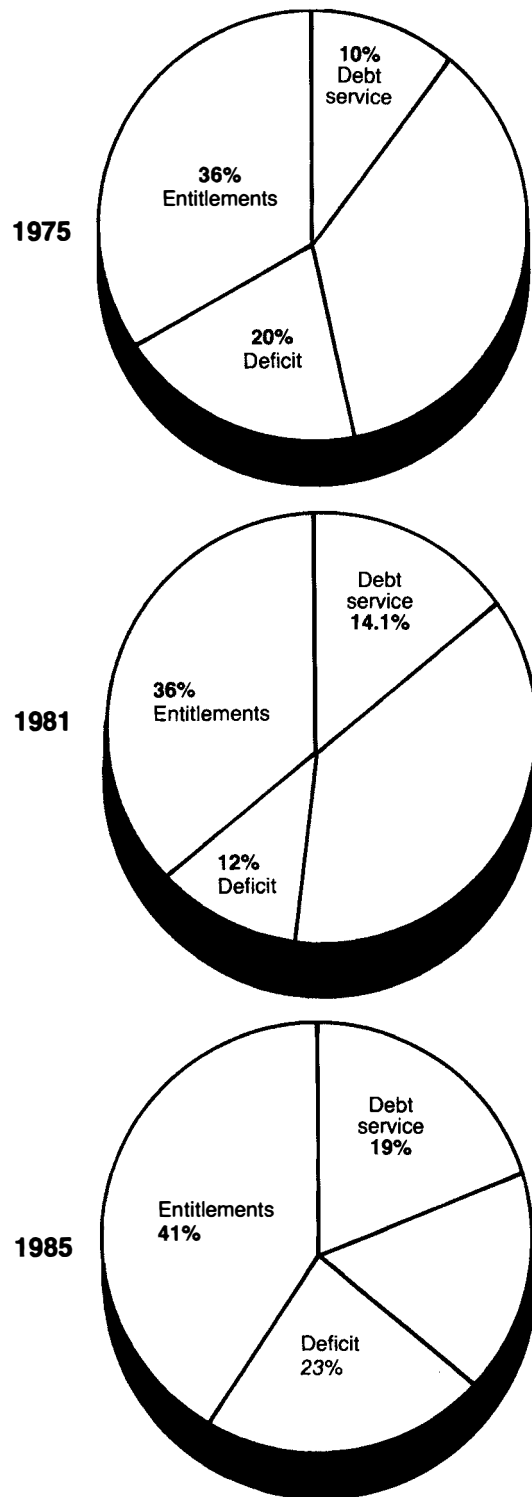
At the outset of this year-end report, we stated that it is not necessary that a deep economic depression must follow a deep financial crash. It is only when sovereign government refuses to understand and act upon the fundamental differences between financial and economic processes, that government reacts to a financial crisis in ways which cause an economic depression.

This brings us to the crux of this report: The nature of those differences between monetary and economic processes, which are key to ensuring that an economic recovery, not a deep depression, comes out of this financial crisis. We begin, appropriately, with a few of the ABCs of modern economic history.

Modern principles of national economy began to be defined at Florence, under the great Cosimo de' Medici. Economic science was completed in all essentials during the lifetimes of French Minister Jean-Baptiste Colbert and Gottfried Leibniz. Leibniz's science of physical economy is the formal foundation of a systematic economic science. That economic science was the foundation for what U.S. Treasury Secretary Alexander Hamilton was first to name in print "the American System of political-economy."

The emergence of economic science, over the course of

FIGURE 10
Debt-service, entitlements, and deficit as percentage of federal operating budget, 1975, 1981, and 1985



the 15th through 18th centuries, divided Europe and North America into two principal factions. On the one side, there were the advocates of entrepreneurial agro-industrial capitalism, typified by the American System of Hamilton. The opposing faction was a relic of feudalism, the Lombard system of rentier-finance.

Beginning the second half of the 15th century, especially after the brilliant success of France's King Louis XI, the old, well-established feudal system of rentier-finance was forced to adjust itself to the powerful insurgency of a system of national economies of sovereign nation-states. With the failure of the Venice-backed Hapsburgs to crush France and England, especially France, rentier-finance found itself obliged to adapt its practices to the entrepreneurial-capitalist policies associated with national economy. So, during the 18th century a rentier-financier dogma of political-economy was developed, in direct opposition to national economy.

In the form it has assumed today, this new dogma of Lombard rentier-finance practice in an industrial age, was radiated from French-speaking Switzerland's Geneva and Lausanne. The vehicle through which this was more widely transmitted was the Venetian Levant Company, which moved into northern Europe to assume the new guise of the East India Companies of England, the Netherlands, and Denmark.

So, the Second of Earl of Shelburne, America's and France's mortal enemy of that period, sent his agent Adam Smith to study under Geneva bankers and French Physiocrats. The result was the anti-American propaganda-tract of 1776, Smith's *Wealth of Nations*.

In the history of the United States, the agents and partners of the East India Company formed the Tory faction of 1763-1814, the party led for a time by the East India Company's Aaron Burr. This has been the core of the rentier faction, the liberal establishment, in the United States to the present time. The opposing, patriotic party, were the representatives of the American System of political-economy, entrepreneurial, agro-industrial-capitalist national economy.

So, our national history has been pivoted on the swings, back and forth, between predominance of the patriotic and the rentier factions and their respective policies. Washington's administration was based on the American System. Under the influence of Anglo-Geneva agent Albert Gallatin, the Jefferson and Madison administrations introduced Adam Smith's rentier policy, and nearly ruined our national economy and national defense. Monroe and Quincy Adams reestablished the American System. Jackson and van Buren ruined us with their banking deregulation and "free trade" dogmas. So, on and on, it went.

The struggles between the patriotic and American Tory traditions within the "establishment," became a Manichean accommodation between the two. The form of this accommodation became what is recognized as "American pragmatism" today. The distinction between the patriots and the liberals persists, but the habits of pragmatic accommodation to bargains struck with the increasingly powerful liberals, led

to a behavioral modification in the beliefs of the patriotic currents. Only a few among the patriots, chiefly dwindling survivors of generations born prior to World War I, have a clear recollection of the principles which used to motivate our patriots' faction inside and outside the establishment.

The most significant of the pragmatic accommodations reached in this way, were on matters of political-economy and constitutional law. The truth-principle of natural law, which was once our national pride, is virtually non-existent in the practice of all three branches of government today; the liberals, especially since the Fabian Society's choice of our Chief Justice, Oliver Wendell Holmes, have imposed Savigny's "historicist" school of irrationalist law, and savagely eroded the notions of justice earlier associated with the Bill of Rights. In political-economy, Adam Smith is widely accepted among the modern heirs of the patriotic faction, as well as among the liberals.

Thus, no doubt, Ronald Reagan wished to be a leader of the patriotic cause, but his economics were those of the Tory, rentier faction, and that has proven to be his undoing. Some anguished patriots search for the one and only conspiracy which might explain all the evils we do to ourselves. They miss the point; the conspiracy is the followers of Adam Smith, those American Tories' descendants, the liberals in America who follow Smith as much in his immoral doctrines of irrational hedonism as in his political-economic recipes.

For almost a hundred years, what has been taught as "economics" in all our leading universities, has been a hodgepodge of rentier political-economy, a blend of Smith, Bentham, Marx, and John Stuart Mill, lately mixed up with implicitly fascist varieties of utility-theory imported from the decadent Vienna circle with whom Bolshevik N. Bukharin studied his economics.

All modern economic dogmas of this sort begin their study of economic processes with the circulation of money through buying, selling, and usury. This is, in fact, the case for the doctrine of "exchange value" of that sometime asset of Palmerston's British secret intelligence, Karl Marx. The processes of production are then explained from the standpoint of the circulation of money.

Therefore, for all who believe that popularly taught nonsense, the present financial collapse means that the deepest and most prolonged economic depression in modern history will begin, inevitably, no later than 1989. The reasoning is simplistic: Since tens of trillions of dollars of paper values will be wiped out by the successive crashes over the coming months, there will be no lending power, no fund of money in circulation sufficient to promote a revival of production through trade. Hence, an economic depression is seen as inevitable, a very deep and prolonged one.

Out of that sort of misguided thinking comes the rapidly increasing revival of the popularity of Nazi Finance Minister Hjalmar Schacht among the advisers to presidential candidates such as Sen. Robert Dole and the bipartisan ideologues of the National Endowment for Democracy, the latter the

mother organization for Lt. Col. Oliver North's "Project Democracy."

Since prolonged depression, and bitter austerity are inevitable, they argue, the American population has the options of accepting that austerity either from a fascist tyrant, or by "democratic" reforms in the fascist systems of Mussolini and of Dollfuss's Austria. Instead of having economic sacrifices and sacrifices of liberties dictated by a tyrant, the population will be allowed to select which economic benefits, which liberties it is least unwilling to give up in the current round of ever-deeper austerity cuts.

This was made by the social-democratic Keynesian, the late Prof. Abba Lerner. In the course of a 1971 debate with me, at Queens College, I accused Lerner of proposing Schachtian policies. Cornered, he conceded this was true. He admitted, to the astonishment of faculty and students who had admired him as a paragon of social-democratic liberalism, that he was a supporter of the pre-Hitler Schacht's policies—e.g., the savage austerity policies of the Brüning government, which paved the way for Schacht's placing Hitler into power.

Lerner defended himself by arguing that had the social-democrats accepted Schacht's austerity policies, the choice of Hitler would have been unnecessary.

Lerner exemplifies the arguments of the "democratic fascists" of today, the policies professed by Senator Dole in one recent public address, the policies practiced by the bipartisan National Endowment for Democracy and Project Democracy in the Philippines, Central and South America, and all other parts of the world reached currently by its funding and its pro-active programs.

The point being stressed here, is that the belief in the fatal necessity of a deep and prolonged economic depression, following a deep financial collapse, is the heart of the argument for one or another sort of fascist experiment. Fortunately, the economics taught at universities is scientifically, and practically absurd.

In reality, a financial collapse, under present circumstances, is more or less indispensable if conditions for an immediate economic recovery are to be secured! With all the temporary pain this financial collapse will impose, it is at the same time a blessing in disguise. Without this financial crisis, it is unlikely that the past 20 years' downslide of the economy could have been reversed.

Economy does not start with barter and money; it starts with production. In classes and publications to the same purpose, I have often used the following illustration, which serves to shorten the needed amount of discussion here.

Let us accept, for purposes of argument, the anthropologists' insistence that the original form of society was what they usually term a "simple hunting and gathering society." Some years ago, calculations were made. Under wilderness conditions, a "hunting and gathering society" would require an average of 10 square kilometers of land-area to sustain an average human life; a total living human population not in

excess of about 10 million individuals. They would be very miserable specimens, with life-expectancies for surviving infants substantially less than 20 years of age, living in small bands whose conditions of material and cultural life were akin to those of baboons.

Today, the human potential population-density is about 1,000 times—three orders of magnitude—greater than such a primitive society. If we add the factors of improved per capita living-standards available with full use of existing technologies, and the average amount of energy consumed per capita and per square kilometer, the improvement in potential population-density is several orders of magnitude still greater than raw population-potential suggests.

This advancement in the human condition has been accomplished through what we term retrospectively scientific and technological progress. We willfully change our mode of behavior, as society and as individuals, to reflect our improved knowledge of the lawful ordering of the universe, and advance the human condition in this way.

The raw measure of economic progress is such forms of increase of the potential population-density. We measure, in first approximation, the absolute increase; we also measure the rate of such increase, and the rate of change in such rates of increase. This measurement provides economic science an absolute scale of measurement of economic progress, without any need to measure economic value in terms of money or barter.

There are those, today, who oppose continued scientific and technological progress, of course. Their views are, at best, insane, and most dangerously so. A lessening of the rate of scientific and technological progress would cause a drop in the potential population-density of mankind. This would take the form of famines, epidemics, and other accelerations of the death-rate, causing a global genocide beyond the imagination of nearly all. Over the span of one to two generations, a continuation of the past 20 years' drift into "zero-technological growth" would mean an acceleration of the death-rate totaling literally billions of people, in a total amount sufficient to bring the total population of this planet down to somewhere between 1 and 2 billion.

Under such high rates of mortality, even in the rapidly mutating "AIDS" infection did not already exist, the rate of development and evolution of combined all and new epidemic diseases might mean the extinction of the human species. Teaching "environmentalist" hostility to technological progress in schools is worse than indoctrinating youth to dedicate their lives to mass murder. Of the two, malthusianism is a much more efficient mass-killer.

If we foster high rates of technological progress, in a capital-intensive and energy-intensive mode, the rates of physical output per capita and per square kilometer can be increased rapidly on a global scale today. We have the available labor to accomplish this. We lack adequate productive capacity, but we can build it. We lack adequate education of the labor-force, but we can overcome that, too. We need only

the right policy of economic development.

The practical issue posed to the U.S. government is: Suppose that the existing financial system's ability to provide credit goes almost flat, can we organize an expansion of technologically progressive employment and capital investment in increase of per capita rates of physical output? Yes! How? By resorting to a provision of our federal Constitution employed by President George Washington to lift our young federal republic out of virtual national bankruptcy into growing prosperity. The President has but to submit to the Congress a series of emergency bills, authorizing the issuance of trillions of U.S. Treasury currency-notes, as lending-power of our banking system, over the next two or three years.

The trick in lending government Treasury-notes as currency, is to restrict the application of those funds as loans in such a way that for every dollar loaned, on the average, significantly more than one dollar's worth of physical output is continuously generated. As long as the rate of increase of the flow of physical wealth exceeds the rate of increase of money put into circulation, government can lend at very low borrowing-costs indefinitely, up to the capacity of the labor-force and entrepreneurs to absorb the investment financed in this way.

At the same time, the federal government must use its sovereign powers over regulation of banking, finance, generally, and interstate and foreign commerce, to put the collapsing old monetary system into financial reorganization, while the new monetary system, based on large lending-issues of federal Treasury currency-notes, builds up the economy.

Ask yourself: How did the hyphenated word, "political-economy," come into usage? Simply, economy signifies essentially "physical economy," the production, physical distribution, and consumption of physical output, and of certain essential classes of services, such as direct production management, science and engineering services, education, and health-care services. By political-economy, we mean the effect of superimposing the political power of the state upon the economy. This latter includes the creation of money as legal tender, the system of taxation and government expenditures, the regulating of banking and other financial practices, and the regulation of domestic and foreign exchange and commerce. The two, combined, are political-economy.

The "political" aspect of political-economy is something superimposed upon economy. The question is implicitly posed, whether the superimposed political mechanisms are healthful for the economy, or not. For example, if the superimposed mechanisms promote increase in average physical productivity through application of scientific and technological progress to relatively high rates of capital improvements in basic economic infrastructure, and relatively high rates of investment in production of physical output in a capital-intensive, energy-intensive mode, the superimposed political mechanisms are acting as we should desire them to do. If the contrary, then we should either reform the political super-

structure extensively, or scrap the existing financial system entirely, and use the power of the government to create a more suitable, new financial system.

So, in studying the performance of political-economies, we must conduct a twofold analysis. We must examine the financial system on the one side, and the economy on the other, and must then examine the way in which the two distinct processes are interacting. This is what the university-trained economists failed to do, partly because they had not the slightest notion of how to do it, but, more generally, because their miseducation had conditioned them to oppose even the suggestion of undertaking such studies.

This was not the case during the first hundred years of our republic's existence. Relative to economists such as Benjamin Franklin, Alexander Hamilton, Mathew Carey, Friedrich List, and Henry C. Carey, our leading economists today are illiterate grammar-school drop-outs.

Physical economy

I shall identify as much of the bare essentials of the science of physical economy as is indispensable for understanding how a properly designed U.S. economic-recovery program will work.

DEFINITION OF *ECONOMIC VALUE*:

The primary measure of successful economic growth is *rate of increase* of the *potential population-density* of the society as a whole. We must measure this as the present potential population-density, the present rate of increase of that potential, and the rate of increase of that rate of increase. This yields *rate of increase of the rate of increase of potential population-density* as the measure of *economic value* in physical economy. *Economic value*, defined in this way, is a synonym for Leibniz's *productive powers of labor*.

Any different measure of *economic value*, such as those of David Ricardo, Karl Marx, and "utility" dogmas, is absurd.

HOW MATHEMATICAL FUNCTIONS ARE DEFINED:

Changes in *economic value* are defined by a mathematical form of a function in Riemannian synthetic geometry. This function is broadly defined, in first approximation, in terms of six constraints. (These constraints can be combined, but only in ways which are technically beyond the scope of most readers.) In order to simplify the discussion, I add a seventh constraint here.

1. The added constraint: overhead burden. In the analysis of the physical economy of a capitalist economy, political considerations compel economic analysis to divide physical capital improvements in productive capacity into two general types: capital improvements in what we term *basic economic infrastructure* and capital improvements in agro-industrial capacity for physical output. This is required, in large part, because, in a sound economy, capital improvements in basic economic infrastructure are the economic

function of either governmental agencies or governmentally-regulated, privately-owned utilities.

The employment of the totality of the available labor-force is analyzed as composed of the following principal elements of cost: *employment of operatives*, those directly employed in production of physical output or of physical improvements of, or maintenance of capital improvements of infrastructure or production capacity; *overhead expense* such as unemployment, or employment in administration, finance, sales, and services. The first category, *operatives*, is classed as *productive*, other employment, as well as unemployment, is classed as *non-productive*.

Overhead expense categories of employment are analyzed as composed of the following principal sub-categories: *economic, institutional, and waste*.

Economic signifies functions which have a direct effect on increasing or maintaining the productive powers of labor of operatives. This includes, most prominently, *direct production management* (or analogous management of physical functions of basic economic infrastructure), *physical science and engineering services, classical, pre-scientific, scientific, and technological education, and essential medical and related health services*. The requirement of increased employment in these *economic* categories as a whole increases as the productive powers of labor are increased, but more slowly than the rise in productive powers.

Institutional overhead employment includes essential functions of administration, finance, sales, military, police, and other classes of services. These make no intrinsic sort of explicit contribution to increasing the productive powers of labor, but are of a type which society requires for other than productive reasons.

Waste includes unemployment, and activities which are either criminal, immoral, or simply irrelevant to the well-being of society.

The constraint to be applied, is that *waste* must be eliminated to the degree possible, and *institutional* forms of employment should be restricted to the minimum required—thus taking into account the requirements of warfare, for example.

The relevant observation is, that in 1946 the employment of operatives represented about 60% of the total labor-force, whereas today it is in the vicinity of 20%. Most of the rise in employment for overhead-expense categories, from about 40% to about 80%, over this 40 years, is entirely wasteful and inflationary, to the point that the magnitude of the increase in percentage is now a dangerous cancer on the body of the economy.

The target for employment of operatives in the U.S. economy, to be achieved over the course of the 1990s, is not less than 40% of the total labor-force, not including operatives, together with scientists, engineers, and professional technicians, employed in a category of “research and development,” which latter should rise to about 10% of the total labor-force.

This broadly defines the nature of the constraint we intro-

duce here as supplementary to the basic six.

2. Per capita market-basket. In Leibniz’s first paper on economic science, his 1672 *Economy and Society*, he summarizes the point that the quality of the per capita market-basket of households’ consumption must increase in some correspondence to the increase of the productive powers of labor. This is the first of the six general constraints.

3. Energy-density. The quantity of usable energy consumed per capita and per square kilometer must increase. This is expressed as kilowatts per per-capita unit of population-density.

4. Energy-flux density. This is crudely measured as kilowatts per square centimeter of the target-area of a production process or equivalent application. It is illustrated by the history of increasing operating temperatures of metallurgical production, and the correlation of this with rising efficiency and per capita productivity in those industries. Riemannian physics enables us to supply a more rigorous generalization, which we need not explain here.

5. Rural to urban ratio of employment of operatives. As technology and productivity advance together, the percentage of the total labor-force required for rural occupations declines, and the percentage of employment of urban operatives increases. This is capital-intensity in the first approximation.

6. Urban capital-intensity. Increase in average productivity of operatives is accomplished through increasing the percentage of urban operatives employed in capital-goods categories such as machine-tool occupations.

7. Technology. The level of technology must be advanced. The term “technology” is used here in the sense first specified by Leibniz. In physics terms, it is measured in terms of Leibniz’s Principle of Least Action, and can be made more or less fully intelligible for measurement by means of the synthetic geometry of the Riemannian complex domain. It is sufficient for the moment to report that it is intrinsically measurable.

INFRASTRUCTURE:

Most policy-shapers today express a savagely incompetent view of the function of capital improvements in basic economic infrastructure. Compare, briefly, the energy-density data for the U.S.A., Federal Republic of (West) Germany, Japan, and India, at the beginning of the 1970s.

Energy density

(Gigajoules)

| | Per capita | Per hectare | Per capita unit of population density |
|------------|------------|-------------|---------------------------------------|
| U.S.A. | 280 | 70 | 140 |
| W. Germany | 163 | 409 | 258.2 |
| Japan | 111 | 358 | 199.3 |
| India | 7 | 17 | 11 |

During that period, the levels of technology and productivity in the three industrialized countries were approximately the same. We see that the relative amount of energy required per capita declines with increase of the population-density. We see that the requirement is comparable per per-capita unit of population-density.

Simply, to conduct agro-industrial production in an area, the per capita requirement for energy is significantly a function of the land-area in which the production occurs. The more land-area of infrastructure which must be developed per capita of output-activity, the greater the investment in infrastructure per capita. Japan has the highest density of infrastructure development, the U.S. relatively the lowest. The expenditures for improvements and maintenance of infrastructure are naturally reflected as a correlative of energy-consumption by infrastructure. This is responsible for the correlation shown.

It should be the common sense of the modern agro-industrial age, that the development of the agro-industrial production-site, and of the other infrastructure required to support production on that site, is a directly essential to the production accomplished there as capital improvements in the form of buildings, plant facilities, equipment, and machinery. It should be easy to see without further explanation, that infrastructural investments are a major component of the total capital improvements required per capita for production.

I have included the case of India, to demonstrate the absurdity of blaming developing nations for low average productivity, when the infrastructural basis to support agro-industrial development is an order or magnitude or so below the energy-consumption per per-capita unit of population-density prevailing in the industrialized nations.

There is an acute shortage of high flux-density energy production in the United States, a similar problem in Western Europe, and an acute shortage of high flux-density energy generation and distribution in the developing sector as a whole. Had our policy-shapers not been, in effect, virtual idiots, we would have built up tens of thousands of gigawatts of nuclear-fission generation around the planet during the 1960s and 1970s—most of which would have paid for itself by today. This would have forced us to push through more rapid development of controlled thermonuclear fusion as mankind's principal energy source during the next century.

We are suffering, in the United States, an acute and dangerous shortage of competently managed fresh water supplies. Our once-prosperous aircraft industry is near to falling out of the skies, out of obsolescence and a "cost-cutting" reduction in levels of maintenance. We could have developed and installed high-speed magnetic-levitation "railway" systems, at modal passenger speeds of about 300 miles per hour, in densely populated corridors, with vast savings in costs to the economy.

Most of this might have been built with aid of idled capacity, and with employment of a larger percentage of the

labor-force as operatives. Over the medium to long term, such programs would have cost the economy less than nothing.

A certain amount of unemployment, perhaps about 2%, attributable to inter-job migration, is healthy; otherwise, unemployment is a pure waste of the labor-force, and also an outright expense to the economy. A significant percentage of the labor-force employed as low-paid, unskilled "fast-food" or kindred service labor, is effectively disguised unemployment, a net waste to the national economy.

On the subject of the past 20 years' patterns of shift in the composition of employment of the labor-force, toward low-paid employment, we can be much harsher.

Today, to maintain a 1967 or better standard of market-basket consumption per capita for a skilled operative's household, a family household (two parents plus two to four young dependents) requires an pre-tax income of approximately \$40,000 annually or more for a single wage-earner. At a lower level of income, that household is of economically impaired quality; it is unable to meet adequate child-rearing standards, or to make an adequate level of contribution to support of the community's essential activities.

To go more deeply into this matter bears on some relatively sophisticated economic demography, and thus a digression from the subject of this report. The point to be stressed by aid of this reference, is simply that the level of quality of employment of the average member of the labor-force has a "break-even point," relative to any existing level of population-density and desired rate of growth of productivity at that level. A lower average quality of employment, in the first degree, lowers the potential rate of advance of productivity; a still-lower average quality, in the second degree, pushes the economy into the direction of negative growth.

In other words, a certain average physical output per capita, for the labor-force as a whole, and a correlated average household market-basket standard must be met to sustain growth.

During the past 20 years, clearly during the past 15 years or more, the U.S. economy has been in a phase of negative real economic growth. We have been burning up earlier decades' accumulated capital improvements in infrastructure, and in agricultural and industrial potential. In an analogous way, we have been burning up labor-force potential carried over from households, educational and cultural investments in persons during earlier decades.

Thus, a significant improvement in the composition of percentages of employment, in terms of the categories of productive and non-productive classification outlined above, toward larger percentages of operatives and *economic* overhead classifications, would have represented a shift from negative, to positive growth. This would mean today, a shift of unemployed into employment, principally, as operatives; it would also mean much reduction in employment for low-

paid services such as “fast food” employment, for productive employment.

At a current level of operatives’ employment, of about 20% of the labor-force, an increase of the operatives’ percentage by about 5% of the total would signify an approximately 25% increase in total national output, plus a transfer of the relevant reduction of overhead expense into a productive cost.

Since the capital-goods costs of the infrastructure-building program we have indicated would have represented an allotment of increased employment of operatives and engineers, principally, to supplying that requirement, that infrastructure-building could have been accomplished with the margin of “found money” inherent in the shift of composition of employment of the total labor-force.

As indicated, in conducting such economic analyses, we ignore money-prices at the outset; we limit ourselves to per capita and per hectare market-baskets of physical output, and ratios of categories of allotment of percentages of the labor-force as a whole. We determine costs and incomes in these, real terms, ignoring money-prices.

To convert this into money-prices, we take the following steps. We assign a money-price to the total content of a standard quality of per capita market-basket of households’ goods. This is a standard consistent with Leibniz’s observation in his 1672 *Society and Economy*: the market-basket for a skilled operatives’ household with a number of dependents consistent with a determined net rate of expansion of the labor-force-aged population (e.g., 18-65 years) of that or better quality of productivity for future generations. This money-price of the households’ market-basket so determined has, for that interval of time, a unit-value.

By assigning a money-price to this unit-value, an excellent estimation of price for all products and *economic* services is calculated by extension. The required extension treats a national economy as analogous to a consolidated agro-industrial enterprise. The level of market-baskets of both households’ and producers’ goods required to maintain the equitentiality of current capacity per capita for the society as a whole, is budgetable as “required levels of cost and expense.” The amount of market-basket-equivalent output in excess of this budgeted cost and expense, is gross operating profit. After deductions for uses other than investment in growth of productivity and capacity, we have the economy’s net operating profit.

By applying such a real analysis of the physical economy as an overlay on existing patterns of flow of output and money, we are able to examine the current patterns in the economy from a rational, objective standpoint. Any discrepancies between what the real analysis indicates ought to be optimal, and current patterns of flow, must be justified by further analysis, or labeled dysfunctional.

So, by diverting from dysfunctional flows, into building essential basic economic infrastructure, during the recent 20

years, we would have the infrastructure we require today, and the total cost of infrastructure would not have represented any additional margin of cost relative to the costs actually incurred during this period. Whenever we convert dysfunctional allotments to the “found money” of productive investments, there is no added real cost to the economy for the added investments so effected.

Conversely, by reducing investments in infrastructure, by purchasing agricultural products below their true cost of production, by collapsing entire tracts of basic industry, successively, and by transferring the corresponding allotments of the total labor-force to non-economic overhead expense categories, such as low-paid services, we have been systematically impoverishing and destroying our national economy in order to increase, temporarily nominal financial income.

The shift in allotment to this effect has been accomplished by increasing borrowing costs while employing “free trade” as a weapon for lowering prices of U.S.-produced output below the level of the real costs incurred.

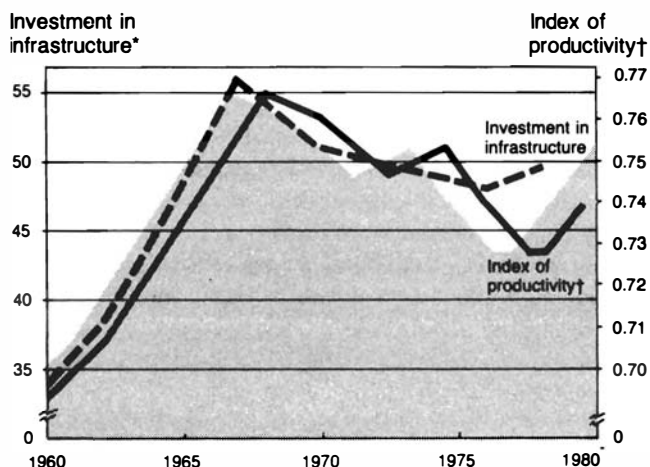
By “real costs incurred,” one should signify the costs, including capital maintenance and improvements, required to maintain the competitive level of technology and operatives’ productivity at equal and better levels than today, while maintaining or expanding the scale of output. Prices effectively below that level cause negative growth in that sector.



An artist's conception of a 1990s mission to Mars. The Moon-Mars program could become a science-driver for the economy as a whole, and will cost the U.S. less than nothing.

FIGURE 11

Index of productivity and investment in infrastructure in the United States 1960-1980



*Billions of 1972 dollars.

†Economic surplus as percentage of capital plus labor costs (definition taken from LaRouche-Riemann econometric model).

The shaded area shows the index of productivity shifted back 12 months from real time, showing the close correlation between its rise and fall and that of prior infrastructure investment.

So, for sake of what is supposedly cheap labor abroad, we have collapsed entire sectors of U.S. agriculture and industry, to make the U.S. economy increasingly imports-dependent. Then, we damn those exporting nations, on whose output we have caused ourselves to depend, as being “un-fair.” We blame other nations for what we have done to ourselves, and insist, by an arbitrary standard of “free trade” practices, that they do more thoroughly to themselves the destructive things we have done to ourselves.

Investments in capital improvements in infrastructure is the factor which correlates most nearly exactly with resulting increases in productivity. This assumes, of course, the levels of general investment which obtained over the 1946-66 period; otherwise, the potential benefit of capital improvements in infrastructure is not realized.

Infrastructural improvements slowed down over the period 1966-70, with the growth leveling off during 1970, and falling since 1970. To restore the basic economic infrastructure of the U.S.A. to 1970 levels of repair, would require an investment of approximately \$4 trillion today. In addition, it is fair to estimate that a margin worth today about \$2 trillion of investment should have been added, above 1970 levels of quality, over the past 20 years. Relative to required levels of

economic recovery, for employment of an operatives’ level of employment of about 45 million persons in the year A.D. 2000, at competitive levels of technology and productivity, we require the equivalent, in 1986 prices, of about \$6 trillion investment in basic economic infrastructure during the coming dozen years.

As a result of productivity increases of about 5% or more per year, average, over the coming dozen years, this investment will cost much less than the equivalent of \$6 trillion today. Large-scale infrastructural development means the opportunity for serial production of large portions of the elements to be installed, meaning a large cost-saving relative to methods which might be projected otherwise today. Even so, we are indicating about \$300-400 billion a year for the total list of such items as fresh-water management and related improvements, general transportation, generation and distribution of high flux-density energy supplies, and so forth. This is chiefly an enterprise of both federal, state, and local agencies, and privately-owned public utilities.

The objective is to use low-cost federal credit, channeled chiefly through Federal Reserve and private banks, to apply the “found money” principle outlined above to the development of national basic economic infrastructure. Excepting the large expansion of health-care facilities required by the AIDS pandemic, the largest investments will be, in order of estimated rank: energy production, water management, general transportation, and urban infrastructure.

In terms of scale of impact, this infrastructure-building, based upon low-cost credit in volumes averaging about \$300-400 billion annually, will be the chief motor of general economic stabilization and recovery over the coming four to five years, and a major continuing factor for the remainder of the century.

At the same time, the infrastructure-building boom inside the United States—and we may presume Western Europe as well—will accelerate improvements in technology in this sector of the world’s economy. U.S. exports of related engineering services and critical components of capital goods will be a large component of increased volumes of exports to the developing sector. This will be a large component of a boom in the world’s production of energy-capacity and general transportation.

CAPITAL-INTENSITY:

The increase in levels of income, through shifts in composition of employment of the labor-force, will require some expansion of production of agro-industrial households’ goods, and expansion of educational and health-care services. However, the largest and growing component of added employment of operatives will be in work-places upstream from the output of households’ goods.

The possibility of technological improvements’ increase of the productive powers of labor depends, as the listed constraints indicate, on growing capital-intensity of employment

of operatives, and that in an energy-intense mode.

This means, over the medium to long term, that employment of operatives in production of households' goods will rise to an upper limit, as a percentage of employment of operatives. When that upper limit has been reached, increased households' goods requirements will be supplied entirely out of increases in the general productivity of operatives. Then, the percentage of operatives employed so will decline, while the net per capita output of households' goods increases.

This does not mean a significant reduction in the total employment of operatives. Over the long term, there will be some reduction in the total percentage of operatives employed, through shifts into scientific and engineering employment, but if we combine the totals for production and related employment of operatives with employment in research and development, there will be a long-term growth in U.S. employment in these combined sectors. Within the ranks of operatives' percentiles, there will be a long-term, continuing shift from employment in households' goods output into upstream work-places in capital goods and other producers' goods, with strong emphasis on the machine-tool sector.

Under a regime of continuing technological progress, the substitution of relatively more capital-intense for relatively labor-intense modes of production means a significant average lowering of the net costs of unit-output. That is the only means by which long-term rises in productivity are achieved.

My approach to supplying the technological progress at the rates which rising capital-intensity implies, is to use a 40-year Moon-Mars colonization project as the continuous "science driver" for technological progress in the civilian sector of the economy.

The transfer of science to productive technology occurs generally in the following way.

In a well-organized university physics department, the university maintains a specialist machine-tool shop for the production of experimental apparatus. The amount allotted for this is budgeted annually, in terms of a fixed number of personnel and their equipment, machinery, materials, and so forth. The physics department allots the use of this machine-tool capacity to members of the department, by authorizing members of the department to proceed with the construction of experimental apparatus. (The bureaucratic business of paperwork-strewn processing of applications for grants for conduct of an experiment, is inherently wasteful and is destructive of scientific and related progress. A unit-budget for the machine-tool capacity of the physics department annually, is sufficient, and very efficient budgetary control, whereas unit-grant paperwork as cost-control is bureaucratic lunacy.)

If a physicist conducts a successful crucial experiment, for example, this creates the possibility of producing some sort of functioning apparatus which applies the tested principle. Beyond the physics department's laboratory prototype, the next step is to introduce the new discovery to the machine-

tool sector of industry generally. By building the technology associated with this new principle into the capacity of performance of the machine-tool sector, the use of the new principle is made generally available to industry.

My proposal is to use the Moon-Mars program to drive the U.S. research and development sector up to about 10% of the total employment of the labor-force over the course of the 1990s.

By assigning the Moon-Mars specific kinds of objects to develop, such as the near-term step of a Mach 7-8 scramjet to carry rockets capable of reaching low Earth orbit, for example, we directly engage the machine-tool sector of U.S. industry in the most advanced aerospace technologies of this sort, including the capacity to produce generally the new kinds of materials the scramjet-rocket configuration requires.

The importance of choosing the Moon-Mars mission-assignment as a universal science driver for the economy as a whole, is that the mission requires us to make coordinated application of every development generated along a line defined by what are today the active frontiers of scientific and technological progress. This means, that there is no technology which we might be able to devise in any way, over the coming two generations, which would not be generated as a by-product of such a Moon-Mars mission-assignment.

By coordinating such research and development through aid of a Moon-Mars mission-assignment, we ensure that aerospace-related prototypes cause the translation of progress into machine-tool capacity at the most rapid rate feasible. This means that U.S. industry generally has available the most advanced technology possible at the most rapid rate possible.

Under those arrangements, on condition that low-cost credit and investment tax-credit incentives are used to promote this, the entire Moon-Mars program costs the U.S. less than nothing. The gains in productivity effected through the technology spin-offs will be several times or more greater than the entire cost of the program itself.

Today, the largest energy-generating units are in the order of about 1 billion watts (gigawatts), at an energy-flux density of about 40,000 kilowatts per square meter. In the development of the second generation of fusion power, a goal to be reached about 20 to 25 years ahead, we must aim at units a 1,000 times or more larger in output-capacity than today's largest, and at operating energy-flux densities more than 10 times the best of today's.

Continuously powered manned flight between the orbits of Earth and Mars will require such capacity.

At the same time, the universal tool for space exploration and colonization uses what are termed the "self-focusing" characteristics of coherent electromagnetic radiation. This enables us, with high-powered modes of coherent electromagnetic radiation to reach enormous energy-flux densities on targeted materials. With proper tuning of these coherent beams to the periodic harmonic structure of materials, we

can disintegrate materials, and effect controlled physical reactions otherwise virtually impossible. The laser machine-tool industry of today is the opening wedge into a new technology, in which all present notions of limited "natural resources" are blasted out of existence.

These developments in high-energy physics are "genetically" related to new developments in optical biophysics. Today's AIDS pandemic begs us to proceed full-steam with a nonlinear electromagnetic spectroscopic mapping of the process of mitosis, by aid of which we may hope to acquire the knowledge to dig the infection out of the chromosomes of the infected victim. Otherwise, these developments in optical biophysics constitute a revolution in biology which may prove to be integral to the greatest scientific revolution in human existence. Space technology requires this.

We need new types of computers and related control devices. A digital "parallel-processing" module in the gigaflop range would be a boon for many important applications, in addition to essential space applications. More sophisticated will be new species of analog-digital hybrids whose analog components effect explicit solutions to nonlinear functions.

In summary, if we drive with sufficient determination along these pathways, we have clearly in view the potential to increase the effective productivity of operatives by a factor of 10 during the course of the coming two generations.

MATHEMATICAL ECONOMICS:

I have described the general constraints of the physical economic function, and have indicated some applications of those constraints, as guidelines, to practical matters of policy-shaping and economic analysis. I have not described the function itself. Although that involves matters way beyond the training of nearly all readers, ethics demands that no part of the policy of the United States should be concealed, or mystified as the silly notion of the "invisible hand" does that.

If the reader does not follow the brief discussion of this matter, the reader may skip over the section, and proceed to the next. The purpose is to register the points here, so that nothing essential is hidden from those who might wish to challenge certain implications of the foregoing argument.

Science is a product of the creative processes of the human mind. As I have explained the essentials of this in published locations, the nature of these creative processes, as they are manifest in valid fundamental scientific discoveries, or in classical musical composition, or classical painting in the tradition of Leonardo da Vinci and Raphael, is capable of intelligible representation of the sort we associate with geometrical representation, although not in a deductive way.

The investigation of the representable characteristics of creative thinking proves a crucial point bearing directly on the mathematical representation of physical-economic processes. These processes are a special sort of nonlinear process, which define mental-creative "space" as having an embedded "curvature," in the same sense that the physics of

Karl Gauss, Bernhard Riemann, et al., define a specific curvature for physical space-time. It happens, that the "curvature" of creative-mental space, astrophysical space, subatomic space, and what optical biophysics shows us to be the curvature of biological space are the same curvature.

In other words, there is a geometrical correspondence among the curvatures of creative-mental, astrophysical, microphysical, and biophysical processes. The fact that such a correspondence is proven to exist, is proof of the possibility of validity of human scientific knowledge. In other words, by means of the creative mental processes, as these are typified by methods of valid fundamental scientific discovery, there is nothing within the universe which is not, implicitly, potentially intelligible for mankind.

This standpoint makes possible the ranking of technologies. Comparing the scientific assumptions underlying one technology with those underlying a predecessor, we are able to measure the degree of advancement of the one over the other. We are also able to show the practical effect of such technologies upon production, in thermodynamical terms of reference. This permits us to correlate the technology constraint with the energy-density and energy-flux density constraints, and thus to define a synthetic analytical function (implicitly Riemannian in form) for the set of constraints I have indicated here.

Even for the case the precise values of such a measurement of technology are not provided, an understanding of the general nature of this function permits us to make shrewd estimates of the general orders of benefits in productivity to be expected. Good estimates of that sort are more than adequate for the guidance of economic policy-shaping today.

The issues of statecraft

Thus, we have economic solutions immediately before us, which, if we assume they will be applied, should fill us with optimism about the future of our nation and civilization generally. The physical feasibility of these solutions is beyond reasonable doubt; the remaining issue, is their political feasibility.

EIR and this author admit that we are very uneasy about the future of the United States and of civilization generally. With Moscow preparing to move for a strategic showdown as early as 1991-92, and given the vigor of the trends which have persisted in the West over the recent 20 years, we must concede that it appears that U.S. policy is likely to continue in the present direction, under a new government as bad, or perhaps even worse than the governments elected over the recent two decades. If all those things are probable, as they appear probable today, then the United States as we have known it is doomed to an early end, and civilization in general with it.

Yet, despite these terrible appearances, we think that the people of the United States, at least the majority of them, are too good, in the final analysis, either to deserve such a mi-

erable fate, or to allow themselves to continue to be dragged down in such a direction. We think that there is a sleeping potency for goodness embedded in the majority of the U.S. citizenry, a capacity to rise above the self-damning tendencies for that slavish "other-directedness" which seems to have shaped popular behavior increasingly during the past two decades. It is our belief that such a quality of goodness lies waiting to be drawn upon in our people, which prompts us to be optimistic about the future.

Now, as to the political feasibility of the array of emergency actions indicated earlier.

First, these measures are consistent with the general notions of natural law reflected in our Declaration of Independence and the Preamble of our federal Constitution. What we propose must be done, is fully consistent with that law, whereas those recent trends in policy which we propose to terminate, are not.

Second, as the relevant content of Article I of our federal Constitution emphasizes this most clearly, the composition of our federal republic was premised upon what President George Washington's Treasury Secretary, Alexander Hamilton, presented as reports to the first Congress of the United States on the subjects of national credit, a national bank, and manufactures. Thus, the measures proposed have such constitutional authority in law, whereas those measures we propose to be superseded do not.

Third, the approach we propose is a just one, consistent with the distribution of economic justice according to the principle of the sacredness of the individual person, and the fostering of that spirit of enterprise which is most beneficial to all. The majority of our citizens can not object to an arrangement of revived entrepreneurial agro-industrial capitalism which affords the optimum opportunity to all.

Fourth, for reasons we have outlined summarily, the program of economic recovery is a feasible one.

The effective difference is a moral one. We propose that henceforth the economic and related policies of the United States must be attuned to a proper standard of performance. That standard is the increase of the potential population-density of mankind, with increased opportunities for self-development and useful contributions by every individual, and a constant trend of improvement in the material conditions of life consistent with greater emphasis on those creative-mental potentialities which set mankind above the "zero-technological growth" prevalent among all lower beasts and more debased forms of human society.

Is the end of our sovereign republic to be a Greek tragedy, or is the crisis which now grips us ever more tightly and painfully, merely a signal that we, having reached a *punctum saliens*, are forced to come to our senses, and mend our ways?

We choose optimism. No other course of action would be a useful one; all efforts flowing from a different motive would be contemptibly useless ones.

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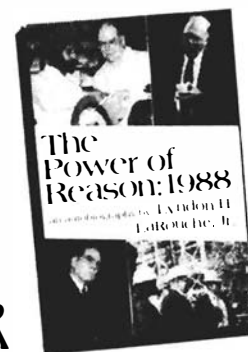
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The low-budget way to lose the war on AIDS

by Warren J. Hamerman

During 1987 it became evident that the deadly virus is winning and the human species is losing the war on AIDS on five continents, because of the accumulated and continuing delays, cover-up, and outright lies associated with the "safe sex and free condoms" campaign of Surgeon General C. Everett Koop, the Atlanta Centers for Disease Control (CDC), and Jonathan Mann's World Health Organization (WHO). The outright wrong policies implemented by the governments of the West have been led by the Reagan administration's intransigent position for a low-budget approach—no money for traditional public health measures, only cosmetic expenditures for research to stumble across a pharmacological "magic bullet" even where one may not exist, and no investment in providing health infrastructure or cleaning up the environmental co-factors for rampant AIDS spread in the economically-depressed tropical areas of the world.

In mid-December a secret plan surfaced which was drafted by federal budget officials to sell off the National Institutes of Health to the private sector. The proposal, which was prepared by the Office of Management and Budget (OMB), was intended for inclusion in President Reagan's 1989 budget and would sell off the NIH to a combination of drug, chemical, and food companies. One senior scientist who worked at the institute for 20 years characterized the proposal as "an abdication of the government's responsibility to conduct research at the highest level of sophistication." Other scientists were concerned because researchers would be distracted from their work and be obliged to raise money.

The only ray of hope in 1987 was the fact that over 725,000 California registered voters have joined their names

to a petition which successfully qualified the AIDS Initiative Statute for the June 1988 ballot.

The new AIDS Initiative Statute is virtually identical in wording to last year's Proposition 64, which was widely associated with Democratic presidential candidate Lyndon H. LaRouche, Jr. It calls for making AIDS a reportable disease, placing it on the list of dangerous communicable diseases, and thereby applying all traditional public health measures to halting its spread.

Less than four days after the California secretary of state announced that the 1987 AIDS referendum had qualified for the ballot with well over 100,000 signatures to spare, the George Bush-Ronald Reagan White House staged an atrocious press conference in which national health officials punted once again on fighting AIDS because they were ordered not to spend money.

In the early months of 1985, nearly three years ago, we emphasized that the political-economic questions of budget commitment would be decisive in determining whether or not Western civilization would survive the pandemic. Now the AIDS pandemic has brought mankind directly to the point of no return which *Executive Intelligence Review* has long warned of.

AIDS overwhelms all barriers

In 1987, AIDS broke down the Asian "door" and began its grim spread through the most crowded and impoverished population centers on earth. In early January, the Indian Council of Medical Research announced that it had no adequate infrastructure for checking the spread of AIDS in their

nation. AIDS cases had been confirmed in Calcutta in eastern India, New Delhi, Bombay, and in Madras in southern India. Throughout the year, reports were logged of confirmed AIDS cases in the population-dense centers of Asia, from China's one billion people to Japan's teeming cities.

In 1987, Ibero-America woke up to the fact that an AIDS pandemic of African dimensions was rapidly spreading across the continent. Brazil conservatively counted 500,000 already infected with 1 million forecast in that nation, which has one of the steepest infection-rate curves in the world. Colombia, Mexico, Peru, and Venezuela documented that the virus was spreading like wildfire and beyond their capacity to check its spread.

During 1987, too, the world finally acknowledged that AIDS had already decimated Africa in a full-scale biological holocaust, as a result of the deliberate and conscious decisions of governments and the international banking community, who found it doubly convenient 1) not to spend money in Africa, as well as 2) to eliminate those whom they saw as the overpopulated "excess eaters." Estimates are that within six years, 70% of the urban population of Zambia will be infected. In Uganda, 10% of 14 million inhabitants are already infected. In Ruanda, 20% of urban dwellers are carriers. Zaire, by all accounts the epicenter of the pandemic in Africa, has suffered so large an overload that her previously fragile health infrastructure has been overwhelmed. AIDS is no longer relatively localized in a "belt" across the central part of the continent.

AIDS is not merely out of control in the developing sector. The virus marched unrestrained across Western Europe and the United States. In New York City, with the most overcrowded ghettos on the face of the earth, for example, the Department of Health announced in 1987 that through May, approximately 500,000 individuals were already infected. Right now there are more AIDS carriers riding the subways and busses of New York, shopping in department stores, or eating in city restaurants than in any other area on earth. Conservative estimates are that 50-60% of New York's 200,000 intravenous drug users are infected and the figure may be as high as 87%. Estimates vary that between 50-70% of New York's approximately 500,000 homosexuals are already infected. For comparison sake, were every man, woman, and child in San Francisco's population of 400,000 to be infected in the future, that would still be only 80% of the known carriers in the densely-packed New York City population as of early 1987.

There are already well over 10,300 full-blown AIDS cases in New York, with computer models referenced in the *New England Journal of Medicine* (Dec. 3, 1987), suggesting that 25,000-40,000 new cases will be diagnosed by 1991, even under the conservative assumption that no further cases of AIDS infection have occurred since mid-1987. On top of the full-blown AIDS cases, specialists estimate that there are

at least 100,000 cases of AIDS-related complex in New York.

By March of 1987, some 5% of the total acute-care beds (1,067 beds) were already occupied continually by approximately 4,000 AIDS patients. By 1991, somewhere between 25 and 50% of New York's medical-surgical beds will be constantly occupied by AIDS patients.

White Houses confesses: no \$\$ for a war

One government source described the current situation in the following terms:

The overall situation is very bad. The White House has not only ordered that no money be spent. The President has become convinced that AIDS is no longer a headline issue and it can be ignored. Reagan wants to finesse the Commission out of existence after another report or two. There is total demoralization among researchers. The Atlanta CDC hasn't been able to replace those it fired. Furthermore, many researchers are themselves sick. There is severe demoralization among those who are supposed to be fighting the disease.

At a White House news conference on Dec. 3, Secretary of Health and Human Services Otis Bowen, flanked by Presidential AIDS Commission head Admiral Watkins and CDC Director James Mason, unsuccessfully tried to maintain that the number of AIDS-infected in the United States had *not* changed in over 18 months, when the Public Health Service first announced that 1-1.5 million Americans were infected. The main subject of the Dec. 3 press conference was for Admiral Watkins to release the first official report of the President's AIDS Commission, proposing nothing that would cost the federal government more money.

The theme of the report was to seek "solutions that are cost-effective, cost-efficient, and creative." In effect, such an approach would have mankind throw up its hands in futility when confronted by very real problems, such as the fact that the fear of AIDS among our youth has led to a severe shortage in nursing school enrollments.

Yet, the President's Commission had the following to say:

One large and serious obstacle to progress associated with patient care is the growing shortage of nurses and other non-physician health care workers in the United States. . . . With schools of nursing around the country experiencing a drop in enrollment, prospects for solving the nursing shortage appear bleak. The need for programs of scholarship support, work-study, and other avenues of student aid which may encourage students to seek nursing careers must be rapidly assessed. Solutions that are cost-effective, cost-efficient, and creative must be found. . . . (page 20.)

While invoking the magic words “cost-effective” on virtually every third page, the report specifically promoted the following recommendations because they will not cost the federal government money:

1) “Community-based organizations, and in particular in the gay community” which have cared for their own infected without squandering a lot of society’s money.

2) More comprehensive activities from state and local governments.

3) More activities from the private sector in research, education, and patient care.

Under questioning by the press at the Dec. 3 White House press conference, the three government health spokesmen—Bowen, Mason, and Watkins—all admitted that the true extent of the penetration of the AIDS infection into the United States remains uncertain. Watkins stated that the old June 1986 figures are “rough,” and that researchers need to find out how many Americans are really infected. James Mason of the Centers of Disease Cover-up (CDC) in Atlanta then commented:

“We’re not saying [AIDS] is under control. We’re saying it’s *not* spreading like wildfire.”

The Presidential Commission Report was a travesty both for what it said and what it failed to say.

We could have fought back

It need not have turned out that way. For the first six months of 1987 momentum appeared to be building to take decisive actions along the lines of those proposed by this journal and California Proposition 64.

In early January, the Italian health minister, Carlo Donat Cattin, mandated a policy of AIDS reporting and forcefully rejected the would-be dictates of the homosexual lobby to use the state to launch a so-called “safe sex” campaign. Donat Cattin referenced the letter of Cardinal Ratzinger on the question of homosexuality. On Jan. 13 the Italian health minister stated that the mandatory reporting of AIDS cases would also include cases of people infected by the AIDS virus.

The Bavarian cabinet announced at a cabinet press conference on Feb. 25 a full-scale public health program against AIDS including the testing of all public servants and prison inmates and a ban on blood and human organ donors infected with AIDS. There will be an obligation for the AIDS-infected to inform their doctor and sex partner. Bavaria also considered mass testing.

On Aug. 25, the nation of Israel placed AIDS on the list of communicable diseases.

Even in Ronald Reagan’s and George Bush’s America there were considerable indications of a policy shift. On Feb. 4 Walter Dowdle, AIDS coordinator of the CDC, announced that the CDC was considering recommending mandatory AIDS tests for hospital patients, pregnant women, and couples applying for marriage licenses. CDC scheduled a public

hearing for Feb. 24-25.

In mid-March both the United States Public Health Service and the American Red Cross called for screening the 30-34 million Americans who had received blood transfusions between 1978 and 1985. They especially urged that testing begin in the “high risk areas,” New York City, Miami, Washington, D.C., Los Angeles, and San Francisco. In mid-March, as well, the two leading AIDS researchers in the world, Luc Montagnier of France and Robert Gallo of the United States, admitted the potential of the AIDS virus to mutate and for the mutated strains to be capable of “casual transmission.”

Then in May, weeks before the opening of the Third International AIDS Conference in Washington, the Atlanta CDC was forced to release documentation on three health care workers who had contracted the disease at their work despite taking professional precautions.

By that time, over 350 separate pieces of AIDS legislation had been introduced into state legislatures around the nation.

These events set the stage for Ronald Reagan’s dramatic speech on the eve of the Washington AIDS conference. On May 31, Reagan called for “routine testing” for the AIDS virus. He ordered that AIDS, for the purposes of the immigration statutes, be placed on list of communicable and contagious diseases. He also announced “routine” testing at federal prisons and veterans’ hospitals.

Dr. Koop’s revenge

The counter-reaction of the alliance between the budget-cutters and the homosexual activists, and those medical and public health officials who had been promoting the “safe sex” campaign was furious and immediate. Nancy Reagan herself launched a public crusade for a homosexual to be placed on the President’s AIDS Commission. Not only was Dr. Koop not fired, but he was politically protected on the highest levels.

Before the first meeting of the AIDS Commission last autumn, our close collaborator Dr. John Seale of the Royal Society of Medicine in Britain came to the United States and met privately with most of the members of the President’s Commission. It was obvious at the time that then Chairman Mayberry of the Mayo Clinic and a minority clique of physicians on the Commission opposed the views of the majority who wanted an end to the sorts of lies, condoms, and inaction peddled by Surgeon General Koop. The majority instead wanted widespread testing and traditional public health measures.

The fight between the Koop-allied minority and the traditional-public-health majority crystallized around the issue of the nature of the first Commission report. The Koop minority wanted the first report to say nothing new and merely continue the discredited policies of “no mass testing—only mass distribution of condoms” and “alternative sexual procedures.”

The anti-Koop majority did not wish to put out merely a preliminary report but wanted the First Report to declare a full-scale war on AIDS which began with overturning Koop's policies and moved onto mass testing. Chairman Mayberry was forced into the position of having to contemplate writing a minority report as chairman, against the majority of his own Commission.

In the fight which ensued, Mayberry resigned because he was outnumbered. When Admiral Watkins replaced him as chairman, there was hope that now the majority view for a war on AIDS would prevail. However, in the climate of "no-budget-for-anything," which rules in the White House after the stock market crash, the White House ordered the Commission to punt on all major issues and be "cost-effective and cost-efficient."

Thus, instead of the first presidential report declaring an all-out war on AIDS, Chairman Watkins repeatedly apologizes that his report is only "preliminary."

We can still fight

Now that the political-economic crisis underlying the failure to mobilize against AIDS has come into focus, we have a few precious months, corresponding to the period of the presidential primaries, to shift policies onto a war mobilization against AIDS. The substance of that mobilization is fivefold:

1) AIDS must be treated as a communicable infection requiring application of a full spectrum of available public health law to prevent the spread of infection. This would include extensive use of testing, reporting procedures, and quarantine measures modeled on those used in Chicago to halt the spread of tuberculosis.

2) More attention must be paid to co-factors in the progression from infection to active disease, particularly the economic co-factors in impoverished areas.

3) Institutions must be created to enable the infected, asymptomatic individual to continue making productive contributions to society, while eliminating the risk of transmission to others.

4) The government should suppress the drug traffic rather than distribute drug paraphernalia in the form of sterile needles.

5) A Biological Strategic Defense Initiative should be implemented, creating a multidisciplinary scientific mobilization to apply the most advanced technologies of optical biophysics to AIDS and the life process. We require an approximate 10-year research program which masters the spectroscopies of the different processes of mitosis in cells which are a) healthy; b) infected but dormant; c) virus factories. The price tag for basic biological research alone should begin at \$3 billion per year.

With these measures, 1988 can be the year in which mankind starts to win a few battles against the AIDS virus.

Time is running out for Africa

by Mary Lalevée

"Not everyone works as hard as you," said the German journalist to the African doctor in charge of the AIDS patients at Congo's main hospital in Brazzaville. "Do you think Africa is going to die of AIDS?" The doctor answered, "Well, perhaps not Africa . . . but Congo? Congo will die."

Every week in that hospital, between 15 and 18 new patients with AIDS were arriving. The Norwegian Red Cross has already described Africa as "the continent of death" because of AIDS. Conservative estimates are that 8% of Africa's urban population is already infected with AIDS—40 million people!

In 1987, these horrific facts could no longer be ignored. The January issue of the German magazine, *AIDS-Forschung*, published an anonymous article by a researcher on AIDS in Africa, detailing the catastrophic situation. On Oct. 5, Zambia's President Kenneth Kaunda announced that one of his sons had died of AIDS the previous year, showing that Africa's elite is far from immune. An international conference on AIDS in Naples, Italy Oct. 8-9 heard the dreadful warning, "There will be a hecatomb" in Africa. Speakers stressed that in the very near future, everyone will be at risk of infection with AIDS. Professor Luc Montagnier said, "Transmission of the disease is taking place at breathtaking speed."

The World Health Organization's efforts to play down the disaster would be laughable were the situation not so tragic. Interviewed on the same German television broadcast that, for the first time, fully revealed the situation, Jonathan Mann, the Geneva coordinator of the WHO's worldwide AIDS program, commented that African societies had "some advantages" over the Western industrial countries. What advantages? "AIDS patients will not be isolated, their families will look after them."

On average, African governments have \$1 per capita per annum to spend on health care. One AIDS test alone costs \$15. The result, in the Central African Republic, for instance, is that blood supplies are tested for AIDS, but there is no money available to test patients who are suspected of having AIDS. "We have to rely on doctors reporting the clinical

symptoms,” said the head of the Anti-AIDS Committee at the hospital in Bangui, C.A.R. The doctor in Brazzaville showed the television team disposable syringes intended for one-time use that had been re-used at the hospital. There is a shortage.

The role of poor environmental living conditions, malnutrition, and poverty in the spread of the disease has also begun to emerge. The Italian daily *La Stampa*, for instance, reporting on the Naples conference, wrote, “Extreme poverty and the lack of sanitary conditions favor the spread of AIDS in Africa.”

U.S. presidential candidate LaRouche has repeatedly called for urgent measures to be taken against AIDS, and in a paper published in July 1987, he said, “The priority for Africa is an effective war-plan against the scourge of AIDS.” He stressed that “a tremendous amount of money” should be spent to implement the traditional health measures taken against all such contagious diseases, “detect the infection, and isolate those infected from persons who are not infected, while also improving nutrition, health, and sanitation of the population generally.” He went on, “A few billions of dollars worth of technology transfer into each African nation would be sufficient to make possible an economic revolution in Africa.”

LaRouche concluded, “We must begin to act, economically, now at all costs. The price of not doing so is certain death for entire nations. AIDS has laid down this ultimatum, which no nation can successfully ignore or refuse.”

So far, no other political leader in the West has faced up to this ultimatum.

The economic situation

Africa’s economic situation steadily worsened throughout 1987, with conference after conference detailing the increasing outflow of funds from the continent to the advanced sector, the devastation caused by IMF austerity policies, and the prospects for further decline due to the continued collapse of commodity prices. Commodity prices are now one-quarter to one-third what they were in the 1970s. As they are generally priced in U.S. dollars, the collapse will only accelerate with the fall in the dollar’s value.

UNICEF once again warned that IMF “adjustment policies” meant “a deterioration in the situation of children, that is, more malnutrition, a deterioration of sanitary infrastructure, a drop in school attendance.” Dispensaries have been closed, teachers dismissed. Africa is facing “a financial famine.”

President Kenneth Kaunda of Zambia imposed a 10% limit on the amount of export income to be used for debt payment, and broke ties with the IMF. In a speech May 1, he said, “The IMF program was supposed to help us get out of the quagmire we had got into. But the time has come to reconsider the situation in its entirety. The severe austerity program of the IMF has only brought suffering and malnutri-

tion to Zambians.”

Ivory Coast was the next country to follow, with the government of Houphouët Boigny announcing on May 28 that it was no longer able to service its external debt.

The United Nations Conference on Trade and Development (UNCTAD), in a report published shortly before the August meeting, documented that some developing countries have been forced to export even more capital than post-Versailles Germany, with some countries transferring resources “equivalent to almost 10% of GDP and to half of the government’s revenues in the period 1982-84.” In countries where drastic IMF measures have been implemented, there was actually “a decline in the average annual growth rate.” In fact, the decline in growth in these countries was even greater than in the Least Developed Countries as a whole.”

At the OAU special summit on Africa’s debt crisis in November, in Addis Ababa, it was reported that Africa’s export revenues fell from \$60.6 billion in 1985 to \$43.3 billion in 1986, with a further drop expected in 1987. Africa’s foreign debt increased from \$13 billion in 1970 to over \$200 billion in 1986. The debt accounts for 44% of total GDP and 293% of annual exports. The average debt service ratio is reaching 40%. The debt conference called for the suspension of foreign debt service for 10 years, the improvement of terms of trade, setting a reasonable limit to the debt service ratio, and conversion of past official bilateral loans into grants. They also called for new congressional loans with 50-year maturity and 10-year grace.

However, a key element is still missing from Africa’s own efforts: a link to Ibero-America. The OAU summit coincided with the Acapulco summit of Ibero-American Presidents, also on the debt crisis, but according to French radio reports, OAU officials were not even aware that the Acapulco meeting was taking place.

The response from the advanced sector to Africa’s plight has been silence—at best. More often, Africans have heard insulting diatribes by Western representatives on the need for more “free enterprise.”

There are two notable exceptions. French Prime Minister Jacques Chirac’s call for a new “Marshall Plan” for Africa have been warmly praised by President Kaunda, who said in a June interview, “Jacques Chirac’s approach is simply marvelous. If the great powers who are in the IMF thought like J. Chirac, many African countries would return to the IMF. And Chirac talks about economics, not politics.”

The other exception is the Vatican under Pope John Paul II, who has repeatedly urged Western leaders to see that economics and morality are inextricably linked. A document issued by the *Justitia et Pax* Commission, headed by the French Cardinal Rofer Etchegaray, at the end of January 1987 spoke of the need for urgent action on debt, criticizing the “authoritarian” action of the IMF. The pontifical commission proposed a sort of “Marshall Plan” in favor of the Third World, echoing French proposals.

Year of 'Great Recovery' devastates physical economy of United States

by Joyce Fredman

The year 1987, characterized by the Reagan administration as the most recent stretch of the 60 months of the "Great Recovery," has been a year of devastation for the physical economy of the United States. From the shipping industry, where the United States fulfilled its last order for a merchant ship and sold three of its jumbo container ships for scrap, to the steel sector, where capacity was slashed by more than 25% in the past 10 years and the work force permanently cut by over half, the death knell for American industry has been rung.

Over 50 million Americans, especially infants, the elderly, and displaced blue-collar workers, do not get enough to eat; 37 million Americans have no health insurance; and perhaps most horrifying, more than one-third of the nation's homeless population, its fastest growing segment, consists of families with children.

The United States now is one of the only leading industrial nations in the world with one-third of its population living in poverty. Rather than building new plants and factories, the order of the day is to close steel and auto plants, convert shipyards into restaurants, and to pay farmers not to grow food. The trade deficit, at \$17.6 billion, is the largest in history.

The once great military-industrial complex

One of the most frightening scandals this year was the security threat facing the military industrial sector as a result of the deindustrialization of the United States. In early July, Pentagon officials announced that the Armed Forces were so short of spare parts, that they were being forced to cannibalize existing machinery, a practice normally reserved for combat circumstances. One strategic piece of equipment that has fallen prey to this process is the B-1 bomber. New bombers, each costing \$200 million, sit immobilized, because parts have been taken from them to be installed in other planes. Air Force officials say it will be 1990 before 30% of the new U.S. strategic bombers can be kept on alert. Thirty percent

is the standard percentage for quick response. Today, out of 54 bombers in the force, only one plane is on alert!

Imports now account for approximately 70% of all fasteners in the United States. For standard nuts, bolts, and large screws, it is well over 90%. One type of fastener is called the Grade 8.0 automotive bolt and is used by the Department of Defense in approximately 500 different weapon systems. In one agency alone, a random survey showed 29% of its inventory to be counterfeit bolts. When five defense contractors sampled their inventories, 50% of the Grade 8.0 bolts were counterfeit.

One of the Army's main battle tanks is the M-60. Out of 10,000 tanks, 1,220 have been crippled by weak bolts. The Navy as well, has had difficulty with engine bolts for mine-sweepers and howitzers because of faulty bolts.

As of late August, one-third of the completed MX missiles lacked their electronic guidance systems because of delays in their production. The MX missiles cannot be deployed without their guidance systems. Ten years ago, the United States had a virtual monopoly on semiconductors. Now, the Department of Defense has come to obtain 80-90% of its semiconductors from abroad.

The manufacturing base of the industry is shrinking so rapidly that government intervention is needed to restore both the defense and civilian economies. One of the priorities would be to develop a 64-megabit dynamic random access memory (DRAM) chip, with 64 times the capacity of the present-day 1 megabit DRAM chip. In this area, the United States once had complete control; now, U.S. manufacturers supply only about 10% of the market.

The machine-tool industry, the core of any industrial society, is also on the "critical" list of ailing sectors. Machine tools are power-driven devices used to shape metal parts, from vacuum cleaner parts to tractor gears, to tooling for aircraft, tanks, and sometimes ammunition. Thirty years ago, machine-tool purchases accounted for some 7% of durable equipment purchases in the United States; by 1985, the figure

had dropped to 1.2% of durable equipment purchases. Today, the level of orders is pathetic for a third-rate country, let alone a superpower. Imports now comprise 50% of the market!

The sinking of the merchant marine

One of the worst tragedies of 1987 was the demolition of the shipping industry. The last order for an ocean-faring merchant ship was in October 1984, when three container ships were ordered for delivery in 1987. Those vessels, built in Sturgeon Bay, Wisconsin, were the last merchant ships built in the United States. On Nov. 10, 1987, the last one, owned by Sea-Land Corporation, was delivered.

Since 1946, the U.S. Merchant Marine has dropped from more than 3,000 ships actively engaged in U.S. ocean-borne foreign trade to a mere 470 today, of which 100 are inactive. Only 5% of American trade is carried on U.S. flag ships. At the end of World War II the United States had the world's largest merchant fleet, employing more than 200,000 experienced merchant mariners. In 1987 that number went to less than 30,000 active seafarers and the United States dropped to 16th in rank in number of ships.

The cumulative manpower requirement for military surge shipping for the first 30 days in a military crisis would be about 6,000 additional billets, of which approximately 75% would have to be filled within the first 10 days. If only 75% of the active seafarers were to respond, then the surge shipping shortfall would be on the order of 6,000 people. Extrapolations have been done to show that by 1992 we will have an available pool of seafarers of about 21,400 versus a total wartime requirement of 31,000—a shortfall of 10,000 men or higher, depending on how many answer the call. If the rate is 75%, the shortfall could be as high as 15,000.

Needless to say, this shortfall increases steadily with the closing of shipyards. The largest American independent shipbuilder, Todd Shipyards Corp., along with its subsidiary Todd Pacific Shipyards, filed for Chapter 11 on Aug. 19, 1987.

The General Dynamics Corporation shipyards at Quincy, Massachusetts, which had been shut in 1986, were sold in August to the Massachusetts Water Resources Authority for \$49 million. Bethlehem Steel once ran 16 shipyards and employed 12,000 workers. It now has two yards and 2,000 employees. Bay Shipbuilding Corp. had at its peak 1,800 workers. With its last order gone, it now employs fewer than 200. In October 1982, there were 110 shipyards in this country. Now there are 76, of which somewhere around 15 build ships for the U.S. Navy, perhaps 20 do the Navy's repairs, and the rest sit and wait.

The cuts in the defense budget have taken their toll, and the Navy is no exception. In October, John Stocker, president of the Shipbuilders Council, gave a picture of what this budget looks like:

“Our concern for budgetary instability is real. One anal-

ysis shows that if funding for Navy shipbuilding programs declines by a negative 3% over the next five years, more than \$13.64 billion will come out of the planned levels of spending. That number represents a reduction of nearly one-quarter of the planned spending on programs in the near term.

“The impact of such reductions on the industry where a single customer now accounts for more than 90% of our industry's workload will be devastating. Such reductions will also quickly reverse the stated policy goal of maintaining a 600-ship Navy, since budgetary planning requires eighteen to twenty ships per year and funding of \$11.5 billion per year to maintain the fleet's present size. At 3% negative growth, by 1992, \$10 billion will be the expected size of the budget. To indicate how close we are to such an eventuality, let me point out to you that the House and Senate in the Department of Defense Authorization Bills for Fiscal Year 1988 are dealing with funding levels of \$9.93 billion and \$10.08 billion, respectively.

“Let me remind you that roughly one-third of these dollar amounts represent the actual dollars going to shipyards. A \$10 billion program represents \$3 billion in contract awards to shipyards. The remaining amounts are given over to combat system manufacturers and other government furnished equipment. Thus, the shipbuilding and ship repair industries' annual sales will drop to about \$4 billion a year (in terms of both repair and new construction) from the past five year experience of about \$5.5 billion per year. . . .”

In late August, three jumbo container ships from the United States were sold for \$3.8 million each. The ships were 4400 TEUs (20-foot container equivalent units) belonging to United States Lines Inc. (USL) in Cranford, New Jersey. They were held in Singapore since the company and its parent, McLean Industries, Inc. filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Code in December 1986.

In mid-September, American California, a fourth TEU containership belonging to USL, was sold for \$4.48 million. These giant ships, constructed by Daewoo Shipbuilding & Heavy Machinery, LTD, in Seoul, cost the U.S.-flag liner operator approximately \$48 million each when delivered a few years ago. They were sold for less than one-tenth of their original price—virtually as scrap! Malcolm McLean, one of the transportation industry's great innovators, had figured that the huge steaming containerships making regular stops around the world would command market share despite longer delivery time. The ships are 950 feet and have a top speed of about 18 knots. But what McLean hadn't calculated was the demise of the shipping industry. Estimates for deepening and modernizing ports, lengthening berths and expanding cranes to accommodate the new generation of ships cost much more than the depressed U.S. economy would bear.

Now the remaining eight superfreighters, loaded with \$1.2 billion in debt, are rusting at piers in New York, Ta-

Continued on page 39

1987: a turning point in history

January

February

March

U.S. announces \$169.8 billion trade deficit for 1986.
9 Dow Jones industrial index closes over 2,000 points; President Reagan hails this as indication of economic boom.
13 Italian health minister announces mandatory reporting of AIDS cases.
21 Japanese finance minister Miyazawa makes emergency trip to Washington, fails to reach agreement to support dollar.
27 Vatican's Justice and Peace Commission releases document calling for reform of international debt situation.
29 U.S., European Community reach last-minute compromise on U.S. farm exports, avoiding trade-war measures which had been announced on Dec. 30 by U.S.

10 Pedro Pablo Kuczynski, co-president of First Boston International, is indicted in Peru for fraud, embezzlement, tax evasion.
13 IMF sends letter to Lima demanding Peruvian government pay \$754 million in overdue debts.
20 Brazilian President Sarney proclaims debt moratorium.
24 Atlanta Centers for Disease Control convenes conference supposedly to debate mandatory AIDS testing, but shuts out LaRouche representatives.
25 Bavarian state government (West Germany) announces measures against AIDS, including testing of public service workers and prison inmates.

4 U.S. Federal Savings and Loan Insurance Corporation (FSLIC) is insolvent, with losses of \$6-8 billion.
14 Ecuador announces suspension of foreign debt payments.
18 Crédit Suisse director Hans-Joerg Rudloff warns: "We face a global crash like never before in history."
20 Yugoslav government announces price freeze, following weeks of labor unrest.
25 Dollar falls to all-time low against the Japanese yen, marking demise of "Paris Agreement," which supposedly set a floor under the dollar.
28 U.S. threatens trade sanctions against Japan by April 17, unless Japan changes policy on export of semiconductors.

13 Hezbollah terrorist Ali Hamadei is arrested in Frankfurt, West Germany. U.S. seeks his extradition, for role in hijacking of TWA airliner.
16 Chinese Communist Party Central Committee announces resignation of General Secretary Hu Yao Bang.
16 John Demjanjuk, retired Cleveland auto-worker, goes on trial in Tel Aviv, on charges of Nazi war crimes.
17-20 Two West Germans are taken hostage in Beirut, Lebanon.
23-27 Peruvian President Garcia visits India, for meetings with Prime Minister Gandhi and a summit meeting of Non-Aligned nations.
25 West German national elections re-elect Helmut Kohl as chancellor, but strengthen the Free Democratic Party's Hans-Dietrich Genscher, the foreign minister.
27-28 Soviet Central Committee Plenum. Gorbachov announces "extensive modernization of Soviet industry."

1-7 Trilateral Commission and Council on Foreign Relations members meet in Moscow with Soviet leaders, on arms control.
4 Carlos Lehder Rivas, leader of the Medellín drug cartel, is arrested by Colombian authorities and extradited to U.S. to stand trial.
16 Israeli Prime Minister Shamir comes to U.S., signs treaty giving Israel increased status as trade and military partner.
20 Syria reoccupies West Beirut, as U.S. stands by.
21 French police dismantle the Direct Action terrorist group.
23 Trial of George Ibrahim Abdallah, founder of Lebanese Armed Revolutionary Fraction (FARL) terror group, opens in Paris. He receives a life sentence Feb. 28.
28 Gorbachov announces the U.S.S.R. is ready to sign INF treaty with U.S., in speech on Soviet television.

8 Philippine Grand Alliance for Democracy announces formation of electoral slate in opposition to Aquino government, in May national elections.
17 Dr. Arthur Rudolph, German scientist, has West German citizenship restored, after being forced out of U.S. West German government exonerated Rudolph of charges of being a Nazi.
22 Chadian government takes over Libyan air base of Wadi Doum, in northern Chad.
23 Willy Brandt resigns as chairman of West German Social Democratic Party.
23 Peruvian President Garcia begins visit to Mexico, to work out trade and technology transfer deals.
27 Italian terrorist Stefano Delle Chiaie is arrested in Venezuela and extradited to Italy, to stand trial for the terror bombing at the Bologna train station in 1980, which killed 85 people.

President Reagan proposes 25% cut in his own War on Drugs for FY88.
6 Jim Wright elected as Speaker of the House of the 100th Congress.
7 Rep. William Dannemeyer (R-Calif.) introduces an omnibus package of legislation to combat AIDS.
18 Sen. Robert Dole (R-Kan.) writes that forcing U.S. compliance with SALT II would benefit Moscow.
30 President Reagan vetoes Water Quality Control Act of 1987.
30 President Reagan approves construction of a \$6 billion nuclear particle accelerator that is 20 times more powerful than any existing.

3-4 Clean water bill override easily passes House and Senate.
17 Virginia attorney general indicts individuals and corporations linked to Lyndon LaRouche.
17 Senate approves resolution calling Soviet radar site at Krasnoyarsk a violation of the ABM treaty.
24 NATO commander Gen. Bernard Rogers resigns effective in June; his replacement is Gen. John Galvin.
26 Tower Commission report on Irangate is released.
27 White House Chief of Staff Donald Regan resigns; his replacement is Howard Baker.

3 Supreme Court rules that teachers with contagious diseases can continue in their positions protected by statutes for the handicapped.
4 Israeli false-flag spy Jonathan Jay Pollard sentenced to life.
17 New York attorney general indicts 15 individuals associated with LaRouche.
18 Televangelists Jim and Tammy Fay Bakker resign from PTL.
18-19 Congress passes highway and mass transit bill by wide margins; presidential veto and override expected.
24 Pentagon issues *Soviet Military Power 1987*, detailing Soviet breakout from ABM treaty constraints.

Economics

International

National

Economics

8-9 IMF meeting reaches no substantial agreements, as dollar falls to its lowest postwar level.
 13 Colombian President Barco grants official status to the new Unified Workers Confederation (CUT), headed by former labor minister Jorge Carrillo.
 14 U.S. announces \$15 billion trade deficit for the month, a near-record.
 26 Brazilian Finance Minister Dilson Funaro, architect of that country's debt moratorium, resigns, after intensive pressure from circles linked to the IMF.
 29 Merrill Lynch announces \$250 million loss for the preceding trading week, due to crashing mortgage bond prices.

1 U.S. Commodity Credit Corporation suspends disbursements for farm subsidy payments and support loans.
 7 Japan absorbs more than 40% of U.S. long-term bonds offered at auction. The American paper has lost about 12% of its value since April 1.
 19 American Iron and Steel Institute meets in Washington, calls for "orderly downsizing" of the industry.
 22 Centers for Disease Control issues a report on three hospital workers who tested positive to the AIDS virus after they came in contact with the blood of an infected person.
 26 Lyndon LaRouche issues a press release, "Global financial crisis predicted for October."

2 Federal Reserve chairman Paul Volcker announces his decision to refuse a third term in office. Alan Greenspan is nominated as his successor.
 8-10 Venice economic summit of Western industrial nations. U.S. asks its partners to continue printing money to pay for America's \$150 billion annual foreign borrowing requirements.
 12 Brazilian government, in hopes of reaching an agreement with its creditors, orders austerity program.
 29 Allis-Chalmers Corp. files for Chapter 11 bankruptcy.
 30 French Premier Chirac arrives in the U.S., where he discusses his "Marshall Plan" for African development and denounces the IMF as "responsible for the foreign debt problem."

International

4 Lyndon LaRouche addresses Schiller Institute conference in Peru.
 4-7 Peruvian President Garcia defeats coup attempt against him.
 8 French Premier Chirac presents to National Assembly new defense program for 1987-91, increasing defense budget by 40%. Budget passes.
 16-18 Warsaw Pact Military Council meets, presided over by Gorbachov and Marshal Nikolai Ogarkov.
 17 Argentine President Alfonsín defeats military coup attempt.
 20 Palestine National Council meets in Algiers. After years of in-fighting, all competing factions attend. Soviet assets gain in power.
 23 Soviets abruptly postpone May 17-23 visit of West German President von Weizsäcker.
 26 Swedish authorities indict eight employees of the Bofors company and arms trafficker Karl-Erik Schmitz, for illegal weapon sales to Iran.
 26 British Prime Minister Margaret Thatcher and French Premier Jacques Chirac meet in London to discuss INF disarmament deal. Both reject the "denuclearization" of Europe.
 30 Pope John Paul II tours 11 West German cities.

1 Riots in West Berlin by Greens and communists.
 8 Peruvian Communist Party chief Jorge del Prado vows civil war against President Garcia.
 11 Philippine elections result in victory for the slate of President Aquino, amid charges of vote fraud.
 11 Trial of former SS officer Klaus Barbie opens in Lyon, France.
 12-14 Gorbachov conducts highly publicized tour of Soviet Space Flight Center in Baikonur.
 15 Soviet Union launches the Energiya super-booster rocket from the Baikonur Space Center, a breakthrough in the Soviet military space program.
 15 Peru's largest police force, goes on strike, protesting low wages and the terrorist threat.
 17 Two Iraqi fighter jets attack USS Stark in Persian Gulf, killing 37.
 28 Matthias Rust, a West German teenager, flies his Cessna plane into Red Square, providing the pretext for shakeup in Soviet military, including firing of Defense Minister Marshal Sergei Sokolov.

1 West German Chancellor Kohl agrees to accept INF agreement. Decision is backed by Parliament three days later.
 6 Panamanian gnostic Col. Roberto Diaz Herrera launches attack on Gen. Manuel Noriega. His charges of corruption are later discredited.
 8-15 Pope John Paul II tours Poland, criticizing the communist system and rallying nation to optimism.
 10 Worst violence in seven years erupts in South Korea.
 11 British elections result in third term of office for Prime Minister Thatcher.
 12 President Reagan visits West Berlin, appeals to Gorbachov to tear down the Berlin Wall. Demonstrations by Greens, anarchists, communists.
 22 Peruvian Prime Minister and Economics Minister Luis Alva Castro resigns.
 25-26 Plenum of the Soviet Central Committee discusses Gorbachov's economic restructuring.
 25 Colombian Supreme Court overturns U.S.-Colombian extradition treaty.
 25 Pope John Paul II receives Austrian President Kurt Waldheim.

National

16 16 stock-brokers arrested for insider-trading and drugs.
 20 U.S. citizen Karl Linnas illegally deported to Soviet Union.
 21 Three companies associated with LaRouche placed in involuntary bankruptcy, ostensibly to satisfy judgment of contempt fines.
 29 Irangate Independent Counsel Lawrence Walsh indicts Carl "Spitz" Channell, for tax fraud.
 29 Gephardt amendment to trade bill, requiring U.S. retaliation against nations that refuse to reduce their trade surpluses with the U.S., passes 214-218.

5 Joint hearings of the House and Senate Iran-gate committees begin with testimony from Gen. Richard Secord.
 6 CIA director William Casey dies.
 13 SDI proponents in the Senate filibuster against Defense Authorization bill amendment that would enforce "narrow" interpretation of ABM treaty.
 23 Reagan endorses constitutional convention to implement a balanced budget amendment to the Constitution.
 26 Fact-Finding Committee of the Commission to Investigation Human Rights Violations hearings into "LaRouche case."

2 Senate approves AIDS testing for immigrants.
 17 Balanced budget amendment resolution introduced in House and Senate.
 19 Justice Dept. drops indictment against General Dynamics and former NASA administrator James Beggs.
 29 Lyndon LaRouche voluntarily testifies, without immunity, before federal grand jury in Boston. Begins his presidential campaign in New Hampshire.
 30 Boston federal grand jury hands down a one-count indictment for obstruction of justice against LaRouche.

July

- 6-7 Meeting of GATT in Geneva receives President Reagan's proposal to end world farm subsidies within 10 years.
- 14 Massive capital flight begins in Peru, driving down the national currency.
- 15 U.S. announces \$14.4 billion trade deficit for May.
- 17-18 European Community agriculture ministers denounce U.S. demand for cuts in pasta export subsidies.
- 21 European Commission approves three-year plan to cut steel capacity by 30 million tons.
- 22 U.S. Senate approves protectionist trade bill.
- 28 Peruvian President García announces exchange controls, nationalization of banks.

August

- 3 U.S. Senate approves bailout for FSLIC, with \$10.8 billion over three years.
- 21 Dow Jones average closes at a record of 2,709, three and a half times its level of Aug. 13, 1982.
- 25 Philippines President Aquino rolls back part of a 20% oil price increase, following strikes and protests.
- 25 French Agriculture Minister François Guillaume, on tour in Africa, meets with Ivory Coast President Houphouët-Boigny, who supports the idea of a "Marshall Plan" for Third World agricultural development.
- 29 Peruvian Congress approves President García's bank nationalization.

September

- 4 Brazil achieves uranium enrichment capability, closing the nuclear fuel cycle.
- 23 Congress and the White House reach agreement on a new version of the Gramm-Rudman law, raising the ceiling on the federal debt from \$2.3 trillion to over \$2.8 trillion.
- 25-26 Second International Conference on AIDS in Sao Paulo, Brazil. Numerous scientists challenge cover-up by international health establishment.
- 29 Annual IMF meeting in Washington. U.S. Treasury Secretary James Baker increases pressure on West Germany and Japan to underwrite the U.S. economy.

- 1 Paris court hears libel suit of LaRouche versus Soviet weekly *New Times*.
- 3 Nazi Gestapo chief Klaus Barbie is condemned to life imprisonment for war crimes.
- 6-11 West German President von Weizsäcker in Moscow, is lectured on extradition of "Nazi war criminals."
- 10 State Department says Russians are stalling on INF treaty.
- 17 France breaks diplomatic relations with Iran.
- 18 Indian Prime Minister Gandhi expels three top leaders of Congress Party (I).
- 20 Soviet weekly *New Times* issues six-page attack on LaRouche.
- 21 U.S. State Department cuts off military and economic aid to Panama.
- 22 First Kuwaiti oil tankers are reflagged by U.S. for transit through Gulf.
- 22 U.S. and Japan sign agreement on Japanese participation in the SDI.
- 23 Colombian justice ministry revokes arrest warrants against fugitive chieftains of Medellín drug cartel.
- 24 Reflagged Kuwaiti supertanker *Bridgeton* strikes mine in Gulf.
- 28-30 LaRouche visits Turkey, meets prime minister and other officials.

- 4 Saudi newspaper charges that Iranian rioting in Mecca at the end of July was part of attempted coup.
- 5 Tamil guerrillas surrender weapons to Indian troops in Jaffna, Sri Lanka, as result of accord between the two countries and the guerrilla leader.
- 7 Presidents of Central America sign peace plan of Costa Rican President Arias.
- 7 Gorbachov is last seen in public, prior to extended "vacation."
- 12 Colombian mafia chieftain Pablo Escobar released from jail; all arrest warrants lifted.
- 18 Sri Lankan President Jayewardene survives assassination attempt.
- 23 Anti-Soviet demonstrations in Lithuania, Estonia, and Latvia on anniversary of Hitler-Stalin Pact. Soviet press upholds the Pact.
- 26 U.S.S.R. Supreme Soviet announces strict anti-AIDS law, including jail for anyone knowingly spreading the virus.
- 28-29 Military coup attempt against Philippines President Aquino is put down.

- 1 Pope John Paul II meets Jewish leaders, to resolve clashes over Pope's meeting with Austrian President Waldheim.
- 5 Chadian troops launch surprise attack against Libyan bases in Chad.
- 6 President Alfonsín's party suffers unexpected defeat in Argentina's mid-term regional elections.
- 7-11 East German leader Erich Honecker visits Bonn, the first such state visit ever.
- 17 Secretary of State Shultz and Foreign Minister Shevardnadze reach "agreement in principle" on INF treaty.
- 24 U.S. Senate calls for economic boycott against Panama unless Panama replaces its government.
- 25-26 International Commission to Investigate Human Rights Violations convenes in Paris to highlight judicial persecution of LaRouche.
- 29 Gorbachov reappears, following a "vacation" of 53 days.
- 30 Paris court rules in favor of Soviet magazine *New Times*, against LaRouche and associates.
- 30 Soviet Union test-fires two ICBMs within 200 miles of Hawaii.

- 4 First national conference of the American Green Movement.
- 4 Lyndon LaRouche issues draft executive order calling for revoking Executive Orders 12333 and 12334, which legalized the creation of a "secret government."
- 13 Prevent AIDS Now In California group begins petitioning for new anti-AIDS initiative.
- 17 Former presidential aide Lyn Nofziger indicted in Wedtech scandal.
- 23 President Reagan unveils his Commission on AIDS.
- 31 Federal debt ceiling extended to Aug. 6.

- 5 Deranged individual breaks through Pentagon security checkpoint near meeting of Weinberger and Shultz.
- 5 100 congressmen file federal suit to force President to invoke the War Powers Act against the Persian Gulf deployment.
- 7 Federal debt ceiling extended to end of September.
- 22 Federal court upholds special prosecutor law against challenge from Oliver North.
- 28 Administration announces that, as of Dec. 1, persons seeking immigrant visas or residency status will be tested for AIDS.

- 3 State Dept. drops any deadline for Iranian response to U.N. call for Gulf War cease-fire, after five days of Iranian attacks on Gulf shipping.
- 6 Sweden's *Svenska Dagbladet* reveals FBI collaborated with a Soviet agent in Swedish intelligence named Joel Haukka, who blamed LaRouche for Olof Palme murder.
- 10 Pope John Paul II arrives in Miami, Florida for 10-day U.S. tour.
- 10 State Dept. closes Washington office of PLO.
- 13 Lyndon LaRouche goes to New Hampshire to campaign, vows to "rip up" any INF treaty.

October

November

December

Economics

1 France and the Soviet Union reach agreement on their first joint venture, for manufacture of plastics.

1 Gorbachov announces that the Soviet Union will have to implement substantial food price increases.

7 West German government announces sweeping budget cuts, hitting state subsidies to industry, infrastructure, and health care.

14 Argentine President Alfonsín announces new austerity program, devaluing the currency, raising prices, and facilitating foreign debt-for-equity swaps.

19 "Black Monday": New York Stock Exchange loses more than 500 points.

4 Argentina's labor movement goes out on general strike.

8-9 Bank for International Settlements criticizes U.S. economic "team" of Treasury Secretary Baker and Federal Reserve chairman Greenspan.

8-9 Italian referendum votes against existing energy program, which includes nuclear power.

13 President Reagan announces protectionist tariffs against Brazil, in retaliation for Brazilian measures to protect its computer industry.

18-19 Mexican peso in free fall against the dollar, as government says it will not support the currency.

26 Ibero-American Presidents establish permanent consulting mechanism.

4 Mexican President de la Madrid announces measures to fend off hyperinflation, including wage and price freeze.

16 Mexican government, industry, labor, and peasants agree to austerity program.

18 Oil prices hit \$15 per barrel range, following failure of OPEC meeting to reach an agreement on keeping the price up.

International

4 Mexico's ruling PRI party picks Carlos Salinas de Gortari as nominee for 1988 presidential elections.

11 Jaime Pardo Leal, president of Colombia's communist electoral front, is murdered, triggering destabilization.

11 India and Sri Lanka deploy troops to quell riots between Tamil and Buddhist Sinhala groups in Sri Lanka.

11 Uwe Barschel, governor of West Germany's Schleswig-Holstein, is found dead in Geneva. Family charges "murder," but official cover-up says "suicide." Barschel was involved with Iranian arms traffic.

21 Soviet Central Committee Plenum: Politburo member Geidar Aliyev "resigns." Moscow City party boss Boris Yeltsin criticizes party leadership.

21 Secretary of State Shultz arrives in Moscow for negotiations to finalize INF treaty.

25 Chinese Communist Party convenes its 13th Congress, elects Zhao Ziyang new secretary general.

28 Three American soldiers are assassinated in the Philippines, in terrorist attacks.

31 Riots in Hamburg, West Germany, by communists, anarchists.

2 Gorbachov delivers speech on anniversary of Bolshevik Revolution, calling upon communists to mobilize for the imminent collapse of capitalism.

2 Riots in Frankfurt, West Germany; two policemen are killed.

8 Reagan and Gorbachov sign INF treaty in Washington.

8 Aging Tunisian President Habib Bourguiba is replaced by Gen. Zine al Abeddine Ben Ali.

8-11 Arab League summit in Amman results in isolation of Iran, and decision to restore diplomatic ties with Egypt.

11 Boris Yeltsin, Moscow Communist Party chief, is expelled from leadership. Gorbachov accuses him of doubting the party's work.

15 Riots in Romania; several hundred civilians are killed.

21 Jorge Luis Ochoa, top Colombian cocaine trafficker, is arrested. Government vows to extradite him to the U.S.

26 Warsaw Pact defense chiefs meet in Romania.

29 Haiti government cancels election, after voters are gunned down by paramilitary thugs.

3 Peruvian terrorists assassinate a priest while he is officiating mass—the first such attack on the Catholic Church.

7 Organization of American States meets in Washington, rejects proposals for a Grenada-style invasion of Haiti in the name of "democracy."

7 General Secretary Gorbachov arrives in Washington.

8 Gorbachov and Reagan sign INF treaty.

14-16 Summit of Association of Southeast Asian Nations (ASEAN) in Manila.

16 South Korean elections result in victory for ruling party candidate Roh Tae Woo. Opposition cries "fraud!"

18 Colombian government changes line, says will not extradite dope trafficker Ochoa to U.S.

National

7 Two allies of Surgeon General Koop's "condoms strategy" to fight AIDS resign from President's AIDS commission.

19 Four U.S. destroyers pulverize Iranian oil platform used as base for gunboats and mine-layers.

23 Judge Robert Bork, the administration's nominee for Supreme Court justice, is rejected by the U.S. Senate, 58-42. Judge Douglas Ginsburg is nominated next, but withdraws when a scandal erupts over his use of drugs.

24 Teamsters rejoin AFL-CIO.

28 PANIC group submits 720,000 signatures to place anti-AIDS measure on California ballot.

4 U.S. arms control negotiator Paul Nitze is accused of helping the Soviets draft *their* arms proposals.

5 Secretary of Defense Caspar Weinberger resigns; his replacement is Frank Carlucci.

13 White House will not publish legally mandated annual report on Soviet treaty violations in time for the Dec. 7-10 INF summit.

17 Congressional Iran/Contra committees issue their report.

20 "Budget summit" reaches 11th-hour agreement to cut \$76 billion over two years from federal budget, beating Gramm-Rudman automatic sequester.

16 Congress slashes budget for space station by nearly one half.

17 Boston trial opens in *U.S. v. The La-Rouche Campaign, et al.*

17 Senate Iran/Contra committee releases note from Adm. John Poindexter, implicating Vice President Bush in arms-for-hostage deal.

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coma, Singapore, and Hong Kong, where they await the autioneer's hammer.

The airlines: a year of disasters

In *EIR*'s May 29 issue, the very serious problems with the airlines were addressed. We warned, "The number of 'critical' air incidents (defined in the industry as potential in-flight accidents averted by chance), is increasing monthly. The volume of air traffic is also increasing, but under conditions of cutthroat business practices caused by deregulation, and conditions of undercapitalized airspace and airport infrastructure. *This situation is guaranteed to result in fatal accidents.*"

Since that article appeared there have been three major aircraft disasters in the United States. On Aug. 16, 156 people were killed when a Northwest Airlines MD80 crashed on takeoff from Detroit Metropolitan Airport. On Nov. 15, a Continental Airlines DC9 crashed on takeoff from Denver's Stapleton International Airport, killing 28 people. On Dec. 7, a Pacific Southwest Airlines commuter jet crashed in the coastal mountains 175 miles northwest of Los Angeles, killing all 44 people on board.

The deregulation of the airline industry is the strongest factor of all in setting the stage for such disasters.

During the 1970s, *EIR* joined aviation experts in warning that the current threshold of catastrophe would be inevitable if deregulation were implemented. Nonetheless, it went through. Air carriers have been engaged in cutthroat fare-discounting, hostile takeovers, and wholesale scrapping of so-called less profitable routes while overbooking and overscheduling others. All are under increasing cash flow pressures. While carriers compete to carry an increasing volume of passengers, the airline, airport, and airspace safety standards and maintenance are not keeping pace. Underfunding is standard operating procedure under Gramm-Rudman.

The FAA has 21 congested flight areas known as "Red Sections" where traffic is exceeding allowable limits. The Flight Service System, one-fifth of the air traffic controllers that provide pre-flight, in-flight and emergency information on weather, aeronautical and air traffic data, is operating with 307 fewer people than the FAA's own recommendation.

The auto industry gets run over

The first two weeks of December were marked by events in the auto industry indicative of the year as a whole. The first foreign automobile maker that built passenger cars in the United States, Volkswagenwerk AG, will shut the doors to its only assembly plant in this country in mid-1988. The closing of its New Stanton, Pennsylvania plant will eliminate 2,500 jobs. Sure to follow will be additional layoffs at VW's American headquarters in Troy, Michigan. The Pennsylvania plant was to have been the leader of a new wave of auto production in North America.

Two studies put out the same week by Nomura Research and DRI (Data Research Institute), Europe pointed to the handwriting on the wall. Nomura predicted a sharp 20% drop in U.S. car purchases in 1988, and DRI pointed to a decrease in European car output. They didn't need a crystal ball.

In the first 10 days of October, U.S. domestic car sales were down 39% from 1986. GM's sales had dropped 43.8%, Ford's 36%, and Chrysler's 41.2%. Already in November 1986, GM announced plans to shut down 11 of its assembly plants and permanently dump 25,000 workers. The first of those closings occurred on Aug. 26, 1986, when the last car rolled down the assembly line at GM's 64-year-old Norwood, Ohio plant, the largest employer in the town. It meant the end of work for more than 4,000 people.

On Nov. 4, General Motors announced it was closing its Framingham plant indefinitely, putting 3,700 New England employees out of work. Two days later, U.S. automakers announced an 11% decrease in car production.

Still, the big three automakers (GM, Ford, Chrysler) are returning to incentives to get rid of their bloated inventories. As of mid-November, Chrysler Corporation had enough cars to supply its current selling rate for 101 days. General Motors had enough for approximately 100 days. The so-called normal level is 60 days.

The situation certainly received the attention of Edzard Reuter, president of Germany's Daimler Benz, on Nov. 16. He stated the lack of economic leadership could "provoke a grave world economic crisis which could develop its real explosiveness in the framework of East-West conflict. We are running out of chances . . . manipulating with currencies, rather than revitalizing the growth factors of economies."

During the week of Dec. 14, Abel Abanbegyan, economic adviser to Mikhail Gorbachov, offered to help out by selling Americans inexpensive cars!

Steel

Since 1952, one-fifth of our domestic steel industry had filed for bankruptcy-law protection. Jobs in the industry hover near 150,000 and capital investments for modernization are nonexistent. LTV, the nation's second largest steelmaker filed for Chapter 11 in 1986; Bethlehem Steel and Armco are widely discussed as next year's candidates. One of this year's more pathetic examples was the attempt by the former chairman of Kaiser Steel Corporation to force the company into liquidation under Chapter 7 of the federal bankruptcy code, which would sell off all assets to pay creditors.

One might expect a major lobbying effort to rescue the industry. Instead, the lobbying effort that has occurred has been to create a multibillion-dollar fund to absorb the high cost of *closing* unneeded steel mills, including picking up the tab for steelworkers' pensions. The pension issue has been a major source of aggravation for everyone this year. In January, the Pension Benefits Guarantee Corporation, a quasi-governmental pension insurance agency, took over four LTV

steelworker pension plans. This meant it promised to pay \$7 billion to American retirees covered by troubled funds even though only \$3 billion is available to the insurance system. The ailing Pension Benefit Guarantee Corporation could easily be out of cash within five years. It went to court to attempt to throw the liabilities back at LTV. It failed. But along with LTV, Wheeling-Pittsburgh, McLouth, Kaiser, and Sharon have been forced to seek bankruptcy law protection. When major steel companies close plants, they trigger the early-retirement benefits for their workers that are built into the contracts. These were brought in as part of the overall plan to shut down industry, a way to encourage workers not to work, similar to the brilliant idea of paying farmers not to grow food. Now these benefits are capable of bankrupting major firms, thus allowing them to dump their underfunded pension programs on to the PBGC, which will clearly not be able to sustain the load.

The steelworkers in Minnesota got a real taste of the recovery in 1987 earlier this year. At Eveleth Mines, they were told that unless they took a three-year wage cut of \$2.43/hour, after already taking cuts in wages and benefits of over \$4.50/hour over four years, the orders for the 600,000 tons of taconite pellets they produce every year would go to overseas producers!!

No room at the inn

The collapse of so much of American industry has led, predictably, to increasing numbers of homeless people. Even those with a roof over their head are finding it necessary to share. According to the U.S. Census Bureau, 65% of Americans between the ages of 18 and 30 are living with their parents. Whatever housing is available is hardly affordable. An average house now costs well over \$100,000, whereas in 1960 an average home was priced around \$25,000.

Yet, during the first ten months of 1987, 1.41 million housing units were started compared to 1.58 million units last year, a decrease of 10.6%. The decrease of 8.2% in October was the sharpest decline in three years, with little prospect for improvement.

At the same time, the number of families living below the poverty line has increased because of unemployment and cuts in welfare benefits, the availability of low-cost housing has plunged. The federal budget for subsidized housing has all but disappeared.

Now, under a ruling made Dec. 11 by the Department of Health and Human Services, the government plans to cut back its paltry aid for sheltering families with children. It will now contribute to the cost for only 30 days of a family's stay in a shelter for any 12-month period. In fact, it is much easier to get shelter if you split your family up. In Los Angeles, which is not atypical, out of the 215 shelters, only 51 accept families. Of those, only 16 accept families with fathers.

This is Christmas in the "Great Recovery" of 1987.

Europe's death lobby:

by Mark Burdman and Jutta Dinkermann

As the U.S. presidential campaign took off in 1987, only one candidate, Democrat LaRouche, has brought the issue of euthanasia to the forefront of his campaign. LaRouche warned that current trends of fiscal austerity and gnostic attacks on the sacredness of life, especially under conditions of the uncontrolled spread of AIDS, would lead to generalized acceptance of euthanasia practices beyond even what the Nazis did. This contention has met with shock and sometimes skepticism, with some demanding "proof."

Developments in Western Europe during 1987, especially the second half of the year, provide all the proof in the world.

Suddenly, in November, one picks up the daily press in predominantly Roman Catholic France, and reads debates over a French senator's proposal to the National Assembly, to legalize the killing of handicapped children within three days of their birth.

In Holland, a top doctor at a children's hospital boasts that he has helped cancer-sick adolescents take cyanide packets without their families' knowledge; reports are released that 10% of all those who die in Holland do so by euthanasia, in many cases *without* their request; and the Dutch government sends legislation to the Parliament to "decriminalize" euthanasia. In Britain and West Germany, doctors laud Dutch methods for "mercy killing" of AIDS patients.

There have been three qualitatively new trends in Europe which have marked 1987 as a branching-point in the postwar period's attitude toward the sacredness of life and the values of Western Judeo-Christian civilization. These trends include:

1) In several countries, a linkage has been made between the spread of AIDS and the "necessity" of legalizing euthanasia. This has become a rallying cry of the French euthanasia lobby. On Sept. 8, Madame Paula Caucanas, head of the French Society for the Right to Die and general-secretary of the World Federation of Societies for the Right to Die, stated: "AIDS will help us very much, I'm sure." In Britain in mid-November, a medical group formed within the Voluntary Euthanasia Society argued that AIDS' spread necessitates

louder and deadlier

euthanasia's legalization. In West Germany, the notorious Dr. Julius Hackethal said that "mercy killing" for AIDS patients should no longer be considered a taboo. Throughout the year, Holland was openly publicized as the model society of "euthanasia for AIDS."

2) Economic austerity and "cost-cutting," and not simply the "suffering of AIDS victims," have been openly cited as justifications for legalizing euthanasia. France's deranged Sen. Henri Caillavet, head of the "Association for the Prevention of Handicapped Children," told a journalist on Nov. 26: "Economic reality is an important factor for euthanasia." The well-connected Baroness Adrienne von Till d'Aulnis de Bournuil, a leading influence in Dutch euthanasia circles, was more "democratic" in her approach: "If we want to use the cost-budget-effectiveness argument to justify euthanasia, we should not do it under the table, because that would make it like what the Nazis did, purposeful killing for racial or other discriminatory reasons," she told a journalist Sept. 24. "Since we all live in democracies, what we should do is make a change in law, a democratic decision that our country can take. If we do it below the table, then we become like the Nazis, singling out gypsies or old people for special treatment. But, in a democracy, you can make any law you like. If you want to decide that people who cost more than 300 guilders a day should be killed, or that people over 60 should not receive health care, then make any law you like, and, if you get a majority, you win."

On this front, the insurance companies are particularly active. In mid-June 1987, in West Berlin, the International Association for the Study of the Economics of Insurance, held its annual assembly, on the theme, "Problems and Perspectives of Health Insurance." What was pushed as a guideline was the concept of "managed health care," based on "cost-containment initiatives . . . aimed at reducing unnecessary hospital use"; measures to reduce the number of doctors; increasing use of hospices, home care, U.S.-modeled "Health Maintenance Organizations," etc.; and upgrading the involvement of the insurance companies in delivery of health care. The association's secretary general and admin-

istrator is Orio Giarini, chief economist of the malthusian Club of Rome. One of its honorary presidents is French presidential candidate Raymond Barre, whose involvement in such doings might prove embarrassing in the period leading up to France's spring 1988 presidential elections.

3) Euthanasia has been hailed as part of a gnostic attack on Christianity and on Judeo-Christian values, more broadly. Again, there is Senator Caillavet, from Catholic France, who gloats during a late-November discussion that euthanasia will become accepted in France, especially as "the religious aspect of life has almost been destroyed." He gloats that "death will become an issue in the French presidential campaign."

Evolution of euthanasia in Europe

The following chronology focuses on four countries, Holland, France, West Germany, and Britain.

Jan. 16: The Dutch government puts forward regulatory guidelines, according to which a doctor who practices euthanasia can defend himself by demonstrating that the patient requested euthanasia and that he, the doctor, had consulted medical colleagues before acting.

March 30: The Dutch Health Council advises the cabinet to change the wording of proposed euthanasia guidelines, to allow terminally-ill children to request euthanasia without parental consent. This law applies to children aged 1-15 who can now "request" death, without the parents having any say in the matter.

May 6: West Germany's "Dr. Death" Julius Hackethal announces that he will perform "mercy killing for people sick with AIDS," and that this should not be a taboo in West Germany.

June 14: Hackethal announces that he will go to the federal court of West Germany to get rid of Law 216, which forbids killing on request of patients.

June 29: A senior official of the Dutch Council of Churches, reports privately that "a habit is developing" whereby judges exonerate doctors who have applied euthanasia to AIDS sufferers under certain circumstances.

Aug. 8: A Munich regional court acquits Hackethal in a case in which he actively assisted a cancer-sick patient to commit suicide with cyanide three years earlier. Charges are also dropped against Hans-Henning Atrott, of the "German Society for a Humane Death," a prominent mouthpiece of the euthanasia movement, who provided the cyanide to Hackethal. The court argues that Hackethal is not to be blamed for committing "an act leading to relief for the patient." "Medical doctors have no duty to prolong life," and "to prolong the life of the patient would have caused an inhuman torture of the patient."

Sept. 9: A 30-year-old paralyzed West German woman is killed by a member of Atrott's "Society for a Human Death"; the Atrott aide, describing herself as a "death-helper," provides the young woman with a cup with cyanide, which provokes a very cruel death by paralysis of the respi-

ratory organs.

Oct. 6: A Dutch Jewish physician who escaped the Nazis by hiding in Amsterdam throughout the war, keeps handwritten lists of all the patients he has killed with a lethal injection. Dr. Herbert Cohen tells Reuter wire service that he has good relations with the police. He warns them a day or two before he carries out a "mercy killing," then calls them afterward with all the details. The cases go no further than the prosecutor's office. Cohen has "administered euthanasia" to about 40% of his patients.

Oct. 9: Holland is rocked by a scandal involving Prof. P.A. Voute, celebrated oncologist of the children's hospital in Amsterdam, who tells the daily *Het Parool* that he has helped 14 adolescents to terminate their suffering by delivering to them a "mortal pill." He tells the paper that, since 1980, he has given a "euthanasia pill" to adolescents aged 15-18 in the terminal phase of sickness, and who asked for the means to "put an end to it." Says Dr. Voute: "The possession of such a pill gives to the young people a feeling of security. They know that they can die when they want to die. . . ." He says he did not think it necessary to warn the parents about this, although he affirmed he always advised the youths to "discuss the question with their family."

Week of Nov. 2: Senator Caillavet calls for legalization of murder of handicapped up to three days of age. On Nov. 7, he tells French television: "If I had had a handicapped child, I would not have let it live. . . . I gave life, I have the right to take it away. . . . You have the right to be shocked, and so am I when I hear some of the Pope's comments. . . . We have got to take away the guilt so that such parents do not feel like criminals for demanding euthanasia for their abnormal children." APEH's aim is to stop the number of mentally defective children from increasing, he proclaims.

Nov. 13: Newspapers report the formation of a medical group within Britain's voluntary euthanasia society, which is campaigning for the legalization of euthanasia, especially in view of the spread of AIDS. Nineteen doctors say: "AIDS has added a new and rapidly growing group of often well-informed patients who may not want to risk the mental deterioration which so often occurs."

Nov. 19: Caillavet proclaims himself "overjoyed" at the release of a new poll which purports to show a majority in France in favor of euthanasia. "The taboo of death has been overcome, as it had been previously with sex and abortion."

Nov. 26: Caillavet tells a journalist that "economic reality is an important factor for euthanasia." France, he says, will move from already-accepted practices of "passive," or "administrative," to "active" euthanasia.

Dec. 14: The Dutch government puts forward a bill that aims to change the law that still forbids euthanasia. Pending parliamentary approval during 1988, this law would provide guidelines for how doctors might perform euthanasia and not be prosecuted.

The resistance

There were also outspoken attacks on euthanasia practices in 1987. Most important, these attacks increasingly focused on such substantive issues as the parallel with the Nazi period, in the use of "cost-cutting" justifications, and attacks on the sacredness of life.

On May 2, Pope John Paul II invoked the memory of the outspoken Catholic opponent of Nazism, Clement Cardinal von Galen, and his battle against euthanasia, to call for a mobilization against euthanasia, mercy killing, and abortion today. "There are today in society strong forces which threaten human life," he stressed. "Euthanasia, mercy killing, on the basis of apparent compassion, is again a frightening recurring measure."

From June through October, the Brussels-based World Medical Association, representing more than 2.5 million physicians practicing in 42 countries, mobilized vociferously against euthanasia. At its September convention, the group unanimously adopted a declaration stating, "Euthanasia, that is, the act of deliberately ending the life of a patient, even at the patient's own request or at the request of close relatives, is unethical. . . ."

The head of the WMA, André Wynen, not only condemned his colleagues in Holland, but especially attacked people like French Socialist Jacques Attali, adviser to President Mitterrand, who has argued that without an active euthanasia program, there will occur a "demographic explosion!"

On June 22, writing in the *Jerusalem Post*, Ram Ishai, head of the Israeli branch of the WMA, the Israeli Medical Association, attacked euthanasia, especially the practice in Holland of euthanasia for AIDS victims, and warned that it may increasingly be justified to "avoid economic burdens on society." In an interview four months later given to the Club of Life, the anti-malthusian organization founded in 1983 by Helga Zepp-LaRouche, Ishai attacked another aspect of the same problem: "unconscious euthanasia," which is practiced widely: "Due to the lack of manpower, cost-containment, the need of 'triage' [selection], they cannot grant each patient the time and the attention he needs and one finally practices euthanasia involuntarily. . . . Once there are limited resources, there are priorities, and there are people who deliberately do not receive the care they deserve or need. . . ."

In November, the Caillavet-led offensive against life, drew angry protests from a spectrum of French medical professionals and religious organizations. Characteristically, Georges Hourdin, former president of *La Vie Catholique* publications, wrote in *Le Monde* Nov. 18: "Hitler has still not quite lost the war. Nazism did not come to an end by its own death. We have, each month, the proof of this. . . . We must absolutely refuse to legalize euthanasia. Let us not forget that the gas chambers in Germany first began to function for the incurably sick, the handicapped, and the old."

For the Soviet military, it was a 'red banner' year

by Konstantin George

For the Soviet Military High Command, 1987 was indeed a "Red Banner" year, culminating in the INF Treaty and its disastrous consequences for the West. During the period leading up to the treaty, Moscow launched a series of qualitative reorganizations in the military domain, to maximize the advantages it has obtained both from the treaty and from anticipated post-INF conventional forces cuts in Europe. This has brought the Russian Empire into the "end game" phase of its drive for control of Europe, and with that, domination of the Eurasian landmass.

The sweeping reorganizations have been overseen by Marshal Nikolai Ogarkov—the U.S.S.R.'s wartime commander in chief, who turned 70 on Oct. 30. What Ogarkov—the man who brutally acknowledged the 1983 KAL 007 shootdown to the world press—accomplished in toto during 1987 is one of the most important hidden stories of the year.

Not least, he settled his own "succession" question, in that the Soviet military leadership will be an Ogarkov-type leadership for the crucial next 5-10 years. Let us examine his reorganization in time-line fashion.

Sometime at the beginning of 1987, Ogarkov was elevated to the head of the Soviet Defense Council, the U.S.S.R.'s highest political body. In protocol terms, this placed him under only Gorbachov. De facto, it made him Russia's wartime commander in chief. Since September 1984, when Ogarkov created the wartime Theater Commands, he had become in effect wartime commander in chief in his capacity as commander of the Western Theater Command, entrusted with waging war against NATO.

In his new post at the Defense Council, Ogarkov moved

with breakneck speed to transform the Soviet military command and force structure, to execute a new offensive military doctrine based on portable "emerging technologies" (radio frequency, microwave, etc.), and vastly increased emphasis on *spetsnaz* commando units. The *spetsnaz* or special forces are to use hand-held varieties of such weapons for a surprise attack against vital NATO installations before invading Ground Forces leave their "jump-off" positions.

The new doctrine was developed by the Soviet General Staff under Ogarkov's direction (he was chief of the General Staff from January 1977 to September 1984).

On May 9, 1984, Ogarkov spoke in a *Krasnaya Zvezda* interview about the changes in warfare. "The rapid development of science and technology in the postwar years is creating the real precondition for the appearance, in the immediate future, of even more destructive and previously unknown types of weapons based on new physical principles. Work on these new types of weapons is under way in a number of countries—the U.S., for example. They will be reality in the very near future, and not to take this fact into account already now would be a serious mistake."

A "sanitized" version of the doctrine was released in a 1985 book by Ogarkov's protégé, Gen. Col. Makhmud Gareyev, a deputy chief of the General Staff. Lengthy excerpts from the book, must reading in the West, appear in *EIR*'s recently updated "Global Showdown Escalates" special report. Gareyev's book elicited the following evaluation from Lt. Col. John G. Hines and Notra Trulock III, in the fall 1986 *Washington Quarterly*.

"The more recent Soviet view that new conventional

weapons will have a destructive effect approaching that of 'low-yield nuclear weapons' suggests they anticipate that these weapons may provide the Soviet commander with non-nuclear response options that would have the same military effect as nuclear weapons."

The March-June coup

In the period March through June, Ogarkov placed his followers in key command positions. He began with the General Staff. The General Staff's 1st deputy chief and two of the five deputy chiefs were replaced. Of the remaining three, Gareyev, and the Signal Troops commander, General of the Army Belov, are Ogarkov followers. Simultaneously, the Ground Forces were purged. General Mayorov was fired, and a close colleague of soon-to-be Defense Minister Dmitri Yazov, General of the Army Postnikov, replaced him.

The landing of Mathias Rust's Cessna in Red Square at the end of May provided the pretext for Ogarkov to complete the process. Yazov was appointed Defense Minister, and Ogarkov's 1984 choice for the Far East High Command, General of the Army Ivan Tretyak, was appointed commander in chief of the Air Defense Forces.

The sweep went further. The 1st deputy commander in chief of the Western Theater Command, under Ogarkov, General of the Army M.I. Sorokin, became Deputy Defense Minister (in charge of the Main Inspectorate), and General of the Army D.S. Sukhorukov became Deputy Defense Minister for Cadres.

All the new appointees are distinguished by their considerable experience with spetsnaz forces: Yazov gained such during his 1980-1984 command of the Central Asian Military District (including Afghanistan), and during his 1984-86 command of the Far East Military District, where he directed "combined arms" simulations of an invasion of Japan's northernmost island, Hokkaido;

Tretyak, as the Far East Military District's commander (1976-84) prior to Yazov, and then as head of the Far East High Command, had acquired an even greater wealth of such experience.

Sorokin, as deputy commander of Soviet Airborne Forces from 1964-69, had played a key role in the first postwar "revolution" in spetsnaz training and organization in 1967. From 1976 to November 1981, he commanded the Leningrad Military District, which also contains the entire mix of Soviet elite units: the "normal" spetsnaz brigade assigned to each military district, along with a naval spetsnaz brigade attached to the Northern Fleet, a Marine Infantry regiment, an Air Assault Brigade, and an Airborne Division. Finally, from December 1981 to September 1984, Sorokin was the commander of the Soviet forces in Afghanistan.

General of the Army Sukhorukov has an equally impressive pedigree. From 1969 until 1979, he was deputy commander and then 1st deputy commander of the Soviet Airborne Forces, and from 1979 until June 1987, the commander

of Soviet Airborne Forces.

The Ground Forces reorganization

But Ogarkov did more than simply put his new people into old slots. The Ground Forces began to be reorganized into a wartime structure of Corps and Brigades, eliminating the Division from the Soviet Order of Battle. The reorganization began and has gone the furthest in Ogarkov's Western Theater. It is close to completion among the Southern Group of Forces in Hungary, and well advanced among the Group of Soviet Forces in Germany.

The reorganization is designed to simplify command and control at the "lower" level, by having an Army with two Corps, as opposed to four or more Divisions, and, vertically, from the top down, by integrating the new structure directly under the wartime Theater Commands established by Ogarkov in September 1984. By making the basic unit the Corp, instead of the Division, the offensive troop strength and, above all, firepower under a single commander is at least tripled. In short, a decisive improvement was effected in the capacity to execute a high-speed, deep-penetration offensive for rapid breakthrough.

The other crucial advantage is political. Under the reorganization, sleight-of-hand "pull-outs" of Soviet Divisions from Europe, Divisions which no longer exist, can be announced with great fanfare, as "unilateral" moves to encourage a speed-up of the anticipated "deep cuts" to occur in NATO's "conventional forces" in Europe following the INF catastrophe.

In short, the name of the Russian game is, through the pursuit of forces reorganization, incorporation of "emerging technologies" into the Order of Battle, and new "arms control" traps for the West, to attain the degree of superiority necessary for Europe to be either taken, or negotiate a surrender.

The Soviet SDI

During 1987, too, alarming Soviet advances were recorded in crash programs to develop radio frequency weapons and a "Strategic Defense Initiative." It is probable that even before the end of this decade, Russia will have deployed its first such weapons. As for the Russian SDI, it was not a touch of *glasnost* that prompted Gorbachov to "admit" to NBC News the existence of a Soviet SDI program, but the confidence of a dictator-bully that the West's collapse, the budget-cutting insanity prevailing in the Reagan administration and Congress, and Soviet SDI progress, now make such an admission allowable.

The Soviet SDI is huge, in fact, much bigger than even the U.S. Pentagon has reported in its annual *Soviet Military Power* publication. The program contains at least 25,000 scientists and researchers concentrated at nine major sites. Moscow's acceleration of SDI began, not in 1983, as in the U.S. case, but in the late 1970s, after Marshal Ogarkov

became head of the General Staff.

The Soviets are now building space stations to deploy directed energy weapons, and are now building the first ground-based lasers to shoot down missiles. Moscow already has anti-satellite lasers deployed, as well as an ABM missile system.

According to the Pentagon study, the nine known Soviet "SDI" sites are: 1) Sary Shagan in Kazakhstan, which has "the first prototype laser system in the world," and whose "lasers can damage sensors on satellites in low orbit." 2) Atop a mountain near Tadzkikstan's capital of Dushanbe, "the site of a massive construction project," where "a 100 MW power station has been constructed." The United States believes a laser is being built, able to destroy incoming missiles and attack orbiting American satellites and battle stations in space. 3) Troitsk, east of Moscow, "Russia's equivalent of Los Alamos and Livermore," which "includes a massive tunnel to test high-energy laser weapons." 4) Tyaratam, in Kazakhstan, with "two launch pads capable of launching several missiles a day, to attack satellites in orbit." 5) Azgir, near Stalingrad, a "center for developing technology to generate small nuclear explosions to provide directed energy." 6) Storozhevaya, on the Soviet Pacific coast, northwest of the Kamchatka Peninsula, "a high energy laser development facility." 7) In and around Moscow, "a number of centers concentrating on kinetic energy and particle beam research." 8) Serpukhov, south of Moscow, where "much of the research on computers to manage" the ABM deployment is concentrated. 9) Semipalatinsk in Kazakhstan, "the testing site for nuclear weapons," and "also a center for underground testing of x-ray laser."

The Soviet SDI program has been developed in conjunction with a military space program to develop, test, and mass produce giant booster rockets and space stations to ensure the earliest possible deployment of laser weapons. This was underscored in April 1987 with the successful launching of the Energiya super-booster from the Baikonur Space Center. Gorbachov visited the center on the eve of the launch; he was accompanied by Lev Zaikov, Defense Industry secretary—a clear indication that *perestroika* is being conducted in service of Ogarkov's war plan. The Energiya can place into orbit space stations weighing up to 100 tons. In 1987 came its successful test launch; 1988 will see the first heavy payload launches, lifting peace-loving space stations into orbit. While the lame duck Reagan administration will be "negotiating" guidelines pertaining to space-based ABM systems in the context of the START talks, the Russians will start deployment of space stations.

In sum, in 1987, Ogarkov settled the question of who will run the Soviet military, and initiated a reorganization of Soviet Ground Forces for wartime deployment. The new revolution in warfare through radio frequency, microwave, and other "emerging technologies" was initiated. The true dimensions of the Soviet SDI program became known.

Terrorism increases in 'peace' euphoria

In numerous articles and speeches throughout 1987, *EIR's* Contributing Editor Lyndon LaRouche gave the military and law enforcement authorities of the NATO countries a powerful conceptual weapon with which to combat terrorism effectively—if they are sharp enough to use it. LaRouche insisted on the critical Soviet role in steering international terrorism, under Marshal Nikolai Ogarkov's irregular warfare doctrine.

Indeed, he wrote, in an analysis of the INF treaty verification measures published in *EIR* on Dec. 11, 1987, the U.S. teams which Secretary of State George Shultz will now dispatch to inspect Soviet munitions factories, will be scrutinizing those weapons which the new Soviet order of battle is already rendering obsolete. The new order of battle relies on new technologies like compact, "hand carried" nuclear bombs and "radio frequency weapons," as well as on extensively developed *spetsnaz* commando capabilities already in place in the target countries before the outbreak of hostilities. Under the cover of escalating civil-war activities of Soviet-directed "peace-loving anti-nuclear" forces recruited in Western European nations, Soviet commando teams go into action, for sabotage, assassinations, and related missions.

The key to defeating Moscow's irregular warfare against the West, is to grasp the importance of cultural, political, and economic factors in war—the very point that most Western strategists and statesmen today ignore. In a groundbreaking study of Soviet military doctrine published in *EIR* on Sept. 4, 1987 ("Pavlov is a Russian soldier's weak flank"), LaRouche pointed out that even in regular warfare, the total effort deployed to secure victory is approximately 80% expended in cultural, economic, and political measures of support for military action.

If Western strategists comprehend the inherent flaws of Muscovite culture, LaRouche argued, they will be able to defeat the Ogarkov gameplan.

How can the *spetsnaz* problem be dealt with? LaRouche stressed two points: "1) Do not allow the legalized proliferation of those 'radical counterculture' strata on which the Red Army today depends chiefly for inserting *spetsnaz* infil-

trators and their prepared bases in the West. Dry out the sea in which the *spetsnaz* are trained to swim like fish; cut the available water of that sort down to a few scattered pools. 2) Do not play the game of strategic conflict according to rules acceptable to Moscow; by rejecting those rules, one destroys the circumstances in which *spetsnaz* are specifically conditioned to operate most effectively.”

Unfortunately, the events of the closing weeks of 1987, notably the signing of the U.S.-Soviet treaty on Intermediate Nuclear Forces (INF), show how little President Reagan and other Western heads of state have grasped the essential features of the current strategic situation.

The battleground of Europe

Irregular warfare against Western Europe in 1987 was deployed to the aim of smashing resistance to the INF treaty, and convincing the demoralized populations that it is pointless to resist accommodation with Russia. Naturally, these attacks focused on the Federal Republic of Germany, the strategic heart of Europe. As 1987 drew to a close, the Hafenstrasse district of the city of Hamburg, officially “off limits” to police authorities, had been transformed into the terrorist capital of Europe, and German State Prosecutor Kurt Rebmann warned that new terrorist actions could be expected, of the type which killed two policemen in Frankfurt on Nov. 2.

Attacks on Spain, Ireland, and Italy also sought to destabilize the political institutions, the military and security forces, industry, science, and infrastructure. While Germany is subverted by an ever-growing network of “autonomous” insurgents and clandestine terrorist cells, Spain and Ireland were hit by the more “traditional” terrorist bombings of the ETA and IRA. Bombings by the ETA (Basque separatists) in Barcelona and Saragossa, and IRA bombings in Enniskillen and other cities, caused dozens of casualties. In March 1987, Italy was shaken by the assassination of Air Force Gen. Licio Giorgeri, one of the nation’s leading experts on the SDI. This precisely selected terrorist hit continued the assassinations of SDI-related military and scientific personalities which started in the winter of 1985-86.

In terms of density of terrorist activities, Germany takes the unfortunate lead position. It is also in Germany, that the guiding hand of Soviet and East German agents is most apparent, notably through the German Communist Party (DKP) and the Greens (in 1987, Green leaders made numerous treks to Moscow, meeting with the top CPSU leadership).

Germany now faces a mass terrorist pool of “autonomous” insurgents—what LaRouche described as the “sea” in which the *spetsnaz* fish swim—steered by clandestine terrorist cells and the commandos of the Revolutionary Cells (RZ) and Red Army Faction (RAF), which by latest count totals a pool of 11,000. The number of explosive and arson attempts and sabotage actions totaled 440 by the end of autumn. By the end of the year this will equal the dramatic results of 1986

which totalled 440 arson and explosive attempts and 236 sabotage actions against high-voltage towers and railway lines. The difference from 1986 is a growing pattern of “precision” sabotage actions against industry and infrastructure, which caused millions of marks worth of damage. The need for more precise and better targeted actions was discussed extensively in underground newspapers of the terrorist milieu during 1987.

Clandestine terrorist propaganda was spread throughout Germany, including a booklet of documents from the Revolutionary Cells, with a manual on how to construct bombs, arson devices, etc. A German-language issue of an ETA document on a 1972 commando hit against Carrero Blanco was distributed. Other underground publications, like *Radikal*, discussed target selection and tactics.

In May and June, West Berlin was shaken by the most extensive and brutal street riots since the end of the war. Police officers were attacked by terrorists hurling concrete blocks from the rooftops, molotov cocktails at close range, and the now-standard arsenal of stones and catapults. Security experts pointed to the role of the West-Berlin based Socialist Unity Party (SEW) and the East German secret service in influencing the riots. One individual with an East German passport was arrested during these riots.

During the summer, for the first time since the war, a German industrial corporation, the Adler textile company, capitulated to a series of arson attacks by the RZ which caused 35 million DM in damage, and gave in to demands from South Korean strikers against the company—as demanded by the terrorists.

It was the German State itself which capitulated to the terrorists in Hamburg, in a scandalous “compromise” by the Hamburg Senate, which gave in to the blackmail of house squatters in the Hafenstrasse district. Here again, similar to the Berlin events, the DKP played a clear role, and was present during tactical debates with “autonomous” gangs and RAF-linked groups.

The most serious destabilization of Germany occurred on Nov. 2, when two policemen were shot dead and several more were wounded in a militarily conducted ambush during a demonstration at the Frankfurt airport. So far little public attention was given to the fact that members of the terrorist cell of suspect Andreas Eichler, who was arrested in possession of the pistol, were active in Rhine-Main area terrorist networks, with extensive international links, since the 1970s. One of the temporarily arrested members of the Eichler group, Matthias Kirschner, had ties into the international terrorist network of “Carlos.” Among his associates are Johannes Weinrich, Wilfried Böse, Magadalena Kopp, and other infamous terrorists.

This grouping leaves a couple of traces into several East bloc countries, and was also supported by François Genoud, the sponsor of Palestinian terrorists and the Nazi International. These connections underline the probability that the shots

fired in Frankfurt were designed as a destabilization measure against the German State, with the intended effect of demoralizing police and the general population.

Documentation

The following are some of the principal terrorist actions in West Germany in the last six months:

June: Adler textile company targeted by RZ over a labor dispute of company branch in South Korea. After 12 fire-bombings in four months, with 35 million DM damages, the company capitulates to terrorists' demands.

July 7: West Berlin fire-bombing of Asylum Administration, 2 million DM damages, RZ.

Aug. 5: Europe-wide occupations of West German targets (Lufthansa or consulate offices) in F.R.G., Netherlands, France, Switzerland by Kurdish Labor Party (PKK) militants in retaliation for West German police seizure of money for PKK terror campaign in Turkey.

Aug. 30: Morfelden Sabotage of high-tension power line near Frankfurt airport. No electricity for two hours, 300,000 DM damages.

Sept. 1: Near-miss bomb derailling of U.S. military train near Goettingen, with 150 onboard. A freight train on the track shortly before detonates the bomb.

Sept. 8: West Berlin fire-bombing of Deutsche Bank, 100,000 DM damages.

Sept 13: West Berlin riot and plundering in Kreuzberg district by 200 anarchists.

Sept 19: Wackersdorf fire-bombing of electrical transformer, 1 million DM damages.

Sept 28: Goettingen, fire-bombing of construction equipment for a new railroad line, 250,000 DM.

Oct. 11: Riots at Wackersdorf nuclear reprocessing facility site, 25,000 demonstrators; 24 police wounded by slingshots and other devices.

Oct. 12: Morfelden fire-bombing of electrical transformer; Russelsheim fire-bombing of electrical transformer by RZ periphery.

Oct. 14: West Berlin home-made bomb explodes at house of riot police head in "retaliation" for actions of West Berlin police.

Oct. 18: Stuttgart, 700 masked Red Army Faction (RAF) sympathisers demonstrate outside prison where three RAF'ers committed suicide in 1977.

Nov. 1: Hamburg Hafenstrasse district, 5,000 demonstrate, 1,500 masked in "Black Block," slogan "Revolutionary Counter Force."

Nov. 2: Frankfurt, two police murdered by airport demonstrators armed with 9mm pistols.

Nov. 13: Bavaria, explosive device at house of small town mayor supporting a dam project, 100,000 DM damages.

Nov. 18: Augsburg, fire-bombing of construction company, 250,000 DM damages.

Dec. 3: West Berlin, fire-bombing of newly completed kindergarten building to be run by city. Alternative groups wanted to run it themselves. 2 million DM damages.

Dec. 8: Bergheim, fire-bombing of construction company, 1.5 million DM damages.

West will see many leadership shifts in '88

The next year will bring not only the U.S. presidential election, but the French and Mexican presidential elections. The key elections in the West will be:

- United States will elect a new President, succeeding Ronald Reagan, in November, along with a new House of Representatives and one-third of the Senate.

- Mexican presidential election in July; President takes office in December for a six-year term. The outgoing President is Miguel de la Madrid.

- France's presidential elections will be completed in May, for a seven-year term of office. President François

Mitterrand has not made it clear whether he plans to run for reelection.

- Venezuela's presidential election will be held in December; the President takes office in March 1989 for a five-year term. The outgoing President is Jaime Lusinchi.

- Brazil will probably hold its presidential election in November, providing the Constitution has been approved. The incumbent, José Sarney, became President after President-elect Tancredo Neves died in 1984 before taking office.

- Ecuador will elect a new Congress in January and will hold its presidential election in May for the 1988-92 term. Leon Febres Cordero is the incumbent.

- Colombia does not face a presidential election, but will have its midterm elections to the National Congress, together with the first nationwide mayoral elections for all municipalities (formerly appointed), in March.

France: high stakes in 1988 elections

by Philip Golub

French voters will go to the polls in just over five months in what will undoubtedly be one of the most important elections in French and European postwar history. Inevitably, the gradual process of American disengagement and retrenchment following the Intermediate Nuclear Force (INF) accord, has focused attention on Western Europe and the upcoming French presidential elections in particular. International security affairs and foreign policy are going to play a greater role than in most previous presidential contests. Furthermore, the result of the election will shape European defense and security policies for the next decade.

The INF accord, foreshadowed by the Reykjavik summit in 1986, is forcing France, as Europe's principal nuclear power, to redefine and expand its strategic commitments. Since March 1986 in particular, the government of Premier Jacques Chirac has engaged France in a program of military build-up focused primarily on the modernization and expansion of France's nuclear strike forces. The 1987-91 defense budget allows for a 40% increase in expenditures on military equipment.

Intensive military modernization

The military budget, by the end of the five-year plan, will account for over 4% of French Gross National Product, in contrast to other European nations. Government statements following the signing of the INF accord indicate that this effort will be intensified.

The modernization effort includes:

- Research and development, said to be near completion, of a land-based mobile ballistic missile, the S4, with high penetration power (shielding of the warheads against first-generation Soviet ABM systems).
- Deployment of a new, highly accurate MIRVed submarine-launched ballistic missile (SLBM), the M4, on France's planned fifth nuclear submarine, and the retrofitting of its existing submarine forces. Deployment is expected by the middle to late 1990s.
- Deployment of the short-range Hades nuclear missile, and probably, though not yet officially announced, of enhanced radiation ("neutron bomb") artillery.

In addition, French laboratories, though insufficiently

funded, are engaged in highly specialized work on lasers and masers.

At the same time, the INF accord, and the prospect of further Soviet-American disarmament agreements, have led French government leaders to seek to expand European defense cooperation. Premier Chirac, as early as December 1986, made a remarkable call at a meeting of the West European Union for expanded European defense cooperation, while warning against any agreements "which would compromise Euro-American coupling" in the Atlantic Alliance.

Since March 1986, France has intensified efforts in this direction. Most recently this has led to important and regular Franco-British nuclear consultations. In spite of serious dissonances in many areas of international security policy (over the Mideast and Europe in particular), the French and British military establishments are presently studying a joint project for a middle-range airborne cruise missile (ALCM) and expanded nuclear cooperation.

On the other hand, the French government has recently publicly committed itself to the unilateral defense of the Federal Republic of Germany, in case of Warsaw Pact aggression. Spain and the Netherlands have expressed their desire to join Franco-German consultations on European defense. (The cooperation with the United Kingdom appears, unfortunately, limited to nuclear issues.)

In short, France has become the motor of European defense efforts, and remains the only country capable of continuing to play such a significant role. It must also be noted that over the past two years, Franco-American cooperation has been vastly expanded in a number of domains, including Chad, northern Africa, anti-terrorist efforts, and intelligence.

The stakes of the presidential elections are thus very high. Though it is too early for a precise prognosis, the main trends are already defined. There is no uncertainty on the "right": The primaries of early May will pit Premier Chirac against ex-Premier Raymond Barre, a longstanding member of the Trilateral Commission, and Jean Marie Le Pen of the National Front. Though recent polls show Chirac marginally trailing Barre, experts in France expect Chirac to take the lead once the election campaign actually begins. Chirac's campaign is to be led by Interior Minister Charles Pasqua, who has proven his organizational abilities. Le Pen, who crested earlier in 1987, has slid back over the past months, though he is expected to be able to swing votes on the second round of the elections.

The results depend, however, on the one great uncertainty of the campaign: Will President François Mitterrand run? Apparently tired and desirous of playing a role as a European elder statesman, Mitterrand may not run for a second term.

Though they are adversaries, Premier Chirac, the neo-Gaullist, and President Mitterrand, the Socialist, have arrived at a consensus in foreign policy affairs and are said to share a great dislike for Raymond Barre. The patterns will emerge with clarity in January.

Soviets wield narco-terrorism to demoralize Western Hemisphere

by Valerie Rush

Moscow's "irregular warfare" armies drove deep into Ibero-American political and geographical territory during 1987. Assisted by the economic collapse that has forced the continent into the grip of Moscow's ally, the International Monetary Fund, Soviet-sponsored narco-terrorism has emerged as the foremost threat to the sovereignty of Ibero-America's community of nations.

The regional collaboration against narco-terrorism which had looked so promising in 1986 was never concretized, or disappeared outright in all but a few cases. The Feb. 4 capture and extradition to the U.S. of Colombian cocaine czar Carlos Lehder proved to be a very singular—possibly the last—such success story of 1987. Drug cultivation and trafficking expanded despite the promising anti-drug operations begun by the Colombian military in early 1987. In Peru, President Alan García's "Operation Condor" anti-drug raids continued through 1987, but—in part due to lack of support from the APRA ruling party itself—became increasingly less effective.

Moreover, the Reagan administration—particularly the U.S. State Department—sided with the drug-runners so brazenly that it was impossible to put together a hemispheric military war against narco-terrorism in 1987. Thanks to the combination of U.S. backing for the drug running "Contras" in Central America and U.S. assaults on region's militaries (see page 52), the Soviets stand poised to capture entire portions of the continent, starting with the Andean heartland.

From the vantage point of Communist-controlled "independent republics" functioning as free drug zones, the Soviet's narco-terrorist armies would, in fact, be parallel governments. The Argentine delegation to a November 1987 conference of the Ibero-American militaries reported that the Soviets have used the drug trade to demoralize and defeat the Western Hemisphere, going back to the 1960s.

As we enter 1988, this is the reality in Ibero-America, however much the White House—still on its *glasnost* hon-

eymoon—hopes to deny it.

Perhaps the best way to evaluate the progress—or regression—of the war against narco-terrorism during 1987 is to measure it against two key criteria defined by U.S. presidential candidate Lyndon LaRouche in a March 1985 proposal for conducting a hemispheric war on drugs: 1) the necessity for collaboration—technological, financial, logistical, and intelligence—between the United States and its Ibero-American allies; and 2) strict controls over international banking transactions, with an eye to cutting off the financial lifeline of the international drug trade.

1) U.S.-Ibero-American cooperation

"Without help of closer collaboration between the United States, Mexico, Colombia, Venezuela, and other nations of this hemisphere, neither the United States nor any of the other republics could defeat the monstrously powerful complex of criminal, financial, and political forces who are behind the international drug traffic."

- The most serious blow to this critical aspect of a successful anti-drug war was delivered in 1986, when a Colombian Supreme Court terrorized by selective mafia violence voted 13-12 to overturn the 1979 U.S.-Colombia extradition treaty. A December 1986 attempt by the Supreme Court to declare the treaty illegal had been stalled by Colombian President Virgilio Barco; the court then attempted to get the executive to rule on the treaty's legitimacy, but the Council of State—a presidential advisory body—threw it back to the magistracy.

A split 12-12 vote on the issue forced the court to seek an outside judge to break the tie. At least three different choices, terrified by drug mafia threats, declared themselves "incompetent" to accept the responsibility. A judge was finally found to rule in favor of the treaty's defeat, which in turn, forced the Barco government to scrap a series of arrest warrants against the leadership of the Medellín Cartel of traffickers,

which had been premised on extradition petitions from the United States.

Just over one year ago, the extradition treaty was described by Colombian anti-drug specialist Col. Jaime Ramírez Gómez as the single most important obstacle to a mob takeover of Colombia. On Nov. 17, 1986 he was assassinated by mafia hitmen; weeks later the treaty faced its first legal challenge by the Supreme Court. However, in the last few months of 1987, newly appointed Justice Minister of Colombia Enrique Low Murtra has attempted to revive U.S.-Colombian collaboration. A survivor of the 1985 narco-terrorist assault on the Colombian Justice Palace which murdered half the Supreme Court and 90 others, Low Murtra has dedicated himself to reinstatement of the U.S.-Colombian extradition treaty, and has unequivocally defined "narco-terrorism" as the continent's number-one enemy.

- U.S. policy toward Central America, in particular White House/State Department support for the Nicaraguan Contras, buried the Reagan administration's much-touted "war on drugs." The Contras, as *EIR* was the first to prove, are up to their eyeballs in the filthy arms- and drug-smuggling networks run, among others, by the Soviets and the "anti-communist" Medellín Cartel of drug traffickers.

Honduras is a particularly egregious case, where U.S. reliance on that country's cooperation with the Contras, has meant that the Medellín Cartel—headquartered in Colombia—has been enabled to turn that Central American country into one of its main bases of operations. When Honduran drug trafficker Juan Ramón Matta Ballesteros, a long-standing collaborator of the Medellín Cartel and organizer of its Central America-Mexico route, "escaped" from a Colombian jail in 1986, it was to return home to Honduras where he—and his narco-dollars—were publicly welcomed by the country's finance minister.

Indeed, Matta has made himself very much at home. When Medellín Cartel kingpin Jorge Luis Ochoa was captured in Colombia on Nov. 21, 1987, he was driving the car of the Honduran military attaché in Colombia. A major Florida seizure of a record four tons of pure cocaine Nov. 18 traced back to Honduras, suggesting that Matta is doing a land office business. Yet Honduras's recent receipt of the first two of 12 jet bombers, purchased with U.S. loans, is not for deployment against the drug trade.

All the evidence notwithstanding, the State Department's annual strategy report on international narcotics matters has consistently neglected to include Honduras. And it was only after the four-ton cocaine bust in Miami that the Drug Enforcement Administration announced it would be reopening its office in Honduras, after a seven-year absence!

At the same time, the U.S. destabilization campaign against Panama, orchestrated by elements of the Project Democracy shadow government embedded particularly within the State Department, has been directed at Panama Defense Forces (PDF) chief Gen. Manuel Antonio Noriega, whose

anti-drug leadership—going back more than a decade—has been publicly recognized and the subject of numerous commendations by the U.S. Drug Enforcement Administration.

- Impoverished Bolivia, whose vast coca crops supply more than half the cocaine that inundates the United States, offers a tragic example of victimization by the cynical U.S. State Department, which has repeatedly imposed conditions on that country's anti-drug efforts, through threats to cut off Bolivia's already pathetic anti-drug aid. One such example was the State Department's insistence that the Bolivian military be excluded from "Operation Blast Furnace," part of the Project Democracy campaign to straitjacket, and ultimately emasculate, Ibero-America's militaries.

Gen. Lucio Añez, the retired chief of staff of the Bolivian Armed Forces, identified that tragedy before a conference of the Schiller Institute on March 26, 1987: "The only beneficiaries of the infamous austerity programs imposed on the nations of Ibero-America as a condition for rescheduling the foreign debt, have been the drug traffickers. . . . In Bolivia it is already a tragedy [where] the drug traffickers use their billions in profits to pay terrorist armies and to attract corrupt military men into rightist coup plots. This is where the greatest threat to democracy comes from. . . ."

"There must be collaboration and coordination among governments of those nations which accept the challenge of wiping out this scourge, based on mutual respect for national sovereignty. In general, the nations of Ibero-America have enough trained personnel to carry out this fight, but they lack the means to do it effectively, such as airplanes, helicopters, radar, and other modern systems of detection. Collaboration with the United States would remedy this situation. This collaboration *should not be conditioned, because you cannot set conditions on a war against drugs*. By itself, the war on drugs is to the benefit of all the nations of the hemisphere."

Collaboration has not, however, been forthcoming, and Bolivia's recent elections gave half the country over to the Nazi-linked ADN party of Hugo Banzer, whose 1971-78 reign brought in the infamous "cocaine colonels."

2) Targeting the finances

"A system of total regulation of financial institutions . . . must be established and maintained. All real estate, business enterprises, financial institutions, and personal funds shown to be employed in the growing, processing, transport, or sale of unlawful drugs, should be taken into military custody immediately, and confiscated in the manner of military actions in time of war. . . ."

- One of the most successful challenges to the financial lifeline of the hemisphere's drug trade occurred on July 28, 1987, when Peruvian President Alan García declared his intention to nationalize the country's mafia-dominated financial institutions. At the time, he insisted that not only was he concerned about "democratizing" the credit which heretofore has been under the control of an oligarchic handful, but that

“the government, not the drug traffickers, must run the country.” He reported that the bulk of the capital flight Peru was suffering involved “dollars from the black market, the majority of which come from the drug trade.” He announced his determination to channel capital away from speculation and back into production again.

García’s courageous initiative struck at the heart of the beast, and the response he has elicited is correspondingly rabid. The “free enterprise” forces of Project Democracy have combined with the narco-bankers and the Moscow-run Peruvian Communist Party to plot García’s overthrow. The Institute for Liberty and Democracy (ILD), the Project Democracy arm inside Peru, has revved up its campaign—domestically and internationally—against “too much state intervention,” while the financial oligarchy has denounced the July 28 bank nationalization as the “illegal act of a tyrant.” Flight capital organized by the narco-bankers and encouraged by such Project Democracy mouthpieces as Mario Vargas Llosa, has forced García into decreeing a major devaluation of Peru’s currency, the inti, which threatens to undo the progress achieved and plunge the country into economic chaos.

Peru’s Communists have simultaneously openly allied with the narco-terrorists of Tupac Amaru (MRTA) in all-out war against “the repressive state.” Peru’s vulnerable industrial infrastructure, the centerpiece of García’s economic recovery plans, has been especially targeted. The Americas Battalion, a narco-terrorist army drawn from throughout the Andean region, descended on Peru in the last months of 1987, and its attempts to capture entire portions of the national territory, not accidentally coinciding with the country’s major coca-growing centers, have led to pitched battles with the Peruvian military and police, and forced imposition of a state of siege in at least six departments.

García has persisted in his bank nationalization battle, but his initial polemics against the bankers’ role in the drug trade have unfortunately all but disappeared.

- One of 1987’s few shining examples of U.S.-Ibero-American collaboration against drug finances was “Operation Pisces,” a three-year investigation by U.S. Drug Enforcement Administration agents into drug money-laundering, with which the Panamanian government extensively cooperated. U.S. officials in March of 1987 described “Operation Pisces” as “the largest and most successful undercover investigation in federal drug law enforcement history.”

In the United States, 58 major U.S. and Colombian narcotics runners were arrested in Miami, Los Angeles, and New York, and indictments were issued against 57 more. Panama’s government seized 54 accounts in 18 banks of various nationalities operating in the offshore center including, according to press accounts, banks from Colombia, Venezuela, Panama, and Luxembourg. Further investigations by the Panama Defense Forces led to the identification of another 85 suspect accounts, also frozen.

It was the first implementation of Panama’s new banking Law 23, a law designed specifically to curb drug money-laundering through the offshore center, which had been drawn up in close cooperation with the anti-drug unit of Panama’s Defense Forces. On March 16, 1987, DEA Administrator John Lawn sent a letter to Panama’s ambassador to the U.S. praising Law No. 23 and stating “I hope this initiative your government has taken will serve as a model for other countries throughout the Americas.”

- In the early part of 1987, the Colombian government began to give signals that it was contemplating an offensive against the financial underbelly of the dope trade. On Jan. 29, President Virgilio Barco told the assembled diplomatic corps in Bogota that eliminating drug money-laundering by banks and financial institutions was a key element in the war on drugs, “While some countries continue to permit financial and banking institutions on their territory to serve as refuge for blood-stained money, the profit of crime, the battle against this scourge will not be won in Colombia.”

Colombian Attorney General Carlos Mauro Hoyos told the press Jan. 31 that laws for investigating illicit wealth were being considered: “It is time that the government began to consider economic measures for detecting funds. . . .” Days later, Colombian Cardinal Alfonso López Trujillo told an audience that the Catholic Church fully endorsed the Attorney General’s call.

And on Feb. 2, former Colombian Justice Minister Enrique Parejo González, who had survived a mafia assassin’s bullets in Budapest, Hungary just three weeks earlier, declared: “The consumer nations, through financial and banking institutions—as President Barco said it so well—are the refuge of the drug multinationals. . . . Each country should have a specialized anti-narcotics police force that can impose more severe penalties—not only against the drug traffickers, but against the financial institutions which lend themselves to crime and which until now have gone unpunished.”

The best of intentions, however, fell to the exigencies of the international creditor community, and in particular, to the blackmail of the International Monetary Fund, which has insisted that payment of the foreign debt—and not defense of national sovereignty—be the focus of economic policy on the continent. As a Jan. 18, 1987 article published in the daily *El Espectador* put it, “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.”

Fernando Londoño Hoyos, then head of the Latin American Banking Federation (Feleban) was more explicit when he stated that if the government really wanted the drug traffickers, “they could capture them on the lines at the *ventanilla siniestra*,” the special window at the Colombian central bank through which dollars are absorbed into the nation’s foreign exchange reserves, no questions asked.

The result of choosing *The Other Path* in Ibero-America

by Gretchen Small

As 1987 opened, American nations looked hopefully for a radical change in Reagan administration policy toward Ibero-America. The evidence turned up in the Iran-Contra scandal was one reason. The Contras and their controllers were involved in drug running and in buying Soviet weapons. The U.S. had based its strategy against Soviet incursions in the Hemisphere upon part of the Soviet narcotics empire!

With the Contra policy discredited, the United States would return, it was hoped, to a policy of basing hemispheric defense upon cooperation with the *nations and militaries* of the region.

But on Jan. 23, Assistant Secretary of State for Inter-American Affairs Elliott Abrams announced emphatically: no. Support for the Contras would continue to be the test of loyalty for U.S. allies. He insulted the Contadora Support Group, formed by the eight leading nations of Ibero-America, calling them a bunch of “leftists” because they opposed the Contra policy.

The immediate dismissal of Abrams is “indispensable to regain some degree of credibility for the United States in Central and South America,” *EIR* founder LaRouche responded. As long as Abrams continues in office, it “will be construed as the administration’s commitment to failed economic and political strategies.”

As 1987 closed, Abrams is still in office, and the Project Democracy cabal which cooked up the “narcontra” disaster has tightened its grip on U.S. policy. U.S. credibility in the Americas is at its lowest level since Teddy Roosevelt’s regime.

Radical libertarian assault

Abrams’s Project Democracy group has declared the major enemy in the hemisphere to be the existence of strong nation-states, and militaries to defend them.

That agenda was set out in State Department Special Report No. 158, issued in March. Entitled *Democracy in Latin America and the Caribbean: The Promise and the Challenge*, SR 158 calls for “new values [and] organizational diversity” to replace the institutions which have formed the backbone of the Ibero-American republics—the labor movement, the Catholic Church, and the military.

Not narco-terrorism, but “the pervasiveness of hierarchical structures with deep historic and cultural roots has created ingrained authoritarian habits,” and is therefore the great

threat to democracy in the Americas. Cited as the worst offenders are “religious and military institutions—the ‘cross and the sword’—of the Spanish Conquest, key pillars of traditional order ever since.”

A chief instrument of this policy has been the Center for International Private Enterprise (CIPE), and its star project, Hernando de Soto’s Institute for Liberty and Democracy (ILD) in Lima, Peru.

In November 1986, the ILD published *The Other Path*, billed as a “manual” on how the “informal economy” can be tapped as a new source of wealth to pay the debt and return to growth. Book in hand, de Soto began traveling from country to country, proposing the legalization of the black economy as the answer to the region’s ills.

The strategy was simply to legalize the narcotics trade, by far the largest component of the black economy.

Advertisements hailed the book for devising “a Latin American strategy destined to limit the powers of our states.” Those who actually read the book, discovered pure libertarianism. The existence of a nation-state itself oppresses freedom, *The Other Path* argues. “We must imbibe the norms of extra-legality” to defeat it.

Peruvian novelist Mario Vargas Llosa wrote the introduction and provided the inspiration for the book, ILD members say. Vargas Llosa captures the essence of the libertarian worldview of Project Democracy. A follower of fascist philosopher Nietzsche, Vargas Llosa has dedicated his life to combatting religion and morality as an “oppression” of individual “rights.”

As he wrote in his book, *The Perpetual Orgy*, “Our incurable materialism, our predilection for the pleasures of the body over those of the soul, our respect for the senses and instincts, our preference for the earthly life over anything else . . . are what religion and Western morals have barbarically combatted throughout history.”

CIPE and the Rockefeller family’s Americas Society backed up de Soto’s work, financing a huge publicity campaign throughout the continent. By spring, *The Other Path* had become the Americas’ best-seller.

On May 1, in a speech before the Association of American Chambers of Commerce, Elliott Abrams declared *The Other Path* to be the official policy of the Reagan administration. Praising de Soto, Vargas Llosa, and the ILD, Abrams stated that the answer to the economic crisis is “legalizing the

so-called parallel markets. . . . Free markets may exist only in the informal economy, which does not enjoy the protection of the law.”

Naming the enemy

While they had grabbed headlines, de Soto and his “other path,” were still viewed as a bit crazy, a new gimmick on the debt which clearly had big money behind it, but whose real purpose was unknown.

EIR identified that purpose in its Special Report, *Project Democracy: The “parallel government” behind the Iran-Contra affair*, released in April. *Project Democracy* rocked the policy elite of the American nations, reaching every President’s office, and passing from hand-to-hand through nationalist military layers, businessmen, trade unionists, and Catholic analysts.

The report answered the question, *why?* Project Democracy is committed to ensuring that out of the world economic collapse, a new global fascist order is imposed upon the West.

Others joined in the attack. *The Other Path* is “an imperial project,” which “by interpreting the spread of the informal economy as the solution to the social problems of our countries, is a fallacy, an assault on reason and intelligence,” Mexican economist Manuel Aguilera wrote in a June 3 commentary in *Excelsior*. “It is a poor concept of freedom, indeed, that encourages the freedom of poverty.”

On June 10, Brazilian Deputy Luiz Salomão protested from the floor of the Constituent Assembly that there was “an international conspiracy to prevent [Brazil’s] new Constitution from asserting Brazil’s economic sovereignty.” He named seven members of the Assembly who, he charged, were working with CIPE and the National Endowment for Democracy, citing an *EIR* memorandum on Project Democracy’s networks in Brazil, which he inserted into the Assembly record.

In July, the Catholic bishops of Colombia also warned that “leaving a population without land and without jobs, delivered without hope to the informal economy . . . encourages conflicts promoted by ideologies that dissolve the bonds of nationality.”

Bankers’ revolutions

CIPE’s anti-state strategy moved quickly from theoretical arguments, into action. Panama was its first target. In June, opposition groups formed a “Civic Crusade” with the declared intent of overthrowing the government and installing a new one based on the libertarian principles championed by Project Democracy. The Crusade’s “civic resistance” began—with riots, demonstrations, and economic sabotage.

Led by bankers and businessmen financed by CIPE, the Crusade focused its attack on Panama’s military. “Panama does not need an army,” the insurgency’s daily, *La Prensa*, proclaimed on July 19. It was a true anarchists’ war cry: “To

have a valid and true democracy, we must dismantle the misnamed Defense Forces, Civil Police, Coast Guard, and Border Police. . . . Until we do this, we will not have democracy in Panama.”

The Crusade has failed to win support from Panama’s workers or poorer citizens, but it is counting on its economic sabotage to create conditions of mass unrest. With 80% of its economy owned by foreigners (the perfect example of the “open” economy sought by Project Democracy), Panama is very vulnerable to economic warfare.

In August, CIPE’s “bankers’ revolution” exploded in Peru, against President Alan García’s attempt to nationalize Peru’s banking system. (Peru’s banks laundered a minimum of \$3 billion a year in narcotics money, and refused to provide credit for domestic industry.) Bankers and the ILD struck back. Just as in Panama, middle-class protesters took to the plazas to proclaim “the people’s right . . . to rise up in insurrection.”

The star of the new “civic resistance movement” was Mr. Perpetual Orgy himself, Mario Vargas Llosa, now hailed as the “democrat” who will rule Peru in 1990.

On Sept. 27, President Ronald Reagan declared in a speech before the U.N., “Development is not itself a right.” Reagan’s speech was Project Democracy’s moment of glory. The President of the United States had accepted their strategy. “We’re all familiar with the phenomenon of the ‘underground economy.’ The scholar, Hernando de Soto, and his colleagues have examined the situation of one country, Peru, and described an economy of the poor that bypasses crushing taxation and stifling regulation. This ‘informal economy,’ as the researchers call it, is the principal supplier of many goods and services. . . . The free market is the other path to development, and the one true path.”

Reagan administration officials would do well to heed Rio de Janeiro’s Archbishop Eugenio Cardinal Sales’ warning of March 20, that if drugs and gambling are legalized, “Good men and drug merchants or sellers of chance and sex will stand as equals before the law. And is there any country which could survive that for long? The apparently immortal Roman Empire fell victim to a virus—perhaps another type of AIDS—which corroded it.”

“A false conception of freedom cannot erase the distinction between good and bad. Freedom is man’s capacity to realize [his potential], choosing the path of what is objectively good and just,” the Argentine Bishops’ Conference warned on Aug. 5.

It was a warning echoed by the Brazilian military on Nov. 27. “There is a proliferation of those who . . . are participating in a process of social disintegration and perversion of values,” an armed forces statement read. “The different forms” being used to “impose a totally foreign system of government upon the aspirations of the Brazilian people,” include “promotion of organized crime, drugs, and moral permissiveness.”

Reality of Soviet 'SDI' comes into the open

by Carol White and Charles B. Stevens

Last year began with an open factional battle on whether or not the United States is to deploy a Strategic Defense Initiative (SDI) capability. The debate appeared to center on an interpretation of what form of research and development is allowed under the 1972 ABM Treaty. Supporters of the so-called narrow interpretation wished to restrict the program to an impotent research profile, while Defense Secretary Weinberger urged a broad interpretation of the treaty, and called for early deployment of at least a first-stage system.

The Weinberger proposal would have relied heavily upon kinetic energy weapons, as opposed to directed energy weapons. While *EIR* in general opposed such a concession to Lt. Gen. Danny Graham's notion that we could have a workable SDI using off-the-shelf missile technology, we recognized that the defense secretary was motivated in part by a desire to break out of the stultifying terms of the debate on how the ABM Treaty was to be interpreted, and make the SDI an unstoppable reality.

Throughout the year, the reality of the Soviet commitment to their own "SDI"—a program based upon the most advanced technologies, using laser and radio frequency waves—was admitted by numerous sources and even filtered into the popular press. U.S. congressmen saw the evidence of Soviet violations of that element of the ABM treaty which restricted the use of radar facilities, when they visited the Soviet radar facility at Krasnoyarsk. The Pentagon used the occasion of the visit to publicly document how the Soviets were putting in place a radar system whose purpose was to coordinate an anti-missile defense of the Soviet Union. Thus matters stood until, on his summit visit to the United States, Secretary Gorbachov revealed that the Soviets indeed have their own advanced SDI capability under development, and were confident that they would be ready to deploy it in the

near future.

While the question of how the ABM Treaty is to be interpreted was left open at the summit, Congress had already represented the Soviet case, by imposing the "narrow" interpretation of the treaty as a condition for any further funding of the SDI—after they had cut the funding for the program to practically half that requested by the Department of Defense.

The following is a calendar of how the U.S. SDI has been sabotaged over the last year.

Jan. 21: SIPRI space weapons expert, Bhupendra Jasani, reports that Soviet scientific publications bear out the efficacy of space-based missile defense and that such systems have long been a part of Soviet defense policy thinking.

Feb. 2: The *Washington Post* reports that Defense Secretary Weinberger is asking for a near-term development of missile defenses and authorization for planning of space-based SDI experiments.

Feb. 4: In his testimony before the Senate Armed Services Committee Secretary of State George Shultz warns against early deployment of SDI: "The U.S. must wait until it is certain SDI works before deploying it."

Feb. 6: In a letter signed by House Speaker Jim Wright and other House Democratic leaders, President Reagan is warned that any move for early SDI deployment will lead to a congressional cutoff of funding for the program.

Feb. 25: A panel of leading scientists, assembled by the Marshall Institute, report that SDI could begin deployment by 1992 and be fully deployed by 1994 at a total cost of less than \$121 billion.

Feb 26: Former Vice President Walter Mondale calls on Norway to denounce the U.S. SDI program.

March 9: Six former U.S. defense secretaries send tele-

gram to President Reagan calling for continued U.S. adherence to ABM Treaty.

March 10: President Reagan reports to Congress that "conclusive evidence" shows that the Soviets are carrying out serious violations of the 1972 ABM Treaty.

March 19: The *London Times* reports that three British SDI scientists have died or disappeared under very suspicious circumstances. Democratic Sen. Ernest Hollings supports the Reagan administration broad interpretation of ABM Treaty and charges that Sen. Sam Nunn is being "used by those who want to kill" the SDI program.

March 24: In an official release the Italian Red Brigades state that General Giorgeri was killed because of his work with the U.S. "Star Wars" program.

March 26: TASS denounces the 1987 edition of the Pentagon's *Soviet Military Power*, saying that the report contains "allegations" of "mythical Soviet plans to militarize space."

March 31: Fourth British SDI scientist reported killed under mysterious circumstances.

April 2: The *London Times* reports that the toll of mysterious deaths of British SDI scientists has risen to six.

April 3: The House Armed Services Committee's R&D Subcommittee takes \$2 billion off the \$5.3 billion Reagan request for SDI.

April 20: The American Physical Society issues a special report attacking the SDI program and concluding that the science and technology of directed energy weapons will need "a decade or more of intensive research" before it can be determined that they can work.

April 22: The Fusion Energy Foundation, a leading proponent of the SDI, is seized by U.S. federal marshals.

April 28: Leading British defense expert, John Erickson, tells *EIR* that the zero-option deal "fits in perfectly well" with new directions in Soviet military strategy. "The big mistake of many people in the U.S. is to say that the Russians are advocating abolishing nuclear weapons, to be able to use conventional weapons. What the Soviets really want to do, and what all this *perestroika* has to do with, is to make a quantum leap from ICBMs to space warfare.

May 9: In a San Francisco speech Secretary of Defense Weinberger reports that there are no major technical roadblocks to prevent initial U.S. deployment of the first phase of SDI.

May 14: Gorbachov hails the military space program at Baikonur and calls for "conquest of space" by Russia. He emphasizes that such work epitomizes his *perestroika* program.

May 18: James Oberg, the well-known expert on the Soviet space program, warns that with the successful launch of the Russian heavy lift rocket *Energiya*, the Soviets have developed the potential capability for deploying space weapons and keeping the United States out of space.

May 20: Radio Moscow brags that the U.S.S.R. is outstripping the United States in space.

May 27: The Xinhua Red Chinese news agency reports "that the Soviet Union may be ahead of the U.S. in developing deadly, non-explosive weapons that would use special radio frequencies. . . ."

June 9: *La Stampa* reports that the Soviets are ahead in efforts to develop radio frequency weapons.

June 28: The *New York Times Magazine* reports on a secret, giant laser weapon research facility located south of Dushanbe in the Soviet Union.

July 7: 14 of 17 authors of the American Physical Society report on directed energy weapons (see April 20), denounce the general press release accompanying the report which had made attacks on the SDI: "We object to being included in the council's statements on matters neither which we nor they studied."

July 21: The *Washington Times* reports that the Soviets have carried out missile tracking tests from their manned space station as part of the Russian "SDI" program.

July 25: The Soviet Union successfully orbits the largest "civilian" Earth-studies radar satellite. Cosmos 1870 weighs between 15 and 20 tons and is up to 10 times heavier than any such Western satellite.

Aug. 28: Soviets launch Cosmos 1873, which is reported by many leading Western experts to be a chemically fueled anti-satellite laser weapon.

Sept. 9: U.S. congressmen visit Soviet Krasnoyarsk radar.

Sept. 10: Acting Assistant Defense Secretary Frank Gaffney gives a Pentagon briefing which presents the "clear evidence" that the Soviet Krasnoyarsk radar "is a battle management detection and tracking radar for ballistic missile defense" and which "is a clear-cut violation of the ABM Treaty." In Geneva, U.S. Arms Control Adviser Gen. Edward L. Rowny accuses the Soviet Union of developing technology to attack ballistic missiles in space, while holding up talks on long-range nuclear weapons with demands that Washington abandon the U.S. SDI.

Sept. 11: The *Washington Post* in an editorial admits that the Soviet Krasnoyarsk radar facility is a clear violation of the ABM Treaty and "should be dismantled."

Sept. 12: President Reagan expresses "profound disappointment" in a letter to Sen. Robert Dole, that the senate had added an amendment to restrict testing and development of the SDI to the Defense Authorization Bill for the next year. The President characterized the testing curbs as "unilateral restrictions on the United States that are not enforceable."

Sept. 13: President Reagan reports that the Soviets are better positioned than the United States to abort the ABM Treaty and deploy missile defenses.

Oct. 6: Soviet leader Gorbachov warns in a speech delivered at the dinner for Finnish President Koivisto that "we have an inexpensive and effective reply" and "we will develop it" if the U.S. SDI is deployed.

Oct. 12: New Defense Department assessment concludes that the Soviet Union will "dramatically increase" its total

tonnage of space hardware over the next 5-15 years.

Oct. 23: U.S. Space Command Chief Gen. John Piotrowski warns that the Soviets have already developed ground-based lasers powerful enough to destroy low-orbiting satellites and damage those farther away.

Oct. 26: French satellite pictures confirm U.S. Pentagon reports that the U.S.S.R. has built at least two new ABM, ground-based laser testing stations.

Nov. 15: Leading West German SDI proponent and INF Treaty opponent Jürgen Todenhofer resigns from all official posts.

Nov. 19: The Club of Rome's Council on Economic Priorities issues a report which concludes that the SDI will undermine the American economy.

Dec. 1: In a nationally televised interview on NBC, Gorbachov admits that the Soviet Union has an SDI program.

After Weinberger, an uncertain future for SDI

by Robert Gallagher

Despite some promising advances in the development of the free electron laser (FEL) this past year, it is likely that, as it did in late 1986, the laser program will again suffer a setback, when the Strategic Defense Initiative Organization (SDIO) reprograms its funding for 1988. Congress has cut SDI funding from the \$5.9 billion that the administration requested, to a mere \$3.9 billion. With Caspar Weinberger's resignation as defense secretary, and Gramm-Rudman automatic budget-cutting in force, even that \$3.9 billion is not secure.

Weinberger resigned after failing to reverse administration policy in three areas directly related to SDI: 1) the defense budget, 2) the treaty with Moscow on intermediate-range nuclear missiles in Europe, and 3) whether to interpret the ABM treaty the way Moscow wants, or the way it is written. With Weinberger gone, the SDI has lost its most intelligent spokesman within the administration. As he resigned, the past year's trend away from research in directed energy weapons continued.

In October 1986, after Congress slashed the Defense Department's budget request for SDI from \$4.8 billion to \$3.2 billion, SDI management decreased the portion of research and development funding going into directed energy weapons from 30% to 25% of the research budget, in order to shift limited resources into engineering technology required for early deployment of a partially effective defense based on miniature space-based rockets, known as "kinetic energy weapons." Then, in its budget request for 1988, SDIO dropped the directed energy portion of its R&D funding to 21%.

Now that Congress has passed what amounts to a "zero growth" budget for SDI (a total of \$3.9 billion for 1988, compared to \$3.75 in 1987), it is expected by the national labs and defense contractors, that the directed energy program will get short-changed even more.

Over the past year and a half, SDI management gave priority to developing and deploying a poor man's version of Danny Graham's "High Frontier" system of kinetic-kill weapons to intercept Russian ballistic missiles in the boost phase of their trajectory, where the missiles are most vulnerable. The system is being designed to be able to destroy at most 10% of the missiles Russia would fire in a preemptive strike against U.S. military targets. SDIO hopes that the system will be able to destroy 50% of the heavy Russian missiles, those capable of destroying fortified military targets like missile silos. They hope to accomplish this by selective targeting of heavy missiles, such as the SS-18s and SS-19s, something that may be difficult on their shoestring budget.

The Pentagon plans on deploying about 3,000 space-based interceptors in the system. That is less than one-third the number that the Marshall Institute reported would be required in December 1986. The space-based portion of the system is to be complemented with ground-based anti-missile missiles for destroying warheads while they are in the mid-course phase of their trajectory, or as they are reentering the atmosphere, the so-called "terminal" phase of their trajectory.

Last summer, the Pentagon planned to take the system into production in 1990 and begin deployment in 1993. By 1995, they plan to have deployment of this initial system completed.

In the meantime, funding for directed energy is getting the axe. It appears that the program to develop the x-ray laser, primarily funded by the Department of Energy SDI program, will be the hardest hit by ongoing budget cuts. Congress slashed funding for the Department of Energy SDI from \$514 million in 1987 to about \$300 million for 1988.

One can only guess how the cuts will affect the free electron laser program. Last year's cuts led to cancellation of one project and a decision to take only one type of FEL technology to a larger scale engineering phase at White Sands Missile Testing Range. Which of the two FEL technologies is chosen for the engineering phase, presently depends on a "horse race" between Lawrence Livermore and Los Alamos between now and July 1988.

All this is occurring despite some very promising laboratory results during 1987.

Free electron laser results. In February 1987, scientists at Stanford University High Energy Physics Lab and TRW, Inc. produced coherent blue-green laser light, the shortest wavelength of radiation ever generated from an FEL powered by a high power linear electron accelerator. In June, Boeing Corp. achieved lasing at the same wavelength with their FEL. At Stanford, the peak power achieved inside the laser was 260 megawatts at the blue-green wavelength of one-half one

millionth of a meter (0.5 microns). The team achieved this with a 115 million volt electron beam. This work demonstrates that the same high powers achieved by FELs at Los Alamos in producing longer-wavelength infrared radiation, can also be achieved in producing more lethal, shorter wavelength laser light.

Radiation of shorter wavelengths is more lethal because the intensity of action of electromagnetic radiation increases as it becomes more concentrated. But the future of the Stanford program has been uncertain since the budget cuts of October 1986. As one scientist put it, "Nobody knows where they stand."

Livermore made limited progress in amplifying an infrared laser beam from a carbon dioxide laser over the past year.

The Livermore Beam Research Group had predicted at the 1985 Particle Accelerator Conference in Vancouver, B.C. that they would be able to amplify a 1 million watt laser pulse by a factor of 30, with an efficiency of 2%, using a magnetic "wiggler" that is five meters long. But the July 1987 issue of the lab's *Energy and Technology Review* reported that so far, the device has only been able to amplify the input laser beam pulse by about 50%, one-sixtieth of what they had hoped. The efficiency beam is less than one-tenth of one percent.

The big effort for FEL scientists working on the radio frequency type of device, revolves around the Boeing project. If Boeing can achieve significant progress over the next six months, it will demonstrate the capability to build the engineering model at White Sands. Boeing turned on its machine for the first time last year. Recently, it reengineered its FEL to generate 0.63 micron radiation, a slightly longer wavelength than that which achieved lasing last summer.

Meanwhile, the FEL oscillator under development at Los Alamos is undergoing extensive modifications to enable the device to produce 160 to 200 million watts (megawatts) in peak *output* power of infrared laser radiation with an efficiency of 8 to 10%.

Los Alamos plans to combine such a radio frequency linear accelerator-driven FEL oscillator, which generates radiation, with a radio frequency linear accelerator-driven FEL amplifier, to amplify the output of the oscillator and achieve gigawatt power levels.

Los Alamos is funding another FEL laboratory at Stanford, headed by John Madey, to test the oscillator-amplifier concept on a laboratory scale with FEL hardware available there. After this work is completed, it is expected that Madey will leave Stanford, due to political problems at the university. His company, Sierra Lasers, is reportedly building a radio frequency FEL for Vanderbilt University for medical applications. The short picosecond pulses produced by a radio frequency FEL have been found to be preferable for treating tissue because their action is nonthermal.

Finally, SDI funding for development of radio frequency weapons has begun to pay off. Lawrence Livermore National Laboratory and the Air Force Weapons Laboratory at Kirtland Air Force Base have both produced pulses of radiation in the radio frequency spectrum with powers of billions of watts with a device called a "virtual cathode oscillator" (vircator). A photo of the vircator at Kirtland appeared in *Aviation Week and Space Technology* in December, and shows that the entire device can be housed in two or three large camper vehicles. This is only two to three times larger than prototype Russian radio frequency weapons, a nice accomplishment for a program that only started in 1984.

A good year for the Soviet space program

by Marsha Freeman

This past year the Soviet Union marked some important milestones in its space programs—both civilian and military. On the public side of space activities, the *glasnost* policy opened a window into previously quiet aspects of Soviet space plans and operations, including the first admission that the Soviets are developing a reusable space shuttle vehicle.

A multi-day extravaganza in Moscow at the beginning of October called Space Forum, for the 30th anniversary of Sputnik, gave the Soviets a captive audience of about 450 foreign scientists, many of whom had their expenses paid by

the Soviet Academy of Sciences. At the meeting, the Soviets presented an unusually candid picture of their future unmanned science missions, new modules to be added to the Mir space station, and some of the new technology they are developing for the manned space program.

In order to procure U.S. government participation at the conference, and undoubtedly in step with pre-summit preparations, Soviet Space Institute head Roald Sagdeev promised that SDI-bashing would not be included on the agenda of the three-day space science conference. The Soviets have accelerated their drive to entice U.S. and European participation in their ambitious space science programs. They have gotten a sympathetic hearing, due to the dreary state of advanced planning for Western space missions.

On May 15 the Soviets surprised the world with the first test launch of its Energiya rocket. This booster, with a 220,000 pound payload capacity, was launched the day after Soviet leader Gorbachov visited the Baikonur Cosmodrome, along with the Soviet minister of defense. Energiya gives the Russians the ability to launch massive payloads into Earth orbit,

and there is no doubt that its extensive cost and development time was expended largely on behalf of the Soviet strategic defense effort.

Energiya represented the first use of liquid hydrogen fuel by the Russians, and though this was mastered by the United States 25 years ago, it represented a significant advance in capability for the Soviet program. Soviet space representatives stressed that the new rocket will be used to orbit heavier elements for manned space stations, larger interplanetary science spacecraft, and the Soviet shuttle.

At the Oct. 2-4 Space Forum Moscow conference, the Russians announced that the Energiya would have its second test launch before the end of this year. Though it is unlikely that this will take place, a few more tests will be required before the rocket is declared operational.

This dramatic new capability, which is additional to the eight other rockets that are in the Soviet's stable of operational boosters, left the United States in the dust, in terms of heavy-lift capability. At the current pace, it will be the mid-1990s before the U.S. can match the Energiya.

New capabilities in manned operations

During the early October celebrations on the 30th anniversary of the launch of the first spacecraft to orbit the Earth, Soviet cosmonaut Yuri Romanenko broke the previous Russian record for Earth-orbital long-duration flight, spending his 238th day in space. During the year, the Soviets announced that the crew to follow Romanenko's will try a one-year stay aboard the Mir space station.

The Soviets added their first scientific module, Kvant, to the Mir space station this year, and though there were docking problems which required challenging extra-vehicular activity, or space walk, by the resident cosmonauts to fix it, Kvant was the only sophisticated spacecraft in orbit to observe this year's supernova explosion.

The Kvant astrophysics laboratory, launched on March 31, has four x-ray spectrometers, which were designed by Eastern and Western European scientists. It also houses an ultraviolet telescope, and contains other experiments. The head of the Soviet Institute for Biomedical Problems, Oleg Gazenko, announced in November that the Medilab science laboratory module will be added to Mir in 1990.

This year, the Soviets admitted for the first time, that they are developing a reusable manned shuttle vehicle. Without releasing details on the size or capability of the projected vehicle, project head Stefan Bogadyazh did announce that all launches would be announced in advance. It was also announced that nine cosmonauts are in training to fly the future shuttle.

There remains a wide difference of opinion in the U.S. space community, as to when the first test flight of a full-scale shuttle vehicle might take place. There is little doubt that the shuttle will be boosted into Earth orbit on the back of an Energiya rocket.

1987 Soviet space milestones

March 31: Kvant astrophysics module launched to Mir space station.

April 12: Space walk by cosmonauts Romanenko and Laveikin successfully docks the Kvant to the Mir.

April 15: George Shultz and Soviet Foreign Minister Eduard Shevardnadze sign an agreement for space cooperation in Moscow, covering 16 general areas. The last agreement expired in 1982, and was not renewed by the United States, due to the declaration of martial law in Poland.

April 23: Unmanned Progress supply-ship docks with the Mir, marking the first time four space vehicles have ever been linked together in space.

May 15: Energiya superbooster launched; first Soviet liquid hydrogen rocket. The booster was successful, but the payload failed to orbit.

July 15—*Wall Street Journal* reports that Mir cosmonauts used a laser to target and track a Soviet-launched ICBM. This is repeated by *Time* magazine on Oct. 5, but is otherwise denied. The *Journal* says this is being kept secret because of preparations for the Reagan-Gorbachov summit.

July 18: Planetary Society conducts its satellite link, "Spacebridge," in Boulder, Colorado, with Soviet scientists in Moscow. The discussion centers on joint missions to Mars, and is led by Carl Sagan. It is aired on public television in October, in a one-hour show.

July 25: Cosmos 1870 is launched, and appears to be a massive, 15-20-ton radar remote sensing satellite, many times larger than any similar U.S. spacecraft. Ocean reconnaissance appears to be one important mission for Cosmos 1870. This is one of a series of "mysterious" spacecraft launched over the past two years, which had been "inert" in that they have appeared to not communicate with ground control.

Sept. 11: Reconnaissance satellite Cosmos 1810 is commanded to reenter the atmosphere after 259 days in orbit. This exceeded by 20 days the operation of any previous Soviet reconnaissance satellite, and reflects the Soviet effort to lengthen the lifetime of key military spacecraft.

Sept. 29: Biosat is launched, with two monkeys, rats, and other biological specimens. Participants include the U.S., France, Hungary, and East Germany.

Oct. 1: Cosmonaut Yuri Romanenko breaks the previous 237-day record for continuous time in space, set in 1984.

Oct. 2-4: International Space Forum conference in Moscow, with 450 foreign scientists.

Oct. 12: Biosat lands, 2,000 miles off-course, delaying scientists from immediate analysis of the effects of microgravity on the specimens.

Oct. 29: The 2,000th Soviet spacecraft is launched. The comparable U.S. total is 870.

Dec. 9: Soviet space head Sagdeev reports to a space forum in Washington, that during the Summit, General Secretary Gorbachov indicated that the next major area of U.S.-Soviet cooperation should be joint missions to Mars.

'The Soviet Space Challenge'

Excerpts from the Pentagon's November 1987 report.

Most of the Soviet space program is not generally made public. As this publication documents, the greatest part of the Soviets' effort in space is dedicated to their military objectives. For the past three decades, since the inception of the space era, the Soviet Union has worked steadily to acquire a military capability in space. . . . The Soviets have methodically designed their space systems to fight a war in space. . . . For example:

- Today they maintain and operate over twice as many classes of launch vehicles and routinely have five times as many launches as the United States.
- The Soviets are the only nation that maintains a space station that is manned almost year round where personnel can conduct military experiments.
- They are in the process of developing their heavy-lift launch vehicle "Energia." This system will provide them not only with a booster for their space shuttle but a booster that can lift over 100,000 kilogram payloads. By the turn of the century our conservative estimates indicate that their lift capability will be almost twice their lift requirement for an assumed expanded and ambitious space program.
- The Soviets already possess such a robust launch capability that they could, if their entire satellite network were destroyed, reconstitute it almost totally in two to three months if they had the replacement satellites.
- They are the only nation that maintains an operational ground-based orbital interceptor ASAT system that can destroy low-earth satellites. . . .

Many of the systems developed in the following programs will eventually be space based. These developments and the progress being made by the Soviets in other areas of their space program, such as their heavy-lift boosters, are a challenge for the near future.

Laser weapons

The U.S.S.R.'s laser program is larger than U.S. efforts and involves over 10,000 scientists and engineers as well as more than a half-dozen major R&D facilities and test ranges. Much of this research takes place at the Sary Shagan Missile Test Center, where ABM testing also is conducted. At Sary Shagan alone, the Soviets are estimated to have several lasers for air defense and two lasers probably capable of damaging

some components of satellites in orbit, one of which could be used in feasibility testing for ballistic missile defense applications. The Soviet laser weapons program would cost roughly \$1 billion a year in the U.S.

Scientists in the U.S.S.R. have been exploring three types of lasers that may prove useful for weapons applications—the gas-dynamic, the electric discharge, and the chemical. They have achieved impressive output power levels with these lasers. The Soviets are possibly exploring the potential of visible and very-short-wave-length lasers. They are investigating the excimer, free-electron, and x-ray lasers, and have been developing argon-ion lasers.

The Soviets appear generally capable of supplying the prime power, energy storage, and auxiliary components for their laser and other directed-energy weapons programs. They have probably been developing optical systems necessary for laser weapons to track and attack their targets. They produced a 1.2 meter segmented mirror for an astrophysical telescope in 1978 and claimed that this reflector was a prototype for a 25-meter mirror. A large mirror is considered necessary for a long-range space-based laser weapon system.

The U.S.S.R. has progressed in some cases beyond technology research. It has ground-based lasers that have some capability to attack U.S. satellites and could have a prototype space-based antisatellite laser weapon by the end of the decade. Additionally, the Soviets could have prototypes of ground-based lasers for defense against ballistic missiles in the near future and could begin testing components for a large-scale deployment system in the early 1990s.

Particle beam weapons

Since the late 1960s, the Soviets have been exploring the feasibility of using particle beams for a space-based weapon system. They may be able to test a prototype space-based particle beam weapon intended to disrupt the electronics of satellites in the 1990s. An operational system designed to destroy satellites could follow later; however, application of a particle beam weapon capable of destroying missile boosters or warheads may require several additional years of research and development.

Nevertheless, Soviet efforts in particle beams, particularly ion sources and radio-frequency accelerators for particle beams, are impressive. In fact, much of the U.S. understanding of how particle beams could be made into practical weapons is based on published Soviet research conducted in the late 1960s and early 1970s.

Radio-frequency weapons

The U.S.S.R. has conducted research in the use of strong radio-frequency (high-power microwave) signals that have the potential to interfere with or destroy critical electronic components of ballistic missile warheads or satellites. The Soviets could test a ground-based radio-frequency weapon capable of damaging satellites in the 1990s.

Munich '38, Yalta '45, Washington '87

by Webster G. Tarpley

Back during the 1950s, it was a commonly accepted view among American politicians that the Munich sellout of 1938 had taught the world an important lesson about the results of appeasing a powerful totalitarian-militarist adversary. In speeches repeated by a whole generation of politicians from Truman to Eisenhower, it was correctly argued that the results of such appeasement would necessarily be to elicit more aggression by the dictatorship in question, with the danger of bringing on a new world war. It is one measure of the degradation of the current cultural and political climate in this country to compare the received ideas of 30 years ago with the December Reagan-Gorbachov summit. This recent orgy of appeasement has left the world much closer to a new world war than we were a year ago at this time.

History has made brutally short shrift of post-summit euphoria, from Munich and Yalta on down. The "Spirit of Geneva" of 1955 was quickly supplanted by the world crisis around the Hungarian uprising of 1956. The original Eisenhower-Khrushchov "Spirit of Camp David" was the prelude to the Berlin crises, the Russian 100-megaton bomb, and the Cuban missile crisis. Something much worse is on the way as 1987 wanes.

Reagan is now more debilitated than was Roosevelt at Yalta. He may be worse off than Woodrow Wilson in late 1919, when that sick and disoriented President carried out his duties largely under the supervision of his wife.

The pathos of Reagan is nowhere clearer than in his statements of Dec. 9, averring that Gorbachov is the first leader in Russian and Soviet history who is not dedicated to the proposition of conquering the world. In the same interview, the President expressed his admiration for the upcoming 1988 celebration of the conversion of Prince Vladimir of Kiev to Christianity. Earlier, Reagan had expressed his belief that Gorbachov is actually a Christian. The President has thus capitulated to the apocalyptic doctrine of Moscow the Third

Rome. Caspar Weinberger, Gen. Bernard Rogers, and others who could have helped are gone.

Reagan's discoveries about the Kremlin should be compared with the following evaluation: "I have just a hunch that Stalin doesn't want anything but security for his country, and I think that if I give him everything I possibly can and ask nothing in return, *noblesse oblige*, he won't try to annex anything and will work for a world democracy and peace." The speaker is FDR before Teheran.

The process by which Ronald Reagan, whose lifelong hostility to the "evil empire" was his healthiest reality principle, was reduced to the peace prattler of today can only be described as behavior modification, or more succinctly, brainwashing. Reagan's statements about the peaceful intentions of the new type of Soviet leader amount to a repudiation of his own moral essence. Washington insiders are now weighing the President's mental state against the provisions of the 25th amendment.

Nancy Reagan's contribution to her husband's new pacifism may well rank among the greatest tragedies of the 20th century. In his upcoming memoir entitled *Behind the Scenes*, former White House aide Michael Deaver tells of how he cooperated with Nancy to purge from the White House all those officials who opposed appeasing the Soviets. "She lobbied the President to soften his line on the Soviet Union; to reduce military spending and not to push 'star wars' at the expense of the poor and the dispossessed," Deaver writes. Thus fell Richard Allen, too interested in Taiwan, and Judge William Clark, because he saw "no hope in any policy that relied on trusting the Russians." Nancy preferred the homosexual writer Truman Capote.

Mrs. Reagan's desire for social climbing has not escaped Soviet attention. Shortly before the November 1984 presidential election, then Soviet Foreign Minister Andrei Gromyko journeyed to Washington for a meeting with Reagan

that most observers interpreted as a Soviet acknowledgement that Reagan was about to defeat Mondale and thus secure a second term. During Gromyko's stay, a meeting between him and Mrs. Reagan was arranged by Elizabeth Taylor. Gromyko engaged the First Lady in a conversation about war and peace, and the Soviet need to be able to count on Reagan's peaceful intentions. The wily foreign minister extracted from Nancy a solemn pledge that every night, before the President fell asleep, she would whisper in his ear, "Darling, the world needs peace."

Look for 'The Trust'

For the names of others who have helped to shape Reagan's new perceptions, we need only turn to the guest list for the state dinner organized in honor of Gorbachov in the White House on Dec. 8: Armand Hammer of Occidental Petroleum, Dwayne O. Andreas of Archer-Daniels-Midland, David Rockefeller, Max Kampelman, U.S. Ambassador to Moscow Jack Matlock, Ambassador Paul Nitze, Charles Z. Wick of USIA, Kenneth Bialkin (Robert Vesco's lawyer), Selwa and Archibald Roosevelt, and Suzanne Massie of the Harvard Russian Research Center. Mrs. Massie, the author of the book *Land of the Firebird: The Beauty of Old Russia*, has been repeatedly brought to the White House to regale the President with the thesis that since Russians are paranoid about being invaded, they insist on military capacities that seem offensive to the West but which are really only for defensive purposes. Ambassador Matlock is also prepared to accord Moscow the status of the Third Rome.

During the summit Charles Wick, in a meeting attended by Soviet Politburo member Aleksandr Yakovlev, Novosti boss Valentin Falin, and the directors of Tass and Soviet television, advanced the proposal of creating a joint commission of U.S. and U.S.S.R. print and electronic media for the purpose of suppressing slanders and disinformation between the superpowers, and of hearing complaints from the two sides when they think they have been slandered. Wick, a close crony of Armand Hammer, would be only too happy to junk the First Amendment as an encumbrance to the New Yalta.

Paul Nitze's role in the 1987 summit looks more and more analogous to that of Alger Hiss at Yalta. Nitze had been working with a group known as the Committee on International Security and Arms Control, which counts among its members Wolfgang Panofsky of Stanford and anti-SDI charlatan Richard Garwin of IBM. Nitze had been concocting proposals to strangle the SDI that would be passed along to the Russians by CISAC, and then officially placed on the negotiating table. Before the summit, Nitze was widely accused of using this back-channel to offer the Soviets an extended period of U.S. compliance with the 1972 ABM Treaty. During the summit, it was Nitze who sat down with Marshal Akhromeyev, the Chief of the Soviet General Staff, in the key working group on arms control issues. Sure enough, at the end of the summit it was announced that the U.S. and the

U.S.S.R. had agreed to instruct their negotiators in Geneva to proceed on the assumption of an unspecified period of further observance of the ABM treaty. Meanwhile, in the real world, the Soviets are preparing radars, missiles, and lasers for a massive breakout from the ABM treaty through the creation of an anti-missile defense of the entire national territory of the U.S.S.R.

The guest list for the Gorbachov state dinner merely underlines that the Reagan administration is now firmly in the grip of the New York-London-Moscow *Trust*, the international cabal of financiers and intelligence professionals best identified for the general public through the name of Armand Hammer. Hammer, brought into the immediate social circle of Nancy and the President by the money-hungry Charles Wick, had a central function in the preparation of the Geneva and Iceland summits. This year Hammer spent weeks on a triangular mission of shuttle diplomacy among Moscow, Kabul, and Islamabad, allegedly seeking to prepare a Soviet troop withdrawal from Afghanistan. Hammer, like Cyrus Eaton before him, is the eminence grise of the U.S. branch of the Trust.

The road to the INF treaty was strewn with broken promises to U.S. allies in Europe. Kampelman and the State Department had promised German Chancellor Helmut Kohl that the United States had no intention of permitting the Geneva talks with the Soviets to negotiate away nuclear systems belonging to third countries. Kohl had informed his military leaders that the Federal Republic would retain its contingent of Pershing I-A missiles, which are equipped with nuclear warheads under U.S. control. Then, Max Kampelman stopped off in Bonn on his way to a Geneva negotiating session with the Soviets. Kampelman told Kohl that since the Soviets were making these missiles the price of an INF deal, the U.S. was about to announce the unilateral pullout of the Pershing I-A warheads. Kampelman told Kohl that if he were smart he would immediately call a press conference to announce this decision as his own contribution to smoothing the way to an INF treaty. If Kohl did nothing, he would have the embarrassment of a *fait accompli*. If Kohl attempted to save the Pershing I-As, his government's stability would be up for grabs.

In the case of France, it was Defense Minister André Giraud who called a spade a spade, branding the INF as a "nuclear Munich." When Premier Chirac voiced his own opposition to the INF in much the same terms, the U.S. Embassy and American political forces, especially those associated with the George Bush machine, attempted to make life difficult for Chirac by stirring up opposition to his bid for the French presidency in 1988. In the case of Margaret Thatcher, it is a safe bet that strong objections to the INF treaty were notably muted by Britain's abject dependency on U.S. Trident SLBM technology in order to keep up an independent nuclear deterrent into the 1990s.

The British and the French fear, with good reason, that the U.S. will begin to blackmail them to give up their inde-

pendent nuclear forces. The Russians have ominously suggested that proposed 50% cuts in strategic systems will have to include the British and the French, who vehemently oppose any such talks. The State Department, at Soviet behest, is armtwisting Israel to abandon deployment of its Jericho II nuclear-capable IRBM.

In spite of all this, the Russians in late October took the risk of calling off the summit; European press accounts suggest that a prime mover behind this final round of blackmail was former Soviet Ambassador to Washington Anatolii Dobrynin. Dobrynin argued that, because of the Oct. 19 stock market crash, Reagan was so desperate for a summit that further concessions could be extorted. The Soviet media by that point were routinely comparing Reagan to the hapless Herbert Hoover of 1929.

Soon thereafter, the Dec. 7 summit date was announced, despite the fact that the treaty was far from completion—not the smartest negotiating ploy. The Russians exploited the deadline pressure to the hilt, forcing the U.S. representatives into 22-hour-a-day negotiating and withholding vital information. As a result, large parts of the memorandum of understanding that accompanies the treaty were composed in haste on the eve of the summit deadline, including on the plane bringing the treaty from Geneva to Washington, and in the State Department during the night before the treaty was signed. The resulting text is larded with inaccuracies and ambiguities, with at least three errors now officially acknowledged. All this to get a treaty that undermines European defense and weakens the cohesion of the alliance.

The INF treaty is vitiated by all of the inherent fallacies of arms control. The ancient Romans knew there are no real rules of war: *Inter arma silent leges*. Wars are won by successful cheating and that means that the rules, from the neutrality of Belgium to the SALT II limits, are there to be broken. The U.S.S.R., a great power not noted for a legalistic bent, will cheat repeatedly, successfully, and massively if such cheating represents a vital imperial interest. Thus, the verification apparatus of the INF treaty makes no sense unless, by a foolhardy leap of faith, one assumes that the Russian marshals have obediently supplied the locations of all their launchers and reloads. Inspection is to be carried out only at the sites specified in the treaty, and at no other sites. The treaty has no mechanism of enforcement, such as a clause providing for abrogation if violations occur. Enforcement is left to U.S. political will—an absurd proposition, since both Reagan and Congress have rewarded Moscow for cheating on the ABM treaty: Reagan by signing INF, and Congress by mandating the narrow interpretation of the ABM treaty.

Roosevelt never submitted the Yalta accords to the Senate for ratification. Woodrow Wilson tried to get Versailles and the League of Nations ratified, and failed. Stopping new summits and new sellouts on SDI, START, and all the rest will now depend on blocking Senate ratification of the INF Treaty.

The seven dwarfs, and other jokers

by Nicholas F. Benton

1987 saw the launching of one of the most bizarre presidential races in the history of the United States, unparalleled for the lack of distinction of any of the candidates running—with the notable exception of Democrat Lyndon LaRouche, on whom the Justice Department has spent millions trying to tie up in the courts.

It was a year that went through the first phase of a stock market crash, but instead of ensuring that this would lead to a change of the party in power, the mediocrity of the Democratic candidates left the matter distinctly in doubt.

In fact, as 1987 drew to a close, the disarray in both parties was worsening. Most of the highlights are well known, but taken in their totality, they present a picture that is ominous in its implications for the nation. Perhaps in less troubled times, when the nation was not faced with a superpower adversary poised to exploit every weakness, the prospects of a choice among mediocrities for President would simply go down as an unhappy, periodic by-product of a less-than-perfect democratic system.

But in these times, it is fatal to the future of civilization. Whether or not the American electorate is prepared to respond accordingly, and break the rules, as set by the Eastern Establishment, their controlled media, and party leaderships, will be the big question that gets answered in the first months of 1988.

The Democrats

In the Democratic Party, the clear front-runner for the nomination since the 1984 landslide reelection of Ronald Reagan, **Sen. Gary Hart** (Colo.), was driven out of the race under siege. The scandal of his extramarital relations with model Donna Rice, replete with color photographs that appeared on the cover of every supermarket tabloid, forced Hart to withdraw from the running only days after he launched his campaign.

Lacking a front-runner, the remaining “official” Democratic candidates became the subject of universal derision. **Sen. Joseph Biden** (Del.), soon followed Hart onto the sidelines under the cloud of a scandal of his own—plagiarism.

The same cloud began to drift over other candidates. Leading staffers in the campaign of Massachusetts **Gov. Michael Dukakis** were found to have planted in the press the stories of Biden stealing unattributed quotes from British Labour Party leader Neil Kinnock, and they were forced to resign. Dukakis teetered on the brink, and remains severely damaged by the incident.

Who was left? There was civil rights activist **Jesse Jackson**, with the highest name recognition, but no chance of getting anywhere close to the nomination. Democratic chairman Paul Kirk made that clear on national TV more than once. "Jesse, I am sure, will do what's best for the party," Kirk said, meaning that even if he walks into the convention with enough delegates to win, he will not take the nomination, because, presumably, it would mean certain defeat for the party.

Not that a Jackson nomination would bode any better for the nation, anyway. Jackson, in his own zeal to win the approval of the elite controllers of the party, dropped his "radical" image altogether, to become just another "mainstream" Democratic leftist, indistinguishable from the rest of the cast of forgettable mediocrities.

Who else?

Sen. Paul Simon (Ill.), the man with the Dumbo-sized ear lobes, who wants to balance the budget, kill the SDI (a universal among all the "official" Democratic candidates), and increase spending in all social areas, all at once.

Bruce Babbitt, former governor of Arizona, whose head bobs like a Muppet, and has a corporatist "final solution" to everything, including some chilling ideas about how to deal with the nation's elderly that would embarrass Colorado's former Gov. Richard "The Elderly Have a Duty to Die" Lamin.

Sen. Al Gore (Tenn.), the preferred candidate of Soviet agent Armand Hammer, who some say looks like the movie star who plays Superman, but acts more like a Clark Kent who can't fight his way out of a telephone booth.

Sen. Richard Gephardt (Mo.), author of the trade bill which, if passed next year, would spike the U.S. economy and the Western alliance more swiftly than anything Gorbachov could dream up. Gephardt voted for the big tax cut of 1982 that converted the debt burden developed in the 1970s into a massive federal budget deficit in the early 1980s.

Then there is **Lyndon LaRouche**, the bane of the Eastern Establishment and the Soviets, kept out of all the debates where his sharp critique of the economy and national security issues would have humiliated every other candidate. From debating skills to the issues, none of the other Democratic candidates could afford to have themselves measured against LaRouche on equal footing before the public.

And so, the Justice Department proceeded to indict LaRouche on a trumped-up charge of "obstruction of justice," a case which finally came to trial in Boston at year's end (see article, page 69).

The field of candidates was otherwise so bereft of talent, that **Gary Hart**, in mid-December, could not contain himself, and decided to leap back into the race. This never would have happened if any of the other Democratic candidates had shown the slightest promise of fulfilling the qualifications for the job, because Hart's improprieties would have ensured that he was nothing but a laughingstock under any other circumstances, especially considering that there are still more scandals brewing involving Hart and at least one former senator's wife.

Nonetheless, Hart's surprise move clearly enraged Kirk, who thought that maybe the situation in his party was at least moving toward a deadlocked convention where **Sen. Ted Kennedy** (Mass.) could be drafted to run.

Now, Hart's move has not so much brought derision upon himself, as underscored the abject moral and intellectual poverty of his "official" competitors.

The Republicans

But if you think the Democrats are in disarray, the situation in the Republican Party is no better. The GOP's biggest problem, is that a Republican administration, now in office, is leading the nation into an economic and strategic debacle of monumental proportions, that is most likely to hit before Election Day in 1988. This is the overriding reality that all Republicans fear as a "worst case scenario"; but none has the guts to look reality square in the face and endorse an emergency program, along the lines outlined by LaRouche, which would set them apart from their competitors.

In fact, in their folly, the Republican candidates are tending to do the opposite, to tail after **Vice President George Bush** down that road to disaster. The latest "sucker" on this score is **Sen. Robert Dole** (Kan.), who, under pressure from his big financial backers like grain cartel magnate Dwayne Andreas, came out in favor of the Intermediate Nuclear Force (INF) treaty, on condition that he be allowed to upstage Bush with a big pat on the back from the President in the White House press briefing room on Dec. 17.

One way or the other, all the Republican candidates have locked themselves into identification with the great Reagan pratfall of 1988. The Bush case is obvious. Dole has now determined to out-Bush Bush. **Al Haig** hasn't changed a bit from the time he pronounced himself "in charge," as secretary of state, when Reagan was shot in 1981. Former Delaware governor **Pete DuPont** is a stalking horse for radical "new ideas" spawned on Wall Street, to chisel the elderly out of Social Security benefits and health care. **Rep. Jack Kemp** (N.Y.) pushes the Strategic Defense Initiative, but is stuck on the same "supply side" economics litany that is going to be universally blamed for the Great Crash of 1988. TV evangelist **Pat Robertson** calls for bringing the U.S. troops home from Europe.

1987 was a year whose political mediocrity cries out for Americans to overturn the applecart in '88.

The Irangate scandal: unanswered questions

by Jeffrey Steinberg

In November of 1986, within days of the breaking of Irangate, *EIR* Contributing Editor Lyndon H. LaRouche, Jr. wrote that the scandal, which would shake the Reagan presidency throughout 1987, had been likely triggered by circles in Washington who recognized that the President was falling

under the sway of a "secret government" bent on making a treasonous deal with Moscow.

Citing President Reagan's Daniloff-Zakharov "no-swap swap," the subsequent David Jacobson "no-deal hostage deal," Reagan's near-disaster performance at Reykjavik, and the Reagan Justice Department's Oct. 6, 1986 raid against the headquarters of several organizations associated with LaRouche, he forecast that the full airing of all the dirty laundry surrounding the "secret government" would profoundly affect every facet of American policymaking. A cover-up of any aspect of the scandal would be far more harmful than most observers were prepared to recognize.

In April 1987, *EIR* published a 350-page special report, "Project Democracy: the 'parallel government' behind the Iran-Contra affair." Written before the congressional panels had subpoenaed their first witnesses, the *EIR* report revealed that a congressional cover-up of the scandal had already been set into motion through the appointment of complicit individ-

NDPC policy impact grows in deepening U.S. crisis

by Warren J. Hamerman

During 1987, as the U.S. government floundered in the face of crisis after crisis, the National Democratic Policy Committee—the multi-candidate political action committee of the LaRouche wing of the Democratic Party—dramatically increased its policy interventions.

One of the best reflections of this activity was testimony presented to the Senate and House of Representatives in Washington, D.C., addressing a wide range of areas: economics, trade, AIDS, war on drugs, transportation, space exploration and Mars colonization, water management, and strategic affairs.

Within a week of the Black Monday stock market crash on Oct. 19, the NDPC had sent to publication a 32-page pamphlet entitled: *Solving the Crash of 1987-88; Emergency Action Plan to Save the U.S. Economy*. The pamphlet was printed in a first run of 50,000 copies and distributed throughout the nation as well as in Washington, D.C.

Testimony before Congress

The chronology of 1987 testimonies by the NDPC before the U.S. Congress follows:

Feb. 4: Written testimony to Senate Finance Committee on trade policy. **March 4:** Written testimony to House Ways and Means Committee on trade policy. Both state-

ments included excerpts from Lyndon LaRouche's papers "The 'New American Century' Doctrine: LaRouche's Challenge to Moscow," and the "Proposed Legislation for State Memorializations to the Federal Government on Emergency Economic Measures."

March 24: Written testimony to Senate Foreign Relations and House Foreign Affairs Committees urging that the National Endowment for Democracy be investigated and that funding be cut off.

March 24: Written testimony to Senate Appropriations Subcommittee on Energy and Water. **April 1:** Oral and written testimony to the House Appropriations Subcommittee on Energy and Water. Both included discussion of the projects proposed under the North American Water and Power Alliance plan, and fusion energy, and commented on President Reagan's mistaken veto of the highway bill.

March 25: Written testimony to House Appropriations Subcommittee on Agriculture. **April 7:** Oral and written testimony to Senate Appropriations Subcommittee on Agriculture. Both statements included LaRouche's policy paper, "Keep the Local Banks Functioning."

April 2: Written testimony to House Appropriations Treasury, Postal Service, and General Government subcommittee. **April 10:** Written testimony to Senate Appropriations Treasury, Postal Service and General Government subcommittee. Both testimonies called for a serious war on drugs and analyzed why Nancy Reagan's so-called war on drugs was getting nowhere.

April 4: Oral and written testimony to the House Appropriations Commerce, Justice, State, and the Judiciary subcommittee. **April 5:** Written testimony to the Senate Appropriations Commerce, Justice, State, and the Judi-

uals to key positions with the investigative panels. Chief among them was Arthur Liman, general counsel for the Senate Irangate panel. *EIR*, alone among U.S. news agencies, documented Liman's nearly two-decade association with Willard Zucker, the general manager of CSF, the Swiss financial company that handled the money-laundering for Lt. Col. Oliver North's and CIA director William Casey's operations officers, Gen. Richard Secord and Albert Hakim. The Liman-Zucker association ran through fugitive drug financier Robert Vesco, for whom Zucker initially created CSF in 1970 while Liman was handling Vesco's personal legal affairs.

Backing up Liman was assistant general counsel to the Senate panel, Joel Lisker, an Israeli intelligence-linked fixture around Washington who, as a Justice Department official during the Carter administration, had blocked the prosecution of the President's brother, Billy Carter, for failing to register as a Libyan agent. One of Lisker's contributions to the

congressional panel's cover-up was his suppression of evidence that surfaced in Scandinavia, showing East bloc complicity in funneling arms to both the Khomeini regime and the Contra forces.

The Irangate affair, while no longer grabbing media headlines, remains the subject of a behind-the-scenes brawl. While the congressional panel's final 690-page report, issued in November, fulfilled the *EIR* cover-up warning of April, a special prosecutor Lawrence Walsh's staff continues to plow through documents, including Swiss bank records, and to call witnesses. It is widely expected that Walsh will hand down indictments shortly after the New Year. While the main targets are North, Secord, Hakim, and former National Security Adviser Adm. John Poindexter, sources close to the probe have told *EIR* that as many as 40 government officials and private citizens tied to the "secret government" may face charges ranging from tax violations to obstruction of justice and perjury.

ciary subcommittee. Both testimonies attacked the National Endowment for Democracy as blocking the war on drugs and included excerpts of Lyndon LaRouche's introduction to an *EIR Special Report*, entitled, "The Key to 'Irangate,'" as well as another essay entitled, "Cut the Allotment for Defense Procurement Fraud."

April 10: Oral and written testimony to the House Appropriations Foreign Operations subcommittee. Included the following policy papers—"Malthusianism Is Genocide," and "Export Goods, Not Money"; also included a discussion of French Prime Minister Jacques Chirac's call for a Marshall Plan for the Africa. **July 30:** Oral and written testimony to the Senate Appropriations Foreign Operations Subcommittee, same as above.

April 24: Written testimony to House Appropriations subcommittee on Transportation. **May 14:** Written testimony to Senate Appropriations Subcommittee on Transportation.

April 28: Oral and written testimony to House Appropriations HUD and Independent Agencies Subcommittee, on NASA and a proposed 40-year program to colonize Mars. **May 8:** Oral and written testimony to Senate Appropriations HUD and Independent Agencies Subcommittee, on Mars colonization.

April 30 and May 4: Oral and written testimony on AIDS policy by Warren Hamerman to House and Senate, respectively, Appropriations Labor, Health and Human Services subcommittees. Placed on the record Lyndon LaRouche's statement, "AIDS will Change the World's Economy, Drastically."

April 30: Oral and written testimonies to Appropriations Defense subcommittees of both House and Senate. Both included a statement by Lyndon LaRouche entitled,

"Sen. Sam Nunn's Offer of U.S. Surrender."

July 14: Oral and written testimony to the House Subcommittee on Elections opposing proposed campaign finance reform. The testimony included memorandum by Attorney Daniel Alcorn of Arlington, Va. in *USA vs. The LaRouche Campaign, et al.* to demonstrate current abuses of Federal Election Commission.

The NDPC was founded in the closing hours of the 1980 Democratic Convention by Lyndon H. LaRouche, Jr., former Manhattan Borough President Hulan Jack, and other Democrats who opposed the renomination of the Carter-Mondale ticket. It is a multi-candidate political action committee which was registered with the Federal Election Commission in August 1980. I have served as its chairman since its inception. Lyndon H. LaRouche, Jr. is chairman emeritus of its Policy Advisory Council.

Among the founders of the NDPC were "LaRouche Democrats," "FDR Democrats," "Jackson Democrats," "Kennedy Democrats," civil rights leaders, trade union leaders, farm leaders, and scientists.

In 1984, the NDPC opposed the Mondale-Ferraro ticket's appeasement policies toward the Soviet Union. Over the past three years the NDPC has coordinated a movement of over 3,000 candidates for federal, state, local, and party office and these candidates have received an aggregate of more than 3 million votes. In March 1986 the NDPC became internationally famous when two candidates it supported—Mark Fairchild and Janice Hart—were elected in the statewide Democratic Party primary in Illinois to become the candidates for lieutenant governor and secretary of state. The two LaRouche Democrats received more than 1 million votes, and increased their vote in the general election.

The bigger picture

However, the publicly identified Irangate culprits were merely players in a bigger East-West game that began in spring 1983, when Yuri Andropov proposed a “New Yalta” deal to Washington to carve the world into new spheres of influence. That strategic back-channel deal is the aspect of the Irangate affair that has been most extravagantly covered up.

First, the Irangate affair was defined as soap opera with highly partisan overtones. In fact, the Iran-Contra initiative was a bipartisan arrangement worked out between leading representatives of the Democratic and Republican National Committees, representatives of the Executive Branch and the Congress, and private sector figures from the financial community and organized labor in particular. The instrument of this arrangement was the National Endowment for Democracy, which Oliver North called “Project Democracy.” The NED was described by its authors as a “quango,” or “a quasi-autonomous non-government organization”—but it was mainly funded by the Congress and was officially administered by the U.S. Information Agency, a branch of the Department of State.

When the Irangate hearings took to the TV airwaves in the late spring, Ollie North was briefly catapulted into soap opera stardom. No mention of the NED-Project Democracy link to the secret government found its way into the hearings or the pages of the final report.

Even more blatant was the mad scramble to protect the apparatus of Leo Cherne, Theodore Shackley, Roy Godson, and Prof. John Norton Moore from being dragged into the public spotlight. This collection of intelligence community slicksters was responsible for selling the “secret government” structure to the Reagan inner circles. While Cherne and Godson come from Bukharinite circles historically tied to the Soviets’ most successful intelligence penetration of the West, known as The Trust, University of Virginia law professor Moore was obsessed with the idea that the only way to combat the Soviet Union was by creating a secret police-state apparatus—an American KGB-GRU. Moore was instrumental in codifying this idea in the form of Executive Order 12333, signed into existence by President Reagan on Dec. 4, 1981. E.O. 12333 gave broad, extralegal authority to the FBI, the CIA, and other elements of the intelligence community in dealing with anything relating to espionage, terrorism, and drug trafficking.

For the late Director of Central Intelligence Bill Casey, anything that put the boys in the intelligence community back in business was all right by him. If some of his political and financier friends got the opportunity to steal on the side, as a by-product of the new, generous intelligence guidelines that opened up the intelligence community to private citizens, all the better.

Among a scant 30 pages of appended material in the 690-page congressional report, are 20 pages devoted to “correct-

ing” the impression that Prof. John Norton Moore had personally advised Ollie North on the legality of bypassing the Boland Amendment—which forbade covert aid to the Contras without congressional approval—by running the Contra aid program out of the NSC basement.

Theodore Shackley, the former Deputy Director of Operations of the CIA, is one of the most corrupt figures to pass through the U.S. intelligence community in the postwar period. While little if any evidence against Shackley personally has surfaced, most of the key players from the CIA side have been identified with his apparatus.

The Soviet angle: the real cover-up

Of all the unresolved elements, the most strategically central is the Soviet role. While many Americans, if they still remember the hearings, view Ollie North as a perhaps misguided patriot, how would the American people respond to evidence that the KGB was North, Casey, and Secord’s partner in the arms deals? Soviet, Polish, and East German arms were the lifeblood of the Nicaraguan Contras! Gunpowder and arms destined for Khomeini’s terrorist legions, originating in Western Europe, often passed through the Soviet bloc en route to Teheran.

Some of these facts briefly saw the light of day during the hearings, only to be instantly suppressed. New and startling facts began spilling out in continental Western Europe at year’s end, showing the depth of Soviet and Israeli involvement in the Iran-Contra business. The case of Malmö, Sweden based arms trafficker Karl Eric Schmitz has raised the possibility that Swedish Prime Minister Olof Palme may have been assassinated in February 1986 specifically because he was about to shut down the East-West arms funnel into Iran. Scarcely a word about this European “Irangate” story has been printed in the American media, indicating the depth of commitment to keeping the Soviet angle out of it.

The battle continues

Thirteen months after LaRouche’s initial assessment of the Irangate affair as an effort to clean out a cancerous “secret government” of Moscow appeasers and dupes, where does that effort now stand?

At the CIA, with the death of William Casey and the now ongoing “retirements” of key CIA players in Irangate, such as Deputy Director for Operations Clair George, Counterterrorism chief Duane Claridge, and Central America task force head Allan Feares, the lingering influence of the Ted Shackley circles inside the agency has diminished and will continue to diminish. This lays the framework for rebuilding U.S. intelligence along lines consistent with the role of the United States as both a global power and a republic governed by rule of law. The recent appointment by CIA director William Webster of Richard Stolz, a retired 30-year agency veteran and Soviet specialist, as the replacement for Clair George, bodes well for this process.

The U.S. Congress in 1987: a year of lost opportunities

by Kathleen Klenetsky

The 100th Congress took office in the opening days of the Constitution's bicentennial year. But it proceeded to compile a record that defied the Founding Fathers on almost every count.

Faced with a host of challenges—the collapse of the economy, the spread of AIDS, the growing military power of the Soviet Union, etc.—Congress not only squandered a multitude of opportunities for positive contributions. It also took actions that drove the country deeper into depression, alienated key allies, exacerbated Western strategic vulnerability, and weakened the United States' basic constitutional framework.

The year began on a promising note, especially in the realm of economic policy. As a result of the Democrats' gaining control of the Senate via the November 1986 elections, a number of old-line, growth-oriented Democrats took control of several key committees, including Appropriations and Public Works.

Incoming House Speaker Jim Wright (D-Tex.) set what one hoped would become the policy thrust of the new Democratic Senate, in a speech to the Democratic Leadership Council shortly after the November elections. Wright warned that the United States was losing its industrial base so rapidly that it was reverting to the status of an undeveloped, colonial state. "Failure to deal with this crisis—to idle away precious time expecting it to correct itself—could doom future generations of Americans to a steadily declining standard of living. . . . I for one am not prepared to participate in the industrial and economic decline of this nation, nor to concede that our legacy must be confined to that of a service economy which produces little."

Succumbing to Wall Street

But, as it turned out, participate in the industrial and economic decline of the country was precisely what Wright, and the vast majority of his colleagues, proceeded to do. After racking up several significant accomplishments during the first months of the year—notably, overriding President Reagan's veto of the Clean Water Act, which allocated \$19 billion in vitally needed funds for sewage and water projects—Congress abdicated the responsibility as defined by Wright to formulate an economic recovery program, and instead succumbed to Wall Street's push for trade war and

drastic budget cuts.

In a move that epitomized its follies on economic policy, the Congress in September reinstated the Gramm-Rudman-Hollings automatic sequestration provision, after it had been declared unconstitutional by the courts. A month later, the stock market crashed, and Congress responded by joining the administration in a "budget summit." Operating under pressure from Wall Street, which was demanding huge spending cuts, and the Nov. 20 deadline for the automatic sequestration, the budget summitters produced a two-year, \$76 billion "deficit reduction" package, which included additional cuts in military spending, Medicare (a \$4 billion cut during the first year), farm price supports, and other automatic benefit programs—and a substantial tax hike.

Nothing in the budget agreement addressed the fundamental problem of the economy: the deliberate abandonment of basic manufacturing and agriculture, for the sake of the mythical benefits of the "post-industrial age." A few members of Congress tried to raise this basic issue, such as Sen. John Melcher, who blasted the "post-industrial drift" of the economy, and warned that "the strength of basic industries forms the base of the U.S. economy. . . . Ignoring them is perilous."

But Melcher's was a voice in the wilderness of congressional cowardice and stupidity.

The same refusal to deal with fundamental economic problems characterized congressional action in the key area of international trade. Rather than fight for ways to alleviate the global debt burden—a prerequisite for expanding global trade—Congress instead sought to punish America's allies for the mess caused by America's own economic blunders. Both houses of Congress passed trade bills dominated by punitive actions against other nations, and final legislation was expected to be approved shortly after Congress returns from its Christmas recess.

In this climate, it was not surprising that proposals for a balanced-budget amendment, line-item veto, and related schemes which would undercut the constitutional structure of government, began to pick up far more support than in the past.

Strategic rout

National security was one of the major victims of

congressional inaction on the economy. Although the Reagan administration submitted a bare-bones defense budget, Congress insisted on cutting that by nearly \$20 billion. Defense outlays for FY 1988 will be in the area of \$292 billion. Far deeper reductions are expected.

The Strategic Defense Initiative once again suffered huge cuts. Despite Mikhail Gorbachov's public confirmation that the Soviet Union has indeed been conducting its own strategic defense program, Congress allocated a mere \$3.9 billion to the U.S. project—more than \$2 billion less than the administration requested.

Congress's hacking away at defense merely continued the trends of the last four years. But this time, something new was added, as legislators decided to take their assault on national security to new levels, by arrogating to themselves the "right" to dictate policy on arms control. Led by Senate Armed Services Committee chairman Sam Nunn (D-Ga.), the arms-control mafia on the Hill fought tooth and nail to constrain the SDI within the so-called "narrow reading" of the ABM Treaty. In March, Nunn went on a rampage, vowing to cause a "constitutional crisis" if the administration dared break with the restrictive interpretation insisted upon by Moscow.

Nunn's violent outburst came in response to testimony which Defense Secretary Caspar Weinberger had presented to the Armed Services Committee on Feb. 17, in which he predicted that a shift to formal adoption of the "broad interpretation" (which would permit unfettered research, testing, and deployment of an advanced SDI) was "coming very soon." The SDI had made such great strides that "we could be at the point where some of the experiments that we can and should do, require a broader interpretation," Weinberger told the panel, adding that he expected Reagan to make a decision on whether the United States would go ahead with tests under the broad interpretation "in the next few months."

Under Nunn's leadership, both the House and Senate added amendments to the FY 1988 Defense authorization bill to institutionalize the "narrow reading"; and to force continued compliance with the unratified SALT II Treaty. Although the President repeatedly vowed that he would not accept these provisions, arguing, correctly, that Congress did not have constitutional sanction to make such decisions, Congress eventually triumphed. Incoming Defense Secretary Frank Carlucci struck a rotten compromise with Congress, under which SDI funds for FY 88 could only be used for tests consistent with the restrictive interpretation. In addition, although the administration refused to abide by SALT II sublimits, it did agree to retire a Poseidon submarine whose deployment surpassed those limits. The compromise also extended a near-total ban on ASAT (anti-satellite) tests.

Congress took the same hard-ball approach to the U.S. deployment in the Persian Gulf, attempting to force the invocation of the War Powers Act, in order to keep the Persian Gulf free for Khomeini's terrorists. Opposition to the deployment crescendoed Aug. 5, when 100 Democratic members

of Congress, led by Rep. Mike Lowry (D-Wash.) filed a suit in U.S. federal district court demanding that Reagan be forced to invoke the act, as authority for sending U.S. military forces to patrol the Persian Gulf. The suit is still in the courts.

On the Senate side, Majority Leader Robert Byrd (D-W. Va.) teamed up with Sam Nunn and liberal Republicans like Lowell Weicker (R-Conn.) to try to force an end to the deployment. As *EIR* goes to press, the Senate has not been successful, but the issue is still very much alive.

Congress played an equally unsavory role in other important areas of strategic and foreign policy, applying the Philippines treatment developed by the National Endowment for Democracy's "Project Democracy," to Panama and Haiti. In line with this, Congress sabotaged its vaunted probe of the Iran-Contra scandal, in order to keep the NED apparatus intact.

AIDS: a few small steps

Though the vast majority of congressmen and senators continued to hide behind the Centers for Disease Control's line on AIDS, there were actually a few glimmers of sanity on the issue. On Jan. 7, Rep. William Dannemeyer (R-Calif.), a supporter of the California AIDS ballot initiative, Proposition 64, introduced an omnibus package of legislation to stop the spread of the deadly virus. Condemning the U.S. Public Health Service and state medical authorities for their "failure to act," Dannemeyer said his legislation was required to fill "a dangerous void in public-health policies and protections." The congressman said that the "linchpin" of his legislation was criminal penalties for those who carry the virus and "purposefully engage in activities considered high-risk, for purposes of transmission."

Congress did not adopt the Dannemeyer package; but did vote in favor of more limited measures, among them, proposals for mandatory testing of immigrants, and an amendment, sponsored by Sen. Jesse Helms (R-N.C.), to prevent government funds from being used to promote homosexual behavior. The move in the direction of a saner AIDS policy got a major boost Oct. 15, when Rep. Dan Burton (R-Ind.) warned his colleagues that if the United States failed to adopt a comprehensive mandatory testing program, 25 million Americans could be dead of the disease by the year 2005. Burton based his prediction on a new study conducted by Dr. Allan Salzberg, chief of medical services at the Veterans Administration in Miles City, Montana, which he sent to every office on the Hill.

Another chance?

Despite this miserable record, Congress can redeem itself when it reconvenes in mid-January. The most important issue on the agenda will be ratification of the INF Treaty. With an estimated 25 or so hard-core opponents of the pact, and another 25 undecided, it is entirely possible that the sell-out agreement could be defeated. But that will require the kind of political courage that was so lacking in 1987.

U.S. Constitution challenged in Justice Department's 'LaRouche case'

by Nancy Spannaus

From the history of U.S. government actions in 1987, there is no doubt but that the Justice Department was acting to finish off Democratic presidential candidate Lyndon LaRouche and all institutions associated with him during the Bicentennial year of the U.S. Constitution. It is a testament to the tenacity of the targets, the strength of their international support, and perhaps even the disarray of LaRouche's enemies that the government did not succeed.

The brutal government assault certainly did a considerable amount of damage to the physical resources of the LaRouche political movement. Most significant was the action by which the two most widely circulated publications put out by LaRouche associates, *New Solidarity* newspaper and *Fusion* magazine, were wiped off the map. The financial drain and terrorization of supporters also had tangible effects.

But the Justice Department networks who carried out these actions, in collaboration with the Soviet Union, have failed at their most important objective—shutting down the LaRouche presidential candidacy. They are now faced with attempting to carry out their judicial railroad while LaRouche is actively campaigning in the midst of the greatest crises the country has experienced in decades. Under such conditions, the danger is constantly increasing that the man whom they wish to condemn for his and his friends' efforts to "save Western civilization," may become the rallying point for millions of Americans disgusted with their government.

'Operation shut-down'

The first four months of 1987 were characterized by the most concerted series of police-state, "legal" actions that this country has known since the time of the Palmer Raids. In every month, the government carried out some new "surprise" arrest, series of arrests, or raid, against a number of LaRouche associates. The number of individuals arrested and/or indicted rose from 9 to a total of 40, including LaRouche himself. With each new arrest, of course, the financial burden of legal defense rose dramatically.

This of course followed the 400-person raid on the Leesburg, Virginia offices of LaRouche associates on Oct. 6-7, 1986, and the indictments of 10 individuals in October and

December. In late December, five individuals—all writers for this magazine—were being held in prison without bail by federal authorities; but they were all released by mid-January.

The first arrest of 1987 was on Jan. 16, when leading organizer Michael Billington—already indicted in the Boston federal case—was picked up at midnight, on a warrant stemming from an unpaid loan. Billington spent three weeks in jail, essentially in debtors' prison, until the government of Missouri dropped the charges on the condition that the loan be paid up to date.

Approximately one month later, Feb. 17, the state of Virginia swooped down, unannounced, to arrest 15 fundraisers working out of the offices of *Executive Intelligence Review* and Caucus Distributors, Inc. in Leesburg, Virginia, and Baltimore, Maryland. Announcing that she was going to "shut down" the LaRouche fundraising operations, Virginia Attorney General Mary Sue Terry, along with U.S. Attorney for Eastern District of Virginia Henry Hudson, made the unprecedented declaration that the political fundraising and loan-taking being done by the organizers, were part of a scheme for selling unregistered securities.

In fact, loans to political organizations have never been interpreted as "securities" before, and the charge was a transparent attempt to shut down political fundraising activities, by a member of the Democratic political machine committed to wiping out LaRouche.

Terry's blatant political efforts were followed exactly one month later, by arrests stemming from New York State charges that 15 fundraisers and corporate officers had "conspired to defraud" contributors. Once again, without any notice that charges were being brought against them, individuals were suddenly picked up and thrown in jail on "fugitive" warrants.

This shocking behavior was compounded in California, where defendant Mark Calney was arrested on a New York warrant. New York State demanded a \$500,000 bail for Calney, who had never been arrested before. Upon application that this was cruel and unusual punishment, the Los Angeles court only lowered the bail to \$150,000. Fortunately, the New York judge did not share the animus of the state offi-

cials, and commuted the bail down to the \$10,000-20,000 level, as with all the other defendants.

Despite the flimsy nature of the charges, and the blatant political motivation, especially in the Virginia case, neither of these state cases has been thrown out. On the other hand, neither has yet come to trial, and New York has added at least one new defendant to the case, since the original arrest. Furthermore, in early December, state and local officials in California were also threatening mass indictments growing out of the AIDS initiative which associates of LaRouche put on the ballot in that state in 1986. The revived interest in indictments was an immediate reaction to the successful petition drive to place a similar initiative on the 1988 California ballot.

Execution before trial

There is no question but that the mass arrests of 1987 were orchestrated between the state governments involved and the Justice Department, as part of a nationally coordinated shut-down operation. But, the Justice Department was disappointed with the results. They had thought that such new assaults, which limited fundraising capabilities by such actions as eliminating loans, put fundraisers under tremendous stress, and cost hundreds of thousands of dollars in legal defense, would combine with the pressures of preparing the defense in the Boston federal trial, to shut off the political momentum of the LaRouche movement. But it didn't work.

So, on April 21, 1987, the federal government carried out a new and completely unprecedented exercise of police-state power. After having gotten permission in a secret proceeding with a federal bankruptcy judge, federal authorities marched into Leesburg, Virginia, and padlocked the offices of three corporations: the Fusion Energy Foundation, Inc.; Campaigner Publications, Inc.; and Caucus Distributors, Inc. All three businesses were declared to be under the control of government-appointed trustees, pending adjudication of the charge that they were involuntarily bankrupt. Offices of Caucus Distributors in other parts of the country were also seized by federal marshals.

Judicially, defense lawyers characterized the move as "execution before trial." Two of the corporations summarily shut down were already under criminal indictment in the Boston federal court, and preparing to defend themselves. The bankruptcy action abruptly cut off their funds, and threatened to subject their officers to interrogation by the same government which was prosecuting them.

The assault on the Constitution which this action represented was unprecedented, and mind-boggling. First, the action violated the First Amendment, freedom of the press and political expression, by halting the publication of two longstanding publications by LaRouche associates. *New Solidarity*, which had been published for 14 years, and *Fusion* magazine, in existence for 10 years, just simply ceased to exist.

Second, the action attempted to force the LaRouche associates involved in these corporations to choose between the exercise of their Fifth and Sixth Amendment rights. Although their Fifth Amendment right should have allowed them not to testify to the bankruptcy officials who were seeking information on the corporations, the government tried to interpret that action as evidence of guilt. However, if they collaborated with the bankruptcy officials, they would be handing over information to the government which it intended to use against them in the Boston federal trial.

Indeed, the action itself represented a *prima facie* invasion of the Sixth amendment rights of the defendants in the Boston criminal case, since the government seized the legal defense files and the legal office of the defendants in their bankruptcy shut-down. While the bankruptcy judge finally ordered return of these materials, this only occurred after the government had had the defense material in its possession for several weeks.

Also unprecedented was the fact that the bankruptcy shut-down was taken at the behest of only one "creditor"—the federal government itself. This is the first time in U.S. history that the government has been the petitioning creditor in an involuntary bankruptcy case. The Justice Department claimed that the three corporations owed it \$16 million in contempt fines, between them, although the levying of these fines was on appeal. Legally, an involuntary petition must be brought by three creditors. To this day the government has not remedied the second criterion.

This was not only the first time that the Justice Department brought an involuntary bankruptcy action; it is also the first time that the government has used bankruptcy as an adjunct of a criminal prosecution.

Political vendetta

During the course of all these political assaults, the federal government continued the drive on its main legal front against LaRouche and his associates, in the federal conspiracy trial of *U.S.A. v. The LaRouche Campaign, et al.* Faced with demands for discovery and confronted with evidence of blatant violations of due process, of illegal search and seizure, and of selective and vindictive prosecution, the Department of Justice both stalled and parried.

Then, in mid-June, as LaRouche began to gear up his election campaign, the corrupt William Weld and Stephen Trott made the decision to indict the candidate himself. First, he was invited to give testimony before the grand jury in Boston, which he did on June 29. The situation had been well prepared by the prosecution, however, for less than 24 hours after LaRouche's voluntary testimony, a sealed indictment for one count of "conspiracy to obstruct justice" was issued.

The move was obviously political, but, by this point, the government didn't care. Not a shred of new "evidence" had been gathered against LaRouche since the first indictments had been handed down on Oct. 6, 1986, and the first

The assault on the Constitution which the April bankruptcy action represented was unprecedented, and mind-boggling. First, the action violated the First Amendment, freedom of the press and political expression, by halting the publication of two longstanding publications by LaRouche associates. New Solidarity, which had been published for 14 years, and Fusion magazine, in existence for 10 years, just simply ceased to exist.

superseding indictment issued on Dec. 16, 1986. The "evidence" amounted primarily to reports that LaRouche had received documents from intelligence community cut-out Roy Frankhauser, which included recommendations that certain actions be taken that could be interpreted as obstruction of the Boston grand jury; and entries in notebooks of other defendants which indicated that they were taken in reference to discussions with LaRouche. At most, a lot of hearsay.

But, by this time, the government had determined to go for broke. LaRouche's enemies in the Justice Department and intelligence community had come to the conclusion that they didn't have a chance of breaking LaRouche's movement, unless they broke him personally, and that there was no use just going after his associates. It was now out in the open: the U.S. government versus LaRouche.

Coming to a conclusion

It is in 1988 that the judicial war between the enemies of the U.S. Constitution and the LaRouche movement will come to its fateful end. Most emphatically, the result will depend upon the outcome of the U.S. presidential primary process, not the other way around.

However, certain critical legal decisions have been made, or will be made, that will signal the relative strength of the protagonists at present.

Exemplary of such a decision was the Boston prosecution's move to join with the longstanding defense demand to sever the trial of CIA cut-out Roy Frankhauser from the larger "LaRouche" trial, and then to try Frankhauser first. This decision virtually assured that the prosecution would get a conviction to take into the main trial, since Frankhauser's

court-appointed lawyer had made it clear that he would only "defend" his client by attacking LaRouche.

The Justice Department got its conviction of Frankhauser—but it paid a significant price for this victory. Throughout the two-week trial, witness after witness undercut the prosecution's (and defense's) argument that Frankhauser was not connected to the intelligence community. Additionally, there was considerable evidence put before the court about LaRouche's connections with the intelligence community. Prosecuting attorney John Markham's attempt to claim that this is a "simple fraud case" has probably been fatally undercut.

Added to this is the prosecution's continuing problem of finding any direct evidence at all to support its claims of the existence of a conspiracy to obstruct justice. Every shred of "evidence" available to the government on these points comes either from a known liar, such as Forrest Lee Fick, or from notebook entries of the defendants which have no provable causal connection to what happened.

At the opening of the main trial on Dec. 17, Assistant U.S. Attorney John Markham attempted to circumvent this problem by concentrating on presenting a picture of organizational dynamics among LaRouche's associates, that would create the plausible impression that LaRouche was responsible for anything which his associates did, or appeared to do. But Markham had to lie relentlessly to create his impression. The facts will not sustain his picture during the course of his 140 witnesses, and the projected six-to-nine months of trial.

It is to be expected that the establishment powers who want LaRouche out of the way will do everything in their power to try to rig the trial, of course. Once again, as in the NBC trial of 1984, media can be expected to play a major role in slanting perceptions. But in the current volatile political period, it is by no means likely that the establishment will be able to maintain its controlled environment.

The outcome of other legal battles could also have a significant impact on the ongoing Boston trial. A decision is due at any moment on the Justice Department's attempt to win a declaration of "summary judgment" in the bankruptcy case, for example. Pre-trial rulings in the New York and Virginia cases could also affect the momentum.

Also on the back burner, although with a potential backfire effect, is the Justice Department's attempt to concoct a racketeering and tax fraud case out of an ongoing federal grand jury in Alexandria, Virginia, run by the same U.S. Attorney's office which initiated the April bankruptcy seizures.

Observers believe that the Justice Department has lost a lot of momentum, as the weaknesses of its case have become apparent in Boston and elsewhere. Their ultimate objective has always been to eliminate LaRouche, and to silence the political movement and publications he has inspired. Nineteen hundred eighty-eight could be the year they fail.

Rights commission scores 'KGB justice'

by Marianna Wertz

In October 1986, an international Commission to Investigate Human Rights Violations was created, in response to the unprecedented police raid against the Leesburg, Virginia offices of publishing companies and political organizations associated with U.S. presidential candidate Lyndon H. LaRouche, Jr. For the commission, 1987 was an extremely active year.

The Commission, headquartered in Paris, France, was called into being by friends and supporters of LaRouche from many countries of the world, who expressed their grave concern that he and his associates are being attacked and harassed unconstitutionally because of their political views, and not because of the alleged "credit card fraud" or "conspiracy to obstruct justice" for which they are under federal indictment in Massachusetts.

The Commission's concern transcends the issue of LaRouche and his constitutional right to campaign as a presidential candidate. Out of full knowledge that no Western nation can defend its freedom if, in the leading Western nation, the United States of America, an "unwanted" candidate can be eliminated through the abuse of legal and constitutional principles, the commission to Investigate Human Rights Violations determined to shed public light on the events surrounding the "LaRouche case."

Therefore, in April 1987, the commission addressed a petition to President Reagan, signed by individuals from the United States, Ibero-America, Europe, and Asia, urging the President to meet and discuss with representatives of the commission, among them many distinguished law professionals. The text of the petition, which President Reagan ignored, was later published with the list of signers in many American newspapers as a paid advertisement.

In May and September 1987, the Commission held three major international conferences, in Paris, France and Washington, D.C., hearing witnesses on the "LaRouche case," and experts on the importance and influence of LaRouche's work. Following these hearings, a fact-finding committee of

the Commission, composed of jurists from several nations, published a two-volume report on its findings, based on a six-month investigation, declaring there to be "prima facie proof of wide-ranging, severe, and systematic violations of human rights in the LaRouche case," including violations of the First, Fourth, Fifth, and Sixth Amendments of the United States Constitution; American civil rights laws; the United Nations Charter; and the Helsinki Accords.

Asserting that "KGB- or Gestapo-style police-state brutalities and other excesses have been committed in the name of 'law enforcement,'" the fact-finding committee also cited the report submitted by Brig. Gen. Paul-Albert Scherer (ret.), the former chief of the military counterintelligence service of the Federal Republic of Germany. General Scherer identified the "LaRouche case" as a "typical, targeted psychological terror campaign of worldwide proportions against the person of Lyndon LaRouche and against his potential influence . . . aimed at eliminating an opinion-shaper who is a considerable disruption to the Kremlin's policies, and who can neither be silenced nor influenced by means of the usual financial arrangements."

Perhaps the most extraordinary activity undertaken by the commission to date was to sponsor a Dec. 4 benefit concert by Norbert Brainin, lead violinist of the legendary Amadeus Quartet, and Günter Ludwig, a leading West German pianist. The concert, with works of Mozart, Brahms, and Beethoven, was "dedicated to Mr. Brainin's good friend, Lyndon LaRouche." It was held in Boston's beautiful Jordan Hall at New England Conservatory, before an audience of over 500 supporters of Mr. LaRouche from the New England area, and was called an "extraordinarily rewarding recital" in the *Boston Globe's* review the next day.

Also extraordinary was the first conference of the commission held in New Delhi, India on Dec. 12, under the title, "The Fight for the Inalienable Rights of Man: The Constitutional and Political Implications of the Attempt to Silence Presidential Candidate Lyndon LaRouche in the U.S.A." 75 individuals attended, including representatives from scientific and educational institutions, attorneys, the press, and numerous college students.

On Dec. 17, a full 13 months and millions of dollars after the Oct. 6 raid against the offices of LaRouche's associates, the trial of *U.S. v. The LaRouche Campaign, et al.* began in Boston. The commission sent a delegation of four observers to the trial: Col. Jean de la Martinière (ret.), a much-decorated French Air Force veteran of World War II; Dr. Frederick Wills, vice president of the commission and former justice minister of Guyana; Mr. Ricardo F. Martín Mora, former assistant attorney general of Peru; and attorney Larry Lopez-Alexander, a former municipal judge in Colorado. The presence of these and future observers in the courtroom is intended by the commission to bring the kind of sharp international spotlight to bear on this trial, which has the power to counter the "KGB-style" justice prevailing in this case to date.

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