

EIR

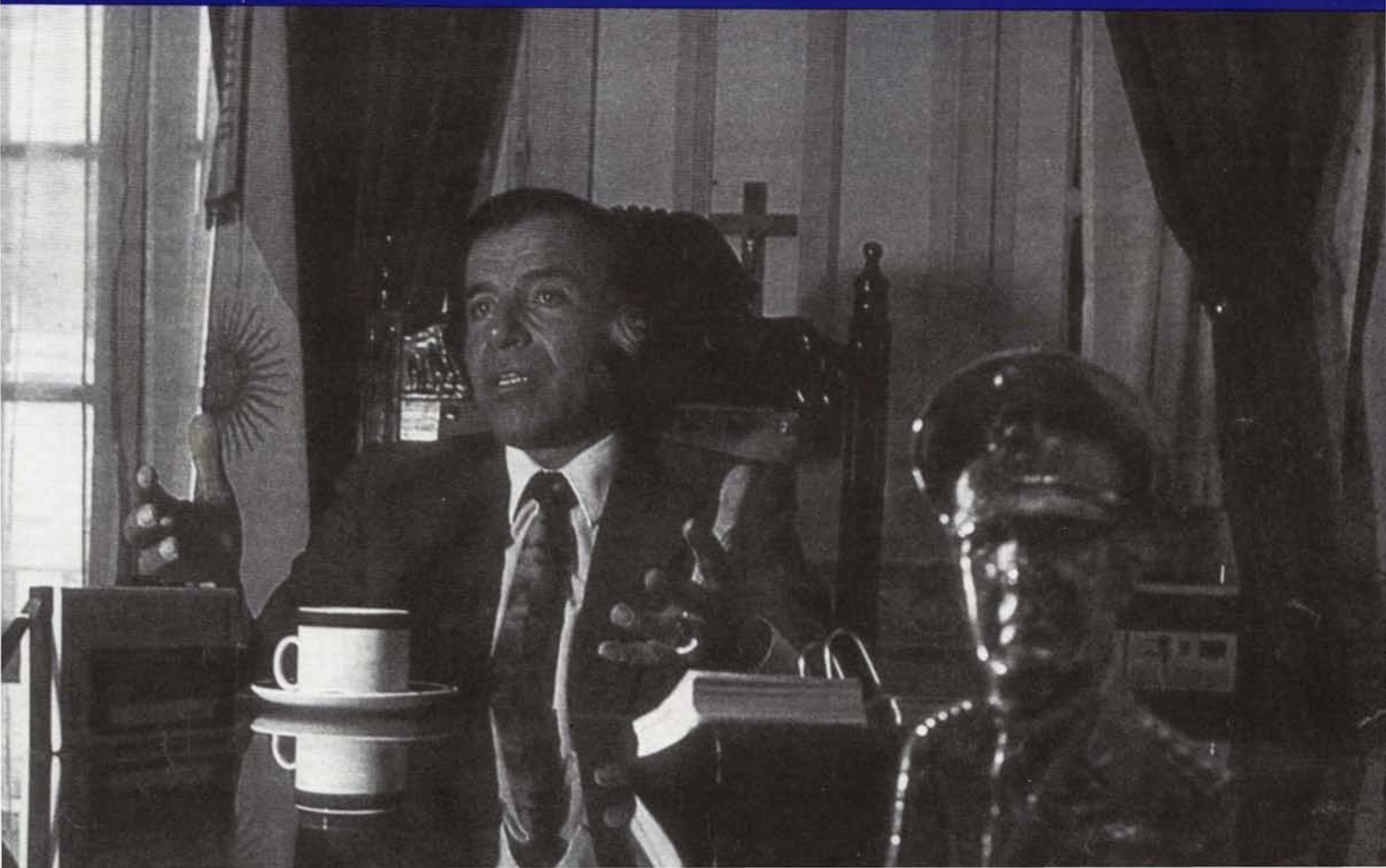
Executive Intelligence Review

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\$10.00

150 Latin American lawmakers back Noriega
'Clean air' could bury electric utilities
Foley fronts for Wall Street S&L asset grab

**Argentina at a crossroads:
Can the nation be rebuilt?**



EIR has commissioned this White Paper to bring the truth of the developing Panama crisis to American citizens and lawmakers, so that decisive action can be taken to stop this campaign before the United States faces a new strategic crisis on its Southern Flank.

White Paper on the Panama Crisis

18 months later: the Project
Democracy assault on Panama



Americans have been told that there is a crisis in Panama because a "narco-dictator" rules. That the United States government has mobilized to drive him from power. That only when Defense Force Commander General Manuel Noriega is out of the way, will Panama be safe for democracy, and U.S. interests in the region protected.

Is this true? The answer is no. On this, the Reagan administration is wrong, dead wrong.

Did you know, that the so-called "democratic" opposition movement which the State Department seeks to install in power is led by Nazis, drug-traffickers, drug-money launderers, advocates of narcotics legalization, and arms-traffickers?

Did you know that the liberal Establishment's "secret government" created the crisis in Panama, lock, stock and barrel, as an excuse to bring those drug-runners to power?

That the campaign against General Noriega is being run by the same team which was caught trading arms-for-hostages in the Iran-Contra scandal?

That the attack on Panama went into full gear when Panama's military angered international bankers, by seizing bank accounts caught laundering drug-money? If you had read *EIR's* Special Report, you would know.

This 135-page report, now updated, provides:

- A "Who's Who" in the drug mob's campaign to overthrow Panama's government;
- The facts on how the Establishment's secret government set up the war on Panama, why they did so, and how the Soviet Union will benefit from it;
- The story of how that liberal Establishment, through David Rockefeller's Trilateral Commission and the New York Council on Foreign Relations, created the "offshore" banking center in Panama, to handle their debt-and-drug looting of South America;
- A proposed alternative strategy, based upon the industrial development of Panama. With the long-overdue construction of a second, sea-level Canal—the necessary centerpiece of a booming Ibero-American Common Market—Panama can break its dependence on the "offshore" economy owned by the international banking cartel.

\$100 per copy, postpaid.

EIR

SPECIAL REPORT

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Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

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

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From the Editor

Some American citizens seem unable to grapple with the harsh realities which, for once, our mass media, did a certain service in presenting to the world, by recording the unspeakable horrors of repression in China. Some criticize *EIR* for telling the truth about the failures of President Bush; others grope for a theory that would ascribe to outside Soviet intervention, the provoking of the mass student movement which upset the well-laid plans of the U.S. "China card." Others swallow the media-nourished line that Panama's General Noriega is using "Red weapons" against the United States, while in reality (see *International* lead story), as more than 500 Ibero-American legislators have affirmed, Noriega is a symbol of resistance to the Soviet-U.S. "New Yalta" arrangements for carving up the nations of the world into respective empires!

The irony is that we are about to see a reversal of the perception in which for years some of our weaker citizens have reacted to *EIR* and other publications associated with Lyndon H. LaRouche, Jr. as "too negative." If anything, we have understated the reality which recent events have confirmed: The battle is on for Western civilization, for those values which alone can save humanity—all of humanity. Both China and the Soviet Union are Evil Empires, ruled by a hideously anti-human oligarchy to whom the notion of the human individual endowed with the divine spark of reason, is utterly alien. And those in the West who deliberately cover up this reality, are just as evil.

Our *Feature* focuses on the problems being confronted by Argentina as one of the State Department's darlings, Raúl Alfonsín, leaves office. We offer a detailed diagnosis of the results of six years of wrong economic policies, and on this basis, a recipe for turning this situation around. The key, we reiterate, will be freeing Lyndon LaRouche from jail; and we are happy that he is reasserting his role as a providential leader, by choosing to campaign for Congress (p. 60).

Nora Hamerman

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Famine looms over U.S.S.R., just as LaRouche warned

by Konstantin George and Luba George

The Soviet Union is facing the threat of a famine, perhaps as early as the coming winter, with unforeseeable human, political, and strategic consequences. The looming famine, anytime during 1990-91, could equal or surpass the calamities of the early 1930s caused by Stalin's forced collectivization, and Moscow's confiscation at bayonet-point of the harvest and food stores. This created two of the biggest genocides of the 20th century, the death of 8 million Ukrainians and 2 million Kazakhs, to name but the two most horrendous cases.

Famines in the Bolshevik police state are ugly on two counts: While the level of food shortfall would define the *number* of victims, the ethnic and geographical *location* of the mass slaughter will, as in the 1930s, be decided by the Soviet leadership.

As in the 1930s, the areas most threatened by famine are the U.S.S.R.'s two most populous non-Russian regions: the Ukraine with 50 million people, and the Central Asian Muslim republics, with a combined Muslim population of nearly 40 million, nearly 20 million of whom are in Uzbekistan.

'Hunger may await us'

The first public, urgent warnings of famine and accompanying destabilizations have already been issued by leading Soviet officials. The occasion was a June 16 Moscow press conference for Western journalists, whose speakers included two deputies from the new Soviet parliament: Leonid Abalkin, newly appointed deputy prime minister and chairman of the newly created State Committee for Economic Reform, and Prof. Vladimir Tikhonov, an agricultural expert. Their statements speak for themselves:

Tikhonov: "Hunger may await us. . . . If this year we don't take radical measures in agriculture, next year there

will be a real famine. I predict famine, because we don't have enough hard currency to buy food. We can expect a famine in the very near future."

Abalkin: "If we don't have the economy stabilized in one-and-a-half to two years, then a rightward swing by society is inevitable. Society will be destabilized. The estimate is one-and-a-half to two years *maximum*. Then, something unpredictable will begin. What form it will take is unpredictable, but it will be inevitable."

The same day, June 16, at a Moscow meeting of academicians to discuss the recent session of the Congress of People's Deputies, an Academy of Sciences researcher, Viktor Belkin, said: "The economic situation is worse than we can ever have imagined. Sometimes I wonder if we can survive through the autumn. The economy is becoming increasingly cannibalistic, feeding on itself to keep alive."

There was no end to the barrage of catastrophe warnings that day. The Italian daily, *Corriere della Sera* carried an interview with Russian demagogue Boris Yeltsin, the "Soviet Mussolini," who stressed the rapidly evolving calamity and the spreading chain of unrest, both in scope overall, and from the non-Russian regions into Russia itself: "The people can't put up with this state of affairs much longer. After that, a revolutionary situation will be created. Drastic measures are needed to improve people's lives immediately. I don't think they'll remain patient for more than a year longer."

The picture of a Soviet bloc-wide crisis rapidly coming to a head was also presented by "dissident" member of the new Soviet parliament, Prof. Andrei Sakharov, speaking in the Dutch city of Groningen, June 18: "The economic and social structures have collapsed. . . . There's a catastrophic loss of confidence in the leadership. . . . Decisive steps by

the leadership are necessary to restore confidence.”

Sakharov had begun sounding this theme in a speech he had tried to read to the new Supreme Soviet, only to be cut off by Gorbachov personally. The Sakharov text was printed in the West German daily *Frankfurter Allgemeine Zeitung*, June 14, where after stressing the depth of the crisis confronting the Soviet Union, he warned: “Should things continue to go downhill, while we lull ourselves to sleep with hopes for a step-by-step bettering in the distant future, the growing tensions in our society could explode and bring about tragic consequences.”

Central Asia famine

The extreme food scarcities leading to the Soviet famine are the prime cause of the chain reaction of riots, featuring the plundering of cooperative food shops and warehouses in the Central Asian republics of Turkmenistan in May, and in Uzbekistan and Kazakhstan during June of this year. This, and not “inter-ethnic” tensions as such—let alone alleged Islamic “fundamentalism,” as Gorbachov had declared in the midst of his Bonn visit—is the true causality behind the Uzbekistan explosion, June 3-15, that resulted in hundreds of deaths, and the ongoing riots in the Kazakhstan city of Novy Uzen, that began June 16, and, had caused according to official Soviet figures, four deaths by June 21.

To the extent “ethnic” tensions played a role, it was rage by an impoverished and hungry dominant national group (Uzbeks, Kazakhs) against members of a minority ethnic group (Meskhetians in Uzbekistan, Armenians, Georgians, Caucasus Muslims in Novy Uzen) who, through their control of the lucrative cooperative markets for food and other basics, were charging outrageously high prices. The months-long chemistry of millions of hungry and impoverished native Uzbeks or Kazakhs, with high unemployment, their realization that famine is approaching, the empty state shops, and the out of reach food prices in the cooperative shops, has now produced the expected reaction.

That such a reaction was about to transpire was of course known beforehand to the Soviet KGB and Interior Ministry, both at the Moscow and at the Uzbekistan level. The channeling of the riots to target particular Muslim minority groups, such as the Meskhetian Turks in Uzbekistan’s Fergana region, was certainly steered by Soviet KGB in its manipulation of the riot dynamic.

Cotton monoculture

The proto-famine situation facing Uzbekistan’s population of 20 million has been caused by the cotton monoculture imposed on Uzbekistan by Moscow. The Soviet-wide food crisis has generated the collapse of food, above all grain “imports” from the rest of the U.S.S.R., which have traditionally covered Uzbekistan’s food deficit. In Uzbekistan’s rural regions, including Fergana, where the riots occurred, meat consumption has fallen to a mere 8 kilograms annually

per person, or, some 80 grams per week. Reality is far worse than these official statistics. As one figure in the Uzbek autonomy movement, *Birlik* (“Unity”), stated by phone in early June: “People in the villages are living on the edge of poverty and subsisting on bread and water, because of the monopoly of cotton.” The working mass of Uzbeks live like slaves on Soviet cotton plantations. There is another “mass” of Uzbeks, the 1.5 million unemployed, who form over 20% of the workforce. The youth unemployment rate is about twice as high, comparable to that among black youth in U.S. ghettos.

Under the impossible Moscow-imposed cotton quota system, the fertile Fergana valley, which together with the Amu-Darya valley in Uzbekistan, used to form in the pre-Bolshevik past, the breadbasket for Central Asia, is almost exclusively devoted to cotton cultivation. Before the pogroms, the authorities simply informed by word of mouth the hungry populace that state cotton lands could not be leased for private plots to grow food, and then added that the only possible land available were the private plots being farmed by the Meskhetians. With this backdrop, one sees that Moscow’s immediate decision after the riots began, not merely to evacuate the Meskhetians to safety, but to remove them permanently from Uzbekistan, meant a corollary decision to redivide the land among Uzbek families.

The message delivered by Moscow through these actions, in these times of extreme scarcities, has been grasped by every hungry or starving indigenous group in Central Asia: Through riots and pillaging, food and land to ensure food during the coming famine, can be procured. A chain reaction of food riots was thus pre-programmed.

Famine, accompanied by bloodbath repressions is now on the agenda for Uzbekistan and other regions of Central Asia. The Soviet Big Lie campaign, initiated by Gorbachov himself in Bonn, asserting that “Islamic fundamentalists” are behind the riots and pogroms in Uzbekistan, is designed to prepare a mass slaughter, and by placing the label “Islamic fundamentalist” on it, preempt and prevent any Western outcry.

The bloodbath preparations, both physical and psychological/political, are the most advanced in the Russian Army. An interview with Gen. Eduard Didorenko, Deputy Interior Minister of Uzbekistan, in the June 21 edition of the Defense Ministry daily, *Krasnaya Zvezda*, graphically announced that unless hordes of “fundamentalists” were taken care of, no Russian would be safe in Soviet Central Asia:

“We are not talking of isolated and disconnected incidents, but about a mass campaign to draw Meskhetian Turks into the heart of a destructive national conflict. Since autumn of last year, certain elements have taken energetic measures to form a united Pan-Islamic Front, the primary aim of which was the renewal of medieval national hysteria, discrimination and the expulsion of the republic’s European [Russian] population, even if this required radical measures.”

Specter of starvation in the Ukraine

In a recent letter that has reached Ukrainian exiles in the West, Stepan Khmara, a leading member of the Ukrainian Helsinki Union (UHU), has warned that the Ukraine is facing a "danger greater than the famine of 1933 under Stalin." He blamed the rapidly developing catastrophe as resulting from "Moscow's economic policies in Ukraine . . . threaten the survival of the Ukrainian nation. . . . In the course of the so-called *perestroika* years, the situation in Ukraine has worsened; colonial looting has risen through the increased [food delivery] quotas to the central fund. . . . A danger greater than Stalin's famine looms over our land and our people." Khmara also stressed that "a new wave of repression has been unleashed. . . . Moscow is doing everything possible to strangle the national-democratic movement in Ukraine" adding, that "to a great extent, the fate of the subjugated nations in the U.S.S.R. depends on the policies of the U.S. . . . It would be premature to remove the label of 'evil empire' from the U.S.S.R.," Khmara warned.

The dynamic described by Khmara in the letter corresponds exactly to at least the opening phase of what Stalin did in 1932-33, when, in the context of overall hunger in the Soviet Union, the harvest of the Ukraine and all stored food that could be found by the OGPU (KGB) armed search squads was shipped out of the republic, leaving the population to starve.

The "unpredictable consequences," arising out of the coming Soviet famine, to use the words of the leading Soviet officials we quoted earlier, will not be confined to the Soviet Union. The full extent of the Soviet food crisis had been foreseen last year by *EIR's* founding editor, Lyndon LaRouche. LaRouche had said in 1988 that Moscow was confronted "with an unbelievable food crisis during 1988 and a worse one for 1989 and 1990."

Again, already in 1988, LaRouche had also warned:

"The resulting, worsening shortages of food supplies in both Western nations and the Soviet bloc have already introduced a qualitative shift in the strategic situation. How far the United States, the British Commonwealth, and western continental Europe are willing, or able to go in stripping scarcer food from the tables of their own populations to meet Soviet import requirements, is already beginning to reshape the agenda in East-West relations.

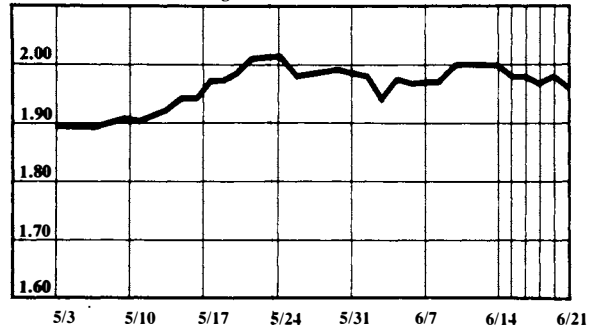
"Given the fact the combination of 'global power-sharing' negotiations and Western economic decline have delivered to Moscow a currently growing margin of military advantage, the moot proposition is, that the pressures of a savage and worsening food shortage at home will prompt Moscow to seek some sort of external military solution for its domestic crisis."

The tendency for Moscow to do precisely that will be growing in a nonlinear mode from now on, with each passing month, whether Washington has grasped this reality or not.

Currency Rates

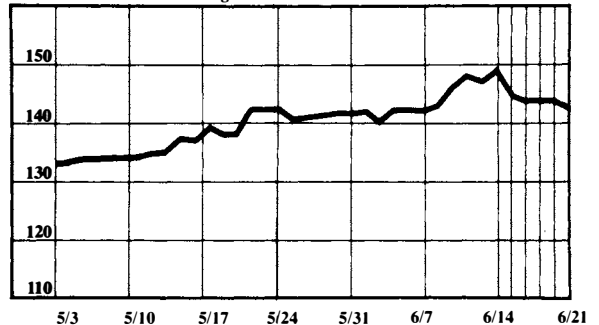
The dollar in deutschemarks

New York late afternoon fixing



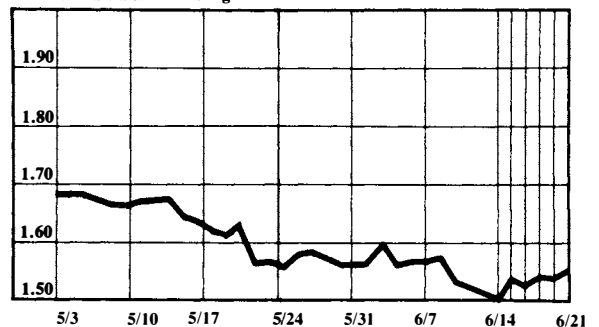
The dollar in yen

New York late afternoon fixing



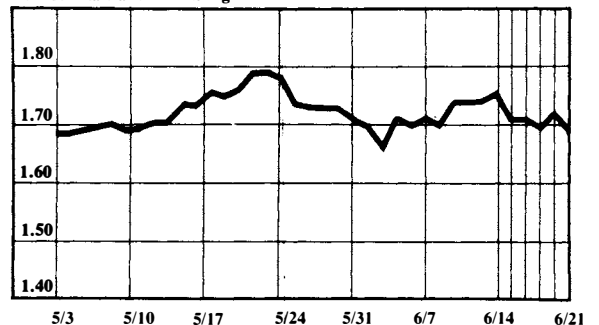
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



House Speaker Foley fronts for Wall Street S&L asset grab

by Kathleen Klenetsky

All of the “good-government” types, media pundits, and Rep. Newt Gingrich (R-Ga.) clones who hounded Rep. Jim Wright (D-Tex.) out of office with accusations of violating congressional ethics and peddling his political influence on behalf of the savings and loans institutions, have conveniently managed to overlook one of the most blatant examples of conflict of interest in the current U. S. Congress.

The case in question is that of Tom Foley, the Washington Democrat who replaced Wright as Speaker of the House of Representatives. *EIR* has obtained documentary evidence suggesting that Foley is owned by precisely those Wall Street financial interests that are poised to gobble up hundreds of ailing thrifts, under the terms of the Bush administration’s S&L bailout plan—a plan which Foley played an indispensable role in ramming through Congress June 15, just days after he took Wright’s place.

The Salomon Brothers connection

According to his most recent filing with the Federal Election Commission, Foley received an extraordinarily large proportion of his campaign funds from oligarchical financial institutions, especially the New York-based Salomon Brothers investment banking firm. The Foley FEC filing for 1988 lists approximately 250 people who contributed \$500 or more to his reelection effort; of these, nearly 25% are executives with Salomon Brothers.

Although Salomon Brothers’ extremely generous support for Foley would be remarkable under any circumstances, it takes on particular significance in the context of the S&L situation, and the ouster of Jim Wright and Majority Whip Rep. Tony Coelho (D-Calif.), who was also accused of having too cozy relations with the S&Ls.

Just as the attack on Wright was reaching its climax and his resignation seemed assured, Salomon Brothers announced that it was entering into a partnership with the Old Stone Corp. of Rhode Island and the Blackstone Corp., an investment firm headed by Council on Foreign Relations board chairman Peter Peterson. The three firms were collaborating in establishing a new entity, Stone Capital Parties, for the purpose of buying up cheap the hundreds of U.S. thrift institutions that have been driven into bankruptcy as a result of Reagan-Bush deregulation policies, and the collapse of the U.S. economy.

It’s hardly surprising that no ethics spotlight has been directed at Foley’s sweetheart relationship with Wall Street, or that, so far at least, *EIR* has been the only news organization to bring it to the public’s attention.

That simply underscores that, no matter what the *Washington Post* may have piously claimed, the issue in the Wright case wasn’t ethics or influence peddling in and of itself, but *whose* interests are to be served by the government. In the moral schema of George Bush’s Washington, it’s perfectly fine for Tom Foley to defend the interest of Wall Street banks, which feed off dope money, speculative investment, and usury, but it is the highest political crime to defend the interests of those institutions that are part of the productive economy.

It’s no secret in Washington, that one of the principal reasons Jim Wright was forced from office, was that he had attempted to defend the thrifts industry, especially in his home state of Texas. The effects of former Federal Reserve chairman Paul Volcker’s double-digit interest rates during the Carter administration, followed by the passage in 1982 of the Reagan-Bush banking deregulation bill, combined with collapsing real estate and oil values, sent hundreds of Texas S&Ls into bankruptcy. The “ethics probe” into Wright focused in part on his allegedly inappropriate interventions on behalf of his state’s thrifts.

Wright was known to believe that allowing the state’s S&Ls to be bought up by the big money-center banks, would further decimate the Texas economy. Kenneth Guenter, executive vice president of the Independent Bankers Association, gave an indication of why Wright was targeted, when he told the *Congressional Quarterly* that the former Speaker had been “a firm, ongoing proponent of a diversified banking system, and an opponent of massive concentrations of power.”

The Bush administration, whose S&L package was clearly geared toward facilitating the buy-up of the remaining S&Ls by the money-center banks, saw the Speaker as a major obstacle to getting their S&L plan through the House. Therefore, it was hardly surprising that the political assassinations of Wright and Coelho occurred just as the Bush plan came up for consideration.

The House passed the administration’s S&L proposal by a vote of 320-97 on June 15. The Bush victory was a complete

turnaround from the situation that had earlier prevailed. Many congressmen, including many Republican members, had introduced amendments that would have modified the Bush package, so as to keep alive hundreds of thrifts that would, under the administration's tough new capital requirements and other provisions, fail, and then see their assets devoured by Salomon Brothers, Merrill Lynch, or one of the other megabanks that are planning on making a bundle by feeding off the carcasses of the S&Ls.

This unfortunate reversal can be credited to the police-state tactics which Bush and his allies are freely using to force their policies through. According to various sources, the watering of Wright and Coelho played an indispensable role in creating the climate of fear and intimidation that ultimately succeeded in stampeding Congress into backing the Bush plan.

Stu Eizenstat, former top domestic adviser to President Jimmy Carter, gloated in an interview in mid-June that the reason the Bush proposal won by "such a lopsided vote, was that many of the congressmen who had planned to offer amendments to the bill, decided not to, because they didn't want to be seen as giving a sweetheart deal to the S&Ls." They saw what happened to Wright and Coelho because of their ties to the S&Ls, Eizenstat continued, and they didn't want it to happen to them.

For weeks before the vote, the *Washington Post* and other media outlets had kept up a steady stream of stories focusing on the "corruption" allegedly endemic among the thrift institutions and their congressional partisans.

Foley's role

Tom Foley played a crucial role in forcing the Bush bill through, collaborating closely with the White House to whip his congressional colleagues into line. "Without Foley's assistance, I doubt very much that the package would have been passed by the House without a string of amendments," said one Washington insider.

Foley, and Newt Gingrich—the libertarian Robespierre who fomented the "get Wright" campaign—were among a select group of House leaders who met with the President on June 14 to map out last-minute plans for ensuring the S&L package's adoption by the House. That same day, Rep. William Gray (D-Pa.), emerged from the Democratic Congressional Caucus meeting which elected him to replace Coelho as Majority Whip, and announced to reporters that his goal was to get the administration's misnomered bailout plan through the House.

As Eizenstat put it, the passage of the S&L plan "is testimony that Foley and Bush have already succeeded in establishing a bipartisan consensus" on key policy issues.

Foley himself, appearing on one of the national television talk shows June 18, proudly pointed to the S&L bill as an example of the cooperative relationship he and the White House have forged.

Bipartisan disaster

The Foley-Bush brand of bipartisanship spells disaster. Besides costing taxpayers \$300 billion, the bill will put 700 S&Ls out of business by doubling capital requirements over the next few years; this means that the taxpayer will foot the bill for tens of billions of dollars more in the resulting liquidation and sell-off of these institutions, which will be sucked up by the Wall Street crowd—like Foley's sugar-daddies at Salomon Brothers—to bolster their own deposits.

Originally created to be the bedrock of the home mortgage market, and one of the few credit sources independent of Wall Street, the S&Ls will totally disappear.

Unheralded in the press accounts of the bill, are the police-state measures given to the FBI and Justice Department to "clean up" the S&L mess. Under the terms of the Bush plan, the Justice Department will receive an additional \$50 million to prosecute S&L executives accused of bad banking practices. This will enable the hiring of 100 new federal prosecutors and 200 new FBI agents. The bill also doubles the statute of limitations on bank fraud cases from the current 5 years to 10 years.

Passage of the S&L bill is not the only disastrous outcome of the current "ethics" campaign. The orgy of scandal-mongering has also given new life to various congressional "reform" proposals, which all share a common goal: cutting Congress off from constituents, so that it can function as an efficient rubber stamp for the fascist economic policies that are coming down the pike.

Former President Jimmy Carter, who's virtually functioning as George Bush's co-President, laid out the general lines these "reforms" will take, in a commentary published in the June 12 *Washington Post*. Entitled, "Congress for Sale—The Former President Thinks It's Time for Reform," the Carter piece painted the Congress as a bunch of crooks who should be ruled by fear. "It is unfortunate that only a major scandal and an aroused public are likely to bring an end to the acceptance of large sums of money from lobbyists and others who now routinely and legally benefit from the 'obligations' they purchase," the Trilateral Commission's Carter wrote.

Carter attacked not only receipt of honoraria for speaking engagements by congressmen, but even contributions from political action committees (PACs). He demanded "practical limits on campaign expenditures and an end to speaking honoraria, special entertainment contributions, and financing by PACs" in return for which congressmen would receive a pay increase.

Carter's recommendations bear a marked similarity to ones made earlier this year by his former White House counsel, Lloyd Cutler, who headed a commission on federal pay scales. Cutler, who has spent the last decade organizing against the U.S. Constitution, on the grounds that it permits too much constituency pressure on elected officials, is another financial backer of Tom Foley.

EPA fields 'clean air and water' gestapo

by Marcia Merry

Picture one fine day in old Amsterdam. Rembrandt van Rijn is in his studio, windows flung open, painting the Holy Family. Comes a loud knock on the door. The Urban Environs Police have arrived. The charges? Paint fumes are wafting out the window and fouling the air. Rembrandt is put on notice to desist, and fined 50 florins.

Absurd? Equally absurd incidents are already happening in many locales across the United States. Furniture companies are fined for the smell of varnish. Food factories are fined for the aroma of cooking. Be careful of your aftershave.

Why does this insanity take place? Because, at the core, there is much worse going on. Arrangements are now being made to create a gestapo of coordinated federal and local surveillance and enforcement, to target and shut down any and every farm, business, and energy enterprise regarded as undesirable, with no scientific justification at all. The rationalization for all of this "environmental law enforcement" is to protect the air and water. The true motivation is something else. The originators of this clean air and water craze are an international political and financial faction, working through such front groups and individuals as the Conservation Foundation/World Wildlife Fund, Jeremy Rifkin, Greenpeace, and others, in order to end individual freedom and national sovereignty, and to revert to neofeudalism. For these groups, the expression of environmental concern is just an excuse to whip up public hysteria, while the national economy itself is being dismantled.

On June 19, the Environmental Protection Agency announced the initiation of a national database on the locations and other specifics of industries, cross-gridded with a survey of toxic emissions by county, and stored in a computerized grid, available to the general public. The rationale is that any citizen can access the information to know what chemicals they may be exposed to in their areas. The EPA issued a report providing an inventory of more than 300 reputedly cancer-causing chemicals, released by manufacturing facilities into the air, land, and water. States are ranked by amount of emissions of these imputed toxins.

Already, the EPA has had to state an erratum. California was originally listed as first in rank, due to the presence of sodium sulfate in its environment. The EPA has since admitted that sodium sulfate was erroneously listed as toxic. It isn't. And therefore, California sinks to ninth in the rank order of states with toxins in the environment. This kind of shoddy work characterizes the entire EPA study. But, agency

officials excuse themselves by saying that the work is not final, but presented as "raw" information for the benefit of the public. In other words, misinformation to scare people.

The new head of EPA, William K. Reilly, is an expert at doublespeak. He said that the new database is a "break-through that will facilitate citizen involvement in assessing the risks of toxic chemicals and developing community strategies to prevent pollution."

Recruiting eco-terrorists

What he means is that the EPA information system is designed to provoke "sniper" actions by any misanthrope or provocateur anywhere. For example, there is an ongoing state case against a light manufacturer in New Jersey, whose principal complainant is a local woman with a 30-year record of compulsively filing complaints against all local businesses. In the current case in question, she has, for example, mistakenly insisted that her own tree seed droppings were particulate matter from the factory's smokestack. Nevertheless, the Trenton Department of Environmental Protection, biased against industry, upheld her "citizen right" to have a multi-thousand-dollar hearing on whatever charges she chooses to file.

The new EPA database can be expected to unleash such actions on a scale that will close down thousands of business activities, farms and other enterprises, throwing hundreds of thousands of people out of work.

To hasten this process, the private agency National Resources Defense Council also got in on the act. On June 19, a 96 page study was released by the NRDC, called, "A Who's Who of American Toxic Air Polluters—A Guide to More Than 1,500 Factories Emitting Cancer-Causing Chemicals." The report states that industry "is using the atmosphere as a garbage dump to dispose of hundreds of millions of pounds of cancer-causing chemicals that are unregulated under the Clean Air Act."

The EPA and NRDC reports have been timed to come out while Congress considers reauthorization of the Clean Air Act. This coordination is no accident. It is arranged right from the top. The Bush-appointed head of EPA, William K. Reilly, was formerly chairman of the Conservation Foundation/World Wildlife Fund, which a few years ago founded the NRDC as the "shock troops" wing of the Washington, D.C. environmentalist lobby.

Parallel to the EPA/NRDC actions on air pollution, the EPA, the U.S. Department of Agriculture, and environmentalist groups are pushing the issue of "water quality." By year's end, the EPA and USDA plan to release a report on the nationwide condition of groundwater, in order to promote federal, state and local action against such polluters as farmers, as well as Big Business.

Already, farmers are being fined and harassed because their cows are producing manure whose odor and runoff from rainfall, is claimed to foul the environment.

Why India won't bow to 'Super 301'

The U.S. government seeks to get Delhi to abandon American system-modeled economic policies. By Ramtanu Maitra.

On May 25, India, along with Japan and Brazil, was targeted by the U.S. government for "unfair trade practices" under the "Super 301" section of the U.S. Omnibus Trade Act. "India's web of market access barriers is a serious and long-standing impediment to U.S. exports," intones the U.S. Trade Representative's report backing up the action. India was cited in particular, according to U.S. government press releases, for its "trade-related investment measures"—namely the conditions India places on foreign investment—and its "insurance market practices" (the insurance business is nationalized in India).

Despite an eleventh-hour junket to India by U.S. officials in early May, and a series of patronizing statements from U.S. Ambassador John Hubbard following the naming of India, the Indian government has categorically rejected the U.S. order to negotiate or face retaliation. In a press conference in Lucknow May 27, Indian Finance Minister S.B. Chavan said the U.S. demand for a change in India's policy on insurance amounted to direct interference in the country's domestic policy matters. "It is not for them to decide the Indian policy matters," he said, adding that every sovereign nation had a right to formulate and follow the policies it deemed appropriate. "I fail to understand the provocation," Chavan stated.

Indeed, there is a most profound irony in the U.S. "free trade" move. It is not merely that the United States, as Indian Commerce Minister Dinesh Singh pointed out, maintains its own restrictive regime, or that the unilateral move undercuts the multilateral GATT process to which the United States is otherwise nominally committed. The fact is that the policy of "protection" that independent India adopted to shape its sovereign economic development is a leaf out of the "American System" textbook, the school of political economy developed by Friedrich List in Germany, and Mathew and Henry Carey in the young United States, to ensure nation building in the face of the "free trade" depredations of the imperialism of the day. The same policy of "protection"—in force through at least the Lincoln administration—made America the economic powerhouse it became.

Why India?

Today, though, in the U.S. action we are witness to a nation that has forgotten where it came from. Thanks to the

free marketeers and the money experts who have come to rule the roost on Wall Street and in Washington, the United States has been transformed from a net creditor nation to the most highly indebted nation in the world. Its annual trade deficit, in spite of some belated protectionist measures, runs about \$130 billion in the red, and that, too, in a good year. U.S. Special Trade Representative (USTR) Carla Hills is rightly concerned about it. But out of this \$130 billion net trade deficit, India's share of the loot earned through "unfair trade practices" amounts to some \$670 million—a tiny 0.5% contribution to U.S. trade agonies!

But that is hardly the point. Ambassador Hubbard, in a speech in Calcutta following India's placement on the hit-list, was rather candid in his own patronizing way. Indeed, one finds that behind the "free market" litany and the easy broadsides—*everyone knows* that India has "the most protected markets in the world, where high tariffs, confusing licensing regulations, and out-and-out prohibitions make it much more difficult to do business than in most other countries," as Mr. Hubbard put it—there are some very specific plums to be picked.

"Why was India named?" Hubbard asked rhetorically. "I often have heard the argument that India should not be named because it accounts for such a small fraction of U.S. trade (and of the U.S. trade deficit). *Let me point out, however, that the potential of the Indian market is enormous.*" Translation: *We could really make a killing, if only the Indian government would stop being so unfair as to impose foreign equity limits, domestic content requirements, and export performance requirements.*

One has only to read through the text of the USTR report on India to have an image of the U.S. government playing agent for a gang of rogues who have just confirmed the sighting of a camp of virgins on a distant island. There we find the following official objections to India's basic economic policies raised under the section, *Investment Barriers*:

Foreign investment is usually permitted only in so-called "core sectors," consisting of some 30 officially designated industries. Investment outside these sectors is prohibited unless production is predominantly for export. . . .

Various government agencies closely screen for-

eign investment. . . .

When screening foreign investments, India considers many factors. These include the extent the project fits national planning goals, incorporates advanced technology, leads to exports or import substitution, and uses local materials and equipment.

In general, local financing is not available to foreign investors. Financing must come from foreign exchange earnings generated by exports or from foreign sources. . . .

Foreign investors generally cannot hold more than 40% equity. Majority foreign equity may be allowed if the firm is export-oriented, incorporates desired technology, or is otherwise considered vital to India's national interests.

And so on.

Another section of the report complains that since India's more than \$3 billion annual domestic insurance market is government-owned, foreign insurance giants have only marginal access.

These are the priority targets, among a long list of alleged "illegalities" which must be abandoned or significantly altered if India wishes to avoid economic retaliation from the United States.

Behind the policy of protection

A glance at the background to India's policy of protection helps put the issue into perspective. That India does have a protective system of tariffs, licensing, foreign exchange, and investment regulation that was set up to promote the sovereign development of the nation's industry and agriculture following independence from British colonial rule in 1947 is well known. What is not generally appreciated is that the policy has worked more or less well over the years and, though diluted significantly over the last decade, remains the backbone on which the Indian economy and the 800 million souls it supports, stands.

At the time the British were thrown out of the subcontinent, India had no industry worth mentioning. **Table 1** gives some indication of the level of industrial backwardness into which India had been pushed under British rule. Following independence the single biggest problem Indian leaders faced was how to mobilize financial resources sufficient to allow India to lay the foundations of its basic industries. Since India was not a colonial power like Britain, which had plundered the resources of poor nations for centuries under the guise of "civilizing the barbarians," the options before the late Prime Minister Jawaharlal Nehru and his planners were narrow.

With the population close to 400 million, and half of them pauperized by British looting, large-scale export of raw materials and natural resources to earn foreign exchange was rejected out of hand. It was recognized that India had neither the technology necessary to produce quality goods that could

TABLE 1

Per capita output comparison between Britain and India at the time of independence

Item	Britain	India	India's output as percent of Britain's
Electric energy (Kwh)	1,095	13.1	1.2
Pig iron (kg)	189	4.0	2.1
Steel (kg)	302	3.6	1.2
Finished steel (kg)	238	2.4	1.1
Coal (kg)	4,251	85.5	2.0
Cement (kg)	174	4.4	2.5
Cotton fabrics (meter)	35	14.5	41.4

Source: G.K. Shirokov, *The Industrialization of India*, 1973.

fetch premium prices in foreign exchange from abroad, nor enough capital to develop all sectors of the economy simultaneously. Basic and heavy industries had to be built up on a priority basis to utilize the resources in India, and make them available to the people and for infrastructural development, it was determined. India would have to import capital goods, at the expense of scarce foreign exchange, to build basic heavy industry and its own capital goods sector. The idea of exporting capital goods was at that time a distant dream.

Indian industrialists at the time were weak and their capability to invest minuscule, in relation to the nation's requirements. The amount of capital necessary for generating more electrical power, building more roads and railroads, developing skilled manpower, and so on, for the establishment of basic industries was far beyond the private entrepreneurs.

Ultimately, the decision to develop the country through building up primary industries (machine tools and other capital goods), a functional infrastructure, and establishment of institutions which would provide the manpower needed to run the industries, necessitated adoption of a series of policies which would lead to capital formation for a continuation of the nation-building process—a policy of "protection."

The measures taken

Following the formulation of the Second Five Year Plan (1957-61), when the thrust was directed toward the development of capital goods industries, a series of measures were undertaken to make the plans viable. They were the: a) industrial licensing policy; b) import-export policy; c) administered price policy; and, d) foreign investment policy. Through the Industrial Policy Resolution of 1956 the government put various industries into different categories—first,

those that were the exclusive responsibility of the government; second, those which could be established by government and private entrepreneurs; and, lastly, all others, which, it was assumed, would be developed mostly though not exclusively in the private sector. Industries in the first group (called "List A"), which were selected both for their strategic and capital intensive nature, included railways, atomic energy, defense, and air transport.

Industrial licensing measures were adopted to channel the limited available capital from large industrial houses (which had a vise-like grip on the banks, owning several outright) into development of smaller entrepreneurs. This was conceived not only as a means to develop new businesses but also to break the monopoly of the large business houses, many of whom were primarily traders serving the British Raj. Under the industrial licensing provisions, any enterprise which wishes to manufacture a new item or substantially expanding existing capacity must obtain a license from the relevant governmental authority.

Trade and tariff protection was provided through the import-export policy. A whole gamut of items was listed as "prohibited" under this measure to protect nascent industries brought into existence through the industrial licensing measures. Since the technology available then in India was hardly comparable to that in the West, new Indian entrepreneurs could match neither the quality nor the production cost of the same goods made abroad. The import-export measures also governed the allocation of imported raw materials and components. Some relaxation—in the form of import quotas and tariff cuts which amounted to subsidies—was, however, provided to manufacturers in a position to export their products.

Administered pricing policies were extended to those products deemed crucial or essential, including such basic items as steel, aluminum, cement, etc.

As far as foreign investment was concerned, to protect local industries the government decided to keep the multinationals out wherever Indian industry had developed indigenous capabilities. As in other areas, the specific conditions and regulations governing foreign investment have always been determined by the requirements of the overall development strategy. Priority is given to those foreign investment projects which will help boost the production potential of the economy as a whole. Conversely, projects involving consumer goods that are aimed at "cashing in" on India's large and protected domestic market are not allowed.

Taken as a whole, these measures were directed toward channeling the nation's scant resources for maximum economic effect. For example, the industrial licensing measure was used to prevent the manufacture of goods considered non-essential. The policy not only helped in "saving" capital, but also in channeling it into the small-scale industries and, to a more limited extent, agriculture. The export-import policy helped to preserve foreign exchange necessary for importing equipment and capital goods to carry out the indus-

trial development program outlined in the five year plans. Nationalized insurance and the 1969 nationalization of the 14 major private banks were also essential steps to boost the government's capability to mobilize resources internally for the development tasks.

These systematic steps—including India's famed 20% savings rate—helped to keep the country's foreign debt low, and otherwise protected the nation's elementary sovereignty. Unlike most developing nations, India depends on foreign aid and foreign funds generally for only a fraction—albeit a critical margin—of its developmental budget.

The baby and the bathwater

There is no doubt that the measures were absolutely necessary for laying the foundation of the basic industries and upgrading infrastructure. Opening up the economy in the 1950s, as Milton Friedman and others demanded at the time—and as today's financial overlords routinely demand of developing nations whose industrial capability resembles that of 1947 India—would have dealt a severe blow to the nation. The result would certainly have been perpetuation of the looting policy which the British had successfully carried out for the better part of 200 years.

None of this is to say that the protective measures worked as well as expected, or that significant distortions have not in fact crept in. A classic example of the distortions has been drawn out by G.K. Shirokov, a Soviet economist, in his book on India's industrialization. The encouragement given to the comparatively smaller undertakings, he points out, was often interpreted as a "struggle against monopolistic tendencies," and in setting up the small enterprises, ideological zeal tended to overpower economic considerations such as economies of scale. A large number of small enterprises, particularly in the textile sector, were set up which were destined to have a very high cost of production per unit of finished product. Then, to protect these small entrepreneurs, prices of finished products were set to cover their uneconomical cost of production—and the larger, more efficient units run by the "monopolists" raked in the windfall.

The late Dr. R.K. Hazari, an Indian economist and former central bank governor, showed in a 1966 study how the licensing process, which was designed to weaken the large industrialists' monopoly through competition, was actually having the opposite effect. A favorite game involved licenses for new enterprises or for expansion. After securing such a license, the large industrialist liked to sit on it. Keeping the supply of products below effective demand assured continued profits from higher prices in the non-official market and kept competitors at bay as well.

The licensing measures in particular gave birth to a host of illegalities carried out through a huge bureaucracy. The measures were used by unscrupulous businessmen and bureaucrats who conspired to create miles and miles of red tape to frustrate honest entrepreneurs. The entire government came

to be known as the "license and permit Raj"—a caricature of the original policy of protection that is today more often than not mistaken for the real thing.

The economic records

Despite these side-effects—which could have been prevented with a bit of vision and determination, and which are in fact being tackled in some measure today—the core of the approach remains sound. Indeed, the policy of protection has succeeded significantly in facilitating the development of

One has only to read through the text of the USTR report on India to have an image of the U.S. government playing agent for a gang of rogues who have just confirmed the sighting of a camp of virgins on a distant island.

India's industrial sector. A market survey of products available will show this, as does the qualitative shift in India's export content over the last three decades. While in the early 1960s less than 40% of India's total exports consisted of manufactured goods, the figure in 1988-89 is close to 70%. During the same period, India's exports have grown more than 15 times in current rupee value.

A measure of the modernization that has been achieved is the keen interest that foreign investors are showing of late. This had begun before the Beijing Massacre, and it is expected that foreign investors—Carla Hills notwithstanding—will invest more and more into India in the immediate period ahead. In 1988-89, foreign investment doubled from the year earlier.

The fact is, that the economic policy parameters established by Nehru and his team are responsible for bringing India to the point today where its "great potential" is recognized around the world. India is among the top producers in the world not only of traditional items like two-wheeler scooters and motorcycles, polished gems, and jewelry or textiles. There is a strong industrial base in metallurgical, chemical, petrochemical, and engineering industries. India has also developed significant capacities in engineering design and computer software.

The country has a massive railway network, the second largest in the world, an extensive telecommunications system which is now undergoing a major overhaul for complete

modernization, a string of major power generating facilities producing more than 60,000 MW daily, and a huge fertilizer industry to meet the needs of India's agriculture.

The country's basic economic policy has also given India the independence to develop its nuclear power sector—a vital element for economic growth in the coming century; to become self-sufficient in food and most other agro-products; and to build up an advanced space-related industry which in the near future will play a crucial role in India's security.

More important, the problems that Indian planners faced in the 1950s with respect to a weak private sector have eased considerably. Today, Indian industrialists are showing maturity. A number of them have developed the capability to invest in industries which require almost a billion dollars to set up. This strength also shows through in the capital market, which for years could mobilize no more than about \$100 million, but which leaped to \$3.5 billion 1988-89. (Admittedly, lopsided current exchange rates, which hurt every developing nation, including India, take some of the glow off these achievements, but they are nonetheless real despite that.)

No time to 'open up'

At the same time, these developments within the Indian economy should not give rise to the illusion that the measures of yesteryear ought to be torn up today. Technologically, India is still far behind the developed nations. India's industries are less productive and they waste raw materials. Measures are still very much needed to protect those industries which are essential, and upgrade their technological level. The small-scale sector—the number-two employment provided after agriculture—has remained financially crippled and technologically deprived. Protection must be provided while building up this sector's technology base and productivity. Giving foreign investors free run of this sector today would be to place the fox right outside the chicken coop.

The recent so-called liberalization steps taken by the government also call for caution. Undertaken to facilitate the modernization and technical upgrading of industry, the new policy is highlighted by the liberalization of imports, and emphasis on expanded exports, and the deregulation of most industries. In the short term, this policy tack can create serious problems arising out of foreign exchange shortages.

Finally, India's Eighth Five Year Plan is on the anvil, and if the draft paper is an indicator, the government will have to mobilize more than \$400 billion to push the plan through. This size capital requirement can only be generated internally—not more than 6% in fact will come from foreign sources. To generate such a huge amount of developmental resources, over and above government's current expenditure, India must continue to tap its own small savers, as well as financial institutions such as the insurance companies and banks, the capital markets, and rely on tariff measures as well.

Poor weather, insects threaten corn

The USDA is still saying it's "premature" to take measures, but soon, it may be too late.

A survey of the status of the 1989 corn crop shows that many parts of the corn belt are severely hit by poor weather, insects, and the potential for more trouble further along in the growing season.

Since the U.S. winter wheat crop—soon to be harvested—is estimated by the U.S. Department of Agriculture to be down by 10% from last year, making it the smallest crop since 1978, federal and local emergency measures should already be in effect to minimize other crop and livestock losses over this summer in the interests of the national security of the food supply.

Instead, Agriculture Secretary Clayton Yeutter has come to repeat his view like a parrot: It is "premature" to worry. This is the same view he stated in March, when Kansas wheat growers forewarned of the vast damage to the winter wheat crop there and in adjacent states. Yeutter still has refused to go along with congressional farm state efforts to extend the provisions of the 1988 Drought Relief Act to cover winter wheat growers, who were excluded from coverage because of the timing of their crop. "Winter" wheat is planted in the fall, and harvested in early summer.

Yeutter also said recently that it is "premature" to enact legislation to aid corn and soybean farmers (who plant in the spring, and harvest in the fall) this year. He contends that with the growing season just beginning, Congress must wait and see if help is really needed.

Among those in opposition is Iowa Sen. Charles Grassley (R), who wants

Congress to adopt standby legislation, saying that if crops flourish, the relief measures need not be applied. Grassley has never exerted leadership for the kind of national farm policies needed to resolve the overall food crisis (parity farm prices, a stay on farm foreclosures, dismantling the food cartel companies that dominate the food supply chain, etc.), but even Grassley can see that crops are threatened. He told reporters on a phone briefing in early June, "I guess I'm a boy scout. I believe in being prepared."

Grassley blames Yeutter for being overly optimistic to assume that Congress could draft a relief bill on the spot in case of emergency. This summer Congress plans to recess the last week of June through the first week of July, and also from Aug. 5 through Labor Day.

As of mid-June, the reports from the farmbelt are already dire. In Iowa—the heart of the corn belt—subsoil moisture in the south central part of the state has never been replenished since last year's drought. Therefore, the newly planted crop—which germinated in the topsoil moisture—requires a continuous sequence of "perfect" rains to do well over the summer. Pastures have withered and ponds have dried up. Many towns are relying on temporary water tanks. Hundreds of farmers have had to sell off their beef cattle, and give up their farrow-to-finish hog operations because they cannot afford to haul water for their animals.

In southwestern Minnesota, the northern borderland of the corn belt,

20 counties are very water short. Corn plants are showing signs of stress. The June 15 Minnesota edition of "agri-news" reported, "fears are increasing that this growing season will be a rerun of last year." Fred Benson, an agricultural extension official said, "Moisture has been pretty spotty. We're basically hand-to-mouth. We have adequate topsoil moisture but it will go pretty fast if we get some hot weather and winds."

This same area is also plagued by a grasshopper invasion. The back-to-back droughts of 1988-89 have allowed nearly 100% hatching of the spring hopper eggs. The young insect nymphs are feeding on grasses, and field edges—especially on the borders of the Conservation Reserve Program set-aside lands, where the USDA says no food crops may be grown. But over the summer, the bugs will shift into the corn. "That's when the big one will hit us. The row crops [corn and soybeans] will catch the dickens," according to Dave Noetzel, a University of Minnesota entomologist who calls the hopper infestation the worst in his experience of 30 years. Noetzel has written to Sen. Rudy Boschwitz (R-Minn.) asking that 2 million acres be sprayed with pesticides.

In Ohio and western Pennsylvania—the eastern boundary of the North American corn belt, the weather has been so wet this spring that farmers could not get the corn crop planted on time. Near Erie, for example, only 25-50% of the corn has been planted—which should be all in the ground by now. Some farmers had to substitute short-season corn for their preferred corn variety, in hopes of getting any crop, even if it is low in yield. Many farmers will get no proper ears at all, but will green chop the corn for silage—if they happen to be the type of operation that has the livestock to utilize the corn.

Lyme disease makes the big time

Due to environmentalist-inspired curbs on pesticides, the carriers of this serious disease have greatly increased.

From an obscure beginning in eastern Connecticut in 1975, Lyme disease has grown to become the leading vector-borne disease in the United States, and cases have been reported from France, Germany, Switzerland, and Australia. While the greatest impact is in the northeastern and north central U.S., where over 90% of all cases occur, over 4,600 cases were reported in 1988 from a total of 43 states.

The main reason for the spread of this disease is the increasing population and spread of its vector, the deer tick, *Ixodes dammini*, commonly found in the eastern United States. The western, black legged tick, *Ixodes pacificus*, specific to the western United States, also carries the causative organism, a spiral-shaped bacterium, or spirochete, called *Borrelia burgdorferi*.

This spirochete has been grown from deer and mice, which are the preferred hosts for the ticks in question. Ticks are not actually insects, but are related to spiders and mites. They usually feed three times during their two-year life cycle. They feed once during each stage of their development and can bite humans or animals at any stage.

The ticks pick up the disease-causing spirochete by feeding on an infected host, and pass it on at subsequent feedings. Younger ticks, known as nymphs, which are no bigger than a pinhead, represent the greatest risk for transmission of the infection, since in the adult stage, only the female is likely to transmit the organism.

While adult male ticks may attach

to the skin, they do not feed, and thus are unlikely to transmit infection.

Ticks can be found in almost any outdoor setting, from backyards to wooded areas. They stay at the end of tall grasses or other plants awaiting a suitable host.

Ticks identify their hosts by smell and then cling to humans or animals and crawl upwards to find a place to attach and feed. It usually requires several hours for an attached tick to transmit disease.

Symptoms of the disease can appear days to years after being bitten by an infected tick. The characteristic lesion is a flat, red, ringlike area surrounding the tick bite. This ringlike area expands and the central area may clear, remain red, or become more red and firm.

About one-half of infected individuals will develop anywhere from a few, or up to 100, additional lesions on the rest of the body. These secondary rashes resemble the initial one except that they lack the central firm area associated with the insect bite.

The skin lesions may be painful or painless and can feel itchy or hot to the touch. In the majority of cases they are accompanied by flu-like symptoms, including headache, fatigue, a low-grade fever and aching muscles and joints.

After three to four weeks, approximately 10% of patients develop involvement of the heart or nervous system. Heart involvement usually consists of abnormal heartbeats and, occasionally heart failure, but tends to resolve in three to four weeks.

Neurological involvement can be

quite variable, and while most patients recover fully in six to eight months, a few have persistent weakness, sensory changes, and behavioral and mental abnormalities.

The most characteristic long-term effect of Lyme disease, however, is arthritis, which develops in about 60% of untreated patients.

In contrast to the heart and nervous system involvement, which occurs within a few weeks of infection, arthritis may develop weeks to months to years later. After several months of acute episodes of arthritis, involving one or more joints, a few patients develop chronic arthritis, most commonly in one or both knees.

Early treatment with antibiotics shortens the course of the early infection and almost totally eliminates the long-term problems associated with the disease. Because of this it is important to seek medical attention if any of the acute symptoms, especially a skin rash, develop after exposure to ticks.

The diagnosis can be confirmed by a blood test.

The major method of prevention is to avoid exposure to ticks. Prospects for a vaccine are remote, since the organisms alter their immunologic profile like a number of other organisms.

Since satisfactory biological approaches to tick control are presently unavailable, and since the present environmentalist mania militates against the use of chemical pesticides, which have been proven to reduce the abundance of infected ticks, it's every man for himself.

So if you are going to enjoy unspoiled nature, wear light-colored clothing so you can see ticks on it; wear long-sleeved shirts and long pants tucked into socks; use a suitable commercial insect repellent (before they are banned on some specious pretext), and locate and remove attached ticks promptly.

Business Briefs

Debt

Nyerere: Creditors are bankrupt

Not only the debtor countries, but also the industrialized countries are suffering greatly because of the debt crisis, Tanzanian leader Julius Nyerere told a conference of bankers and politicians in early June in Dubrovnik, Yugoslavia. "The poverty of his customer causes the poverty of the shopkeeper," he stressed.

"There is a net transfer of resources from the poor South to the rich North amounting to over \$30 billion every year. . . . The countries of the South have seen their already very low standards of living decline during the past 10 years, and for the poorest among them there is no realistic prospect of resuming the economic and social advances which they had made earlier. In all except a few countries, malnutrition is increasing as health and education provision declines. Investment is not keeping up with the demand for new jobs, and in some cases it is still negative."

Faced with this reality, Nyerere said, the status quo is no option for the North, since high interest rates are causing Third World indebtedness to snowball, even as development suffers. "The reality is that developed countries exports to the South were about \$150 billion less during the three years 1984-86 than they were during the previous three years."

East-West Trade

Germany helps Moscow with food, computers

The Soviet Union has signed a number of barter deals with West Germany, in an effort to improve its miserable food-processing industry and enter the market for personal computers. The first deal, with a volume of 75 million deutschemarks, involves the construction of a food-processing plant in Moscow, to be carried out by the Berlin Consult engineering company. The cost of the proj-

ect is to be paid from revenues earned through sales of part of the products.

Another contract has been signed for the construction of a plant to modernize production of bio-proteins and other components of animal feeds. The major parties are the grain-dealing Alfred C. Toepfer company in Hamburg, the Salzgitter Industrial Plant construction department, and the Rhineland-Palatinate State Bank; the Soviet partner is the State Ministry of Microbiology Industries. The 60 million deutschemark cost is to be covered by sales in the West of Soviet bio-proteins.

A third deal involves a three-year contract to ship 300,000 Siemens personal computers to Moscow, with the Soviets paying the 1.5 billion deutschemarks this costs through barter arrangements. Moscow will deliver chemicals and minerals to a London-based company, Afro-Arab Investments and Consulting, a Kuwaiti-owned outfit. The Siemens side of the deal is to include training of Soviet data-processing specialists. The computers, which are fully compatible with IBM data-processing components, are being sold at half-price.

Dairy Industry

U.S. sells butter to Moscow, cheap

The U.S. Department of Agriculture announced on June 19 its intention to sell 75,000 metric tons of butter to the Soviet Union at the rock-bottom price of 12 cents per pound. The rationale for the move is that it will reduce the stated U.S. federally held butter "surplus" by more than half.

Wire reports give the price of the deal—stated to be at current world butter market price—at \$19.6 million, which would make the per pound price 12 cents. Butter is the only dairy commodity that the USDA can make any claim to have in uncommitted "surplus," i.e., not otherwise intended for distribution (to schools, the needy, prisons, etc.).

There are effectively no surplus cheese nor milk powder stocks in the U.S., and

dairy supplies to the National School Lunch Program are short. According to USDA officials, the 1985 farm bill mandated that the U.S. sell 150,000 metric tons a year of federally held butter. Before the Soviet deal, the U.S. had sold only 15,000 metric tons this trade year. Some USDA statistics issued prior to the Russian deal, state that there were projected to be only 135,000 to 145,000 metric tons of butter on hand as of Sept. 30.

Domestic Credit

Proxmire warns of overdue 'recession'

In a guest commentary in the June 13 *New York Post*, former Senate Banking Committee chairman William Proxmire sounded the alarm about an overdue recession that easily could devolve into a depression collapse. His counter-recommendations, however, would do little to avert the crash or even to pick up the pieces.

Proxmire pointed out that each year, the budget mavens predict a decrease in the federal budget deficit; and each year, the deficit increases. The economy has now slowed down and continues to contract. After-tax corporate profits in the first quarter fell in the biggest decline in over a year, and unemployment could reach 5.8% by year end. All of this will mean lower revenues and a bigger deficit, as well as increased federal spending for unemployment compensation and welfare.

"We have not had a recession for seven years," Proxmire wrote. "We are overdue for a recession. Usually when an overdue recession hits, it is both longer and deeper. The most troubling element, however, he said, is that households and businesses are deeper in debt than they have ever been.

"A recession could bring widespread insolvency to American families, industry, and to the financial institutions that hold much of this \$7.5 trillion of private debt. The colossal size of the private debt is precisely what could convert the next recession into a full-blown depression.

"So what prudent action should the average American take? First . . . cut your

spending and increase your savings. Second, pay off as much of your debt as possible. Third, avoid further debt like the plague. Fourth, line up jobs you might be able to get if you lose the one you have now. This is no fun."

Agriculture

Bad weather hits U.S. corn crop

In northwestern Pennsylvania, because of continuous wet weather, only 25 to 50% of the corn has been planted as of June 20, when all of it should be in the ground. Many farmers have had to do a last-minute switch to short-season corn seed—which germinates quickly, but gives lower yields.

In Ohio, the same situation predominates, and there are rumors of requests for the governor to declare a disaster.

In southern Iowa, the drought continues, with severe subsoil moisture deficiencies. Farmers have had to sell off cattle and abandon farrow-to-finish hog operations because of the lack of water for the animals.

In southwestern Minnesota, rain has been very spotty, and the *Minnesota Agri News* reports, "Fears are increasing that this growing season will be a re-run of last year."

Medicine

Death rates soar as veterans funding lags

Veterans Administration hospital death rates are "significantly elevated" while more cutbacks are being ordered and Congress is delaying added funding.

One out of four Veterans hospitals has higher than expected death rates caused by medical care "inconsistent with the current medical practice," according to a Department of Veterans Affairs report released June 13.

Of the 172 veterans facilities and 1,771 deaths reviewed, at least 44 hospitals had

significantly higher death rates and 90 of the deaths in 22 hospitals were due to poor care. Among the 90 cases of poor care, missed diagnosis and unordered treatment accounted for 70% of the deaths.

The study was released two weeks after VA Secretary Edward Derwinski ordered major cutbacks in the veterans health care system because supplemental funding has not been approved by Congress. VA centers have been forced to refuse new patients, and treatment is limited to veterans below a certain income, those in need of emergency care, and those with injuries received directly from their military service. It is expected that some 28,000 vets a week will be denied outpatient visits and 1,000 a week will be denied hospitalizations.

Poland

Rakowsky launches austerity offensive

With Moscow's clear backing, and without even waiting for Poland's newly elected parliament to convene, the government on June 20 imposed a 67% sugar price increase, as the first of a new wave of more to come. The government also announced that the January-May annual inflation rate had reached a staggering 78.2% (in reality, inflation has already surpassed 100%).

The new price increases reflect a policy of Polish Prime Minister Rakowski's regime of forcing Lech Walesa's Solidarnosc to choose between all-out collaboration in imposing austerity, or going into a confrontationist opposition, leaving no middle ground.

In a speech on June 15, Rakowski saved his worst insults for Poland's farmers. After asserting that rural Poland is "prosperous," he repeatedly denounced as "drunkards," any farmers who were not content with current economic conditions.

Such highly publicized provocations have accelerated the polarization and radicalization of Polish society. In the June 4 first election round, nearly 40% of voters boycotted; in the June 18 second round, 75% refused to vote.

Briefly

● **THE CHINESE** government is estimated to have purchased 3 million tons of American wheat since the June 3-4 massacre in Tiananmen Square. China is expected to buy a total of 8 million tons of U.S. wheat in 1989. This, at a time when the U.S. winter wheat harvest will be 10% lower than last year.

● **HOME MORTGAGE** defaults are soaring, causing a crisis in the U.S. Federal Housing Administration fund which insures 5.5 million mortgages. The General Accounting Office predicts that at current rates, the fund will be exhausted in five months.

● **MARGARET THATCHER**, the British prime minister, is coming under increasing pressure to have the British pound sterling join the European Monetary System (EMS). Following Thatcher's defeat in the European Parliament elections, even her own European Commissioner, Leon Brittan, has recommended the move.

● **THOUSANDS WILL DIE** in the next decade in the U.S. as a direct result of the Department of Transportation's recent increase of auto fuel economy standards, which will lower the average size of automobiles and increase risk of accidents, according to the latest issue of the *Journal of Law and Economics*.

● **WALTER HELLER** announced his resignation as governor of the U.S. Federal Reserve Board, effective July 31. He said he did so, not because of any policy differences, but because Congress has kept his salary to \$82,000 a year, instead of the \$125,000 he feels he deserves.

● **U.S. AUTHORITIES** have charged that the U.S.-based National Mortgage Bank of Greece has laundered at least \$700 million in a scheme to keep depositors, many of them Greek-Americans, from paying federal income tax.

'Clean Air' could finish off the electric utilities

Amendments to the Clean Air Act proposed by President Bush on June 5 could be the death knell of the already-stressed electric utility industry. Marsha Freeman reports.

Last summer many Americans experienced something for the first time—power shortages, appeals from utilities to conserve, and brownouts. Depending upon the weather this summer, and where you live, the severity of electricity disruptions will vary. What is clear, however, is the fact that whole regions of the nation have entered a period of inadequate electric power reserves, as a result of the combined decapitalization of the utility industry, and demand growth higher than forecast.

Reason would dictate that government officials reconsider the disincentives that make investment in new generating capacity prohibitive, and develop a plan to put the utilities back on the road to economic health. Instead, on June 5 President George Bush announced a series of measures being presented to Congress as amendments to the Clean Air Act. They can only make the problems worse.

Since 1977, when amendments to the act forced electric utilities to start "investing" (read: wasting) \$10 billion per year to bring coal-burning power plants into compliance with the regulations regarding the emissions of sulfur dioxide and nitrogen oxides, this tax burden has been born by utilities, and passed on to their customers.

At that time, a significant section of the steel industry which also burns coal, was not in a financial position to sustain such a tax. Many older steel mills in Ohio, for example, simply shut down. Today the electric utilities are faced with a cumulative financial warfare which has degraded the value of their bonds, prevented them from raising new capital, and forced them to pay usurious interest rates on the debt they hold.

This was brought about by Wall Street's double-digit

interest rates; targeted attacks on nuclear power plants by "environmentalists" who delayed their completion and operation, sometimes by decades; and rulings by state public service commissions, sometimes in collusion with the anti-nuclear lobby, to prevent utility companies from recouping the investments they had already made in new baseload generating capacity. **Figure 1** is a graphic picture of what has happened to the industry.

In the last 15 years, investors have lost \$12 billion from the dilution of utility stock book values due to the anti-nuclear attacks on their plants. At present, many utilities are trying to "restructure" to save money. Potomac Power in Washington, D.C. is laying off 10% of its workforce, and the Tennessee Valley Authority is eliminating 4,000 full-time employees to save \$143 million.

This nation is reaching the limit of how many body blows the electrical industry can sustain. Already, the resurgence in demand growth, in some areas as much as five times the 2% per year that has been forecast for the next decade, is straining the resources of New England, the Mid-Atlantic, and other parts of the country.

If, on top of the problems they already have, utility companies are forced to shut down coal-burning capacity where it does not make sense economically to bring into compliance with the new regulations, we will face disruptions on an accelerated timetable.

The EPA hit list

The day after the President released his proposals, the Environmental Protection Agency made available its hit list of 107 coal-burning electric generating plants which bureau-

crats expect will be out of compliance with the new regulations. The new standards set an upper limit of 2.5 pounds per million British thermal units of energy produced for sulfur dioxide emissions. It has been assumed by the administration that these emissions are the cause of acid rain.

The goal of the proposals is to reduce the amount of sulfur dioxide emissions by half, or by 10 million tons per year, in a two-phase program, by the year 2000. The EPA disregards the fact that there is no rigorous scientific evidence to prove that sulfur emissions cause acid rain, that ground-level ozone causes cancer, or any of the other assertions made in the EPA rationale for the new regulations.

The President and the EPA refused to even wait until the results of the 11-agency National Acid Precipitation Assessment Program report is done in 1990. This study was mandated by Congress in 1980 precisely because there was no scientific consensus on these environmental questions. Congress should consider what the point is in even completing the study, if these drastic actions are going to be taken now anyway.

The hit list itself is probably optimistically short, since it assumes it will be possible for utilities to purchase coal "based on economics, with sulfur content lower than allowable levels," and it only includes units in excess of 100 megawatts (MW) of capacity.

The EPA asserts that utilities will stop burning high-sulfur coal, which is mined in West Virginia and the midwest, and will switch to low-sulfur western coal. It is unlikely, however, that the legislation will make it through the Congress with this "fuel switching" provision, because, as West Virginia Senator Robert Byrd (D) already stated, it would devastate the mining industry and economy of his state, among others.

George Applegren, the administrative manager of the Mid-America Interconnected Network headquartered in Illinois, reports that this "fuel switching" will face another problem, with which his region has experience. Utility boilers are designed to burn certain types of coal. If the characteristics of the coal change, the plant runs the risk of higher numbers of forced outages for maintenance.

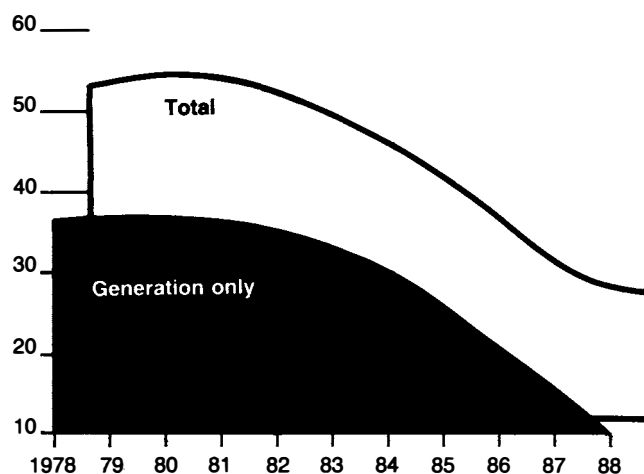
Even taking the list at face value, it is clear that it could be the straw that breaks the camel's back of reliable electric power, because even without any new environmental restrictions, U.S. utilities are reaching the end of reliable electric power.

Reliability is disappearing

The capacity margins in electric generation do not represent "excess" power, where the connotation is that these plants are somehow "extra" and unnecessary.

The reason it is necessary to have "extra" capacity in this industry, is that electricity cannot be stored or stockpiled, and you cannot promise a customer you will deliver it "tomorrow." It has to be constantly produced, in an amount

FIGURE 1
The collapse in utility capital investment
(in billions of \$)



Source: *Nuclear Industry* magazine, November/December 1988.

Between 1982 and 1987, utility industry investment dropped from \$40.2 billion to \$26.6 billion. The drop in generation equipment investment was even more dramatic.

which satisfies the demand at all moments. Therefore, there must be plants that can be called into service if maintenance outages occur that were unexpected, or just to ease up the load for scheduled maintenance.

Conditions such as drought, which can reduce hydroelectric energy supply and cooling water for thermal plants, cannot necessarily be readily predicted. An unpredicted heat wave can drive demand up dramatically in a matter of days. About 30% of peak demand is determined by the weather. Reliable power means being prepared for the "unusual."

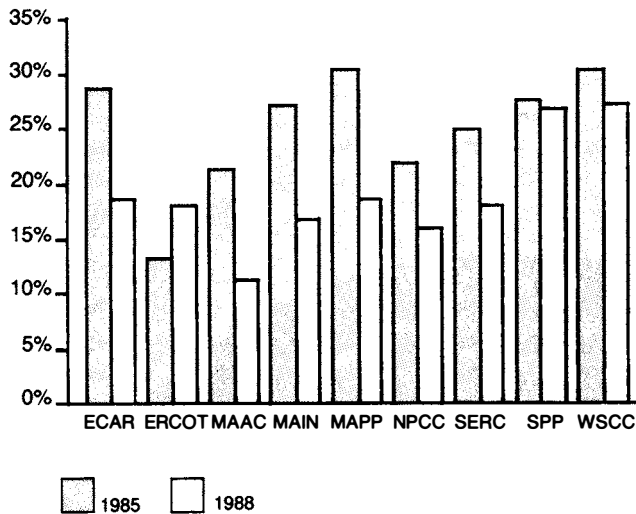
Capacity margins are determined by subtracting the peak demand from the total capacity in a system, divided by the peak demand, and are therefore, expressed as a percentage of what is available over peak demand.

Figure 2 presents the change in utility capacity margins in 1985 versus last year. Only in Texas, or the ERCOT reliability region, did capacity margins increase. Though about 20% capacity has historically been considered a safe margin for electricity generation, it is clear that by 1988 out of the nine reliability systems, only two were at or above that margin.

Capacity margins have been falling dramatically both because demand has been increasing faster than predicted, and because the addition of new capacity has slowed down to a trickle.

Figure 3, also from the Arthur Andersen study, "Electric Power Trends," published this year, is alarming. In the 12-

FIGURE 2
Capacity margins by region, 1985 vs. 1988



Source: Arthur Andersen & Co./Cambridge Energy Research Associates.

For the past three years, reliability has been falling in all but one region of the country.

year period from 1976 to 1988, the Northeast Power Coordinating Council, which includes all of New England and New York, experienced a 0.8% growth in generating capacity. For the nation, the compound growth rate was 4% per year, but it is plain to see that a large percentage of that new capacity was in the West and the Southeast regions.

At the same time, the growth trend in sales of electricity has surprised the no-growth forecasters. In 1987 and 1988, national electricity sales grew at rates of 4.5% and 5.1% respectively. This growth was much higher than the predicted 2%, and in most regions it was not purely a result of unusually hot summers. The Mid-Atlantic region, for example, has hit new record summer peaks in demand for each of the past six years.

During the economic growth period of the 1960s and early 1970s, electricity demand grew at an average of 8% per year, as seen in Figure 4. The 1974 oil embargo, resulting in a quadrupling of energy prices and overall economic slowdown, led to a 2.8% average growth, through the early 1980s, after a first-time drop in electricity consumption in 1982.

The rebound of electric demand growth for the past few years, however, has not been fueled by booming industrial production. In 1986, according to the Arthur Andersen study, the residential sector replaced the industrial sector as the largest purchaser of electric power. The "energy intensity" of the U.S. economy has been declining precipitously since the early 1970s, as seen in Figure 5.

Increasing residential demand is due to the fact that a large majority of the new houses being built are electrically heated as well as cooled, not that the poor are living better. The collapse in energy consumption per unit of gross national product is simply a function of the fact that this meaningless economic measure includes largely stock market, real estate, and drug money transfers, which hardly take any energy!

What the future will hold in terms of the rate of growth in demand is unknown. If there were to be an economic upsurge in manufacturing industries, and return to the traditional 6-8% per year rate of electricity demand growth, the country would face an immediate crisis.

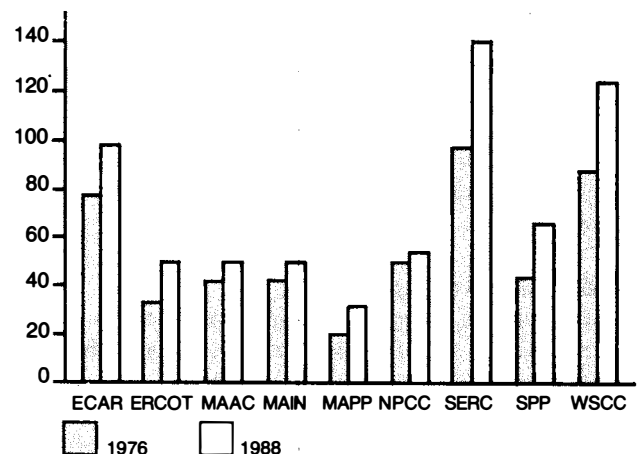
Even without such an Apollo-style mobilization to restore the nation to economic growth, the paltry 3-5% growth rates of recent experience will push many regional power systems over the edge.

The Midwest in trouble

There are regions in the U.S. which are, or may soon be, in trouble due to the environmentalist attack and the overall aversive environment. And then there is the New York/New England region, which has brought its problems upon itself.

The region that will suffer most dramatically if the new Clean Air Act amendments are enacted into law is the industrial heartland of the formerly industrialized United States. The ECAR (East Central Area Reliability) region includes parts or all of Ohio, Indiana, Pennsylvania, Kentucky, and Michigan. Coal produces 85% of the electric power in the region, and out of the 107 plants on the EPA hit list, 40 are in this part of the Midwest.

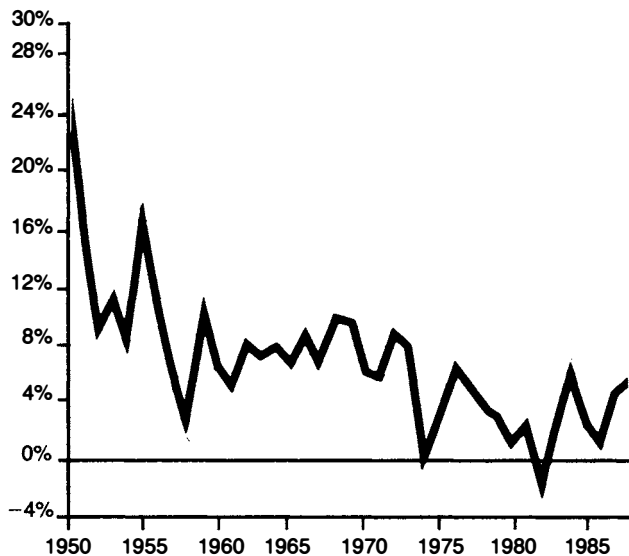
FIGURE 3
Installed generating capacity, 1976 vs. 1988
(Thousand megawatts)



Source: Arthur Andersen & Co./Cambridge Energy Research Associates.

FIGURE 4

Growth rate in total electricity sales



Source: Arthur Andersen & Co./Cambridge Energy Research Associates.

During the summer of 1988, ECAR's peak demand was 10.3% over the previous peak, and 10.5% higher than was forecast. The management of ECAR stated before Bush's announcement that the region's reliability "would be inadequate if any one of the recent legislative proposals [regarding acid rain] is enacted."

One reason is that more than 137 coal-burning plants in the region, or 24% of total capacity, are more than 30 years old. It is questionable whether a utility could economically justify spending millions of dollars to add more pollution control equipment to these units, considering their remaining operational life.

According to Thomas Hand, executive director of ECAR, the equivalent of at least 10,000 MW of electric capacity would be lost and would have to be replaced, if the amendments go through. That is 10% of the total capacity ECAR plans to have operational at the end of this century, and none of this 10,000 MW has been planned to be built. Currently, ECAR is planning to add only about 3,000 MW between now and the year 1998, and that is needed just to maintain reliability and meet future demand.

Hand pointed out that when scrubbers are added to a power plant, 5-6% of the plant's capacity is used to run the scrubbers. That lost capacity then has to be replaced. There will be a premature retirement of older units to avoid scrubber costs. Since plants with scrubbers are not as reliable as ones without because they more frequently suffer forced outages, about 1,500 MW of new capacity will be needed just to "go

back to the equivalent reliability" the region had before the new regulations.

In addition to these effects from the acid rain legislation, Hand pointed out that at some older plants, *it may not be possible* to meet the proposed nitrogen oxide standards.

Hand stated categorically that 10,000 MW of additional capacity *could not be built* in the next 10 years. What would be sacrificed is reliability.

But this attack will not only affect ECAR. Initially for the sake of economy, and more recently out of necessity, the ECAR region has been sending power long distance over transmission lines, or wheeling power, to utilities further east which burn expensive imported oil, and are short of power. These include the utilities which are part of PJM, or the Pennsylvania/New Jersey/Maryland inter-tie, and also Virginia Power Company.

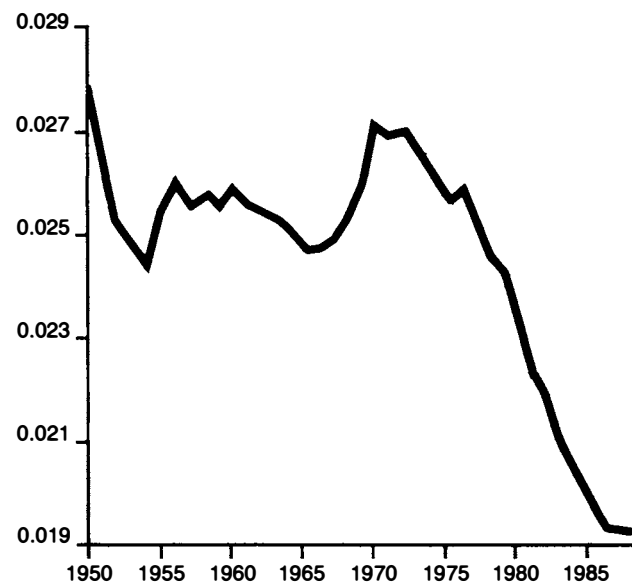
If ECAR itself is scrambling to try to meet its own demand, because capacity is being shut down and degraded due to acid rain regulations, that power wheeling will fall by the wayside.

Shooting yourself in the foot

Possible forthcoming environmental regulations will be only the most recent attack on the utility industry. Over the past few years there have been a number of unfortunate examples of gross stupidity, and capitulation to anti-nuclear, anti-industry organizing, which has nearly destroyed the concept of reliable power in a number of parts of the country.

FIGURE 5

U.S. energy consumption/GNP ratio



Source: Arthur Andersen & Co./Cambridge Energy Research Associates.

The two by-now infamous cases are the Seabrook, New Hampshire and Shoreham New York nuclear power plants, which are complete, but have not been brought into operation due to anti-nuclear propagandistic sabotage, in collusion with public regulators, and intransigent government officials.

Happily, in the case of the Seabrook plant in New Hampshire, the Reagan administration announced last winter that the Federal Emergency Management Agency (FEMA) would be responsible for emergency evacuation plans, and that Massachusetts Gov. Michael Dukakis and his stalling were now out of the picture. The plant has received its low-power testing license, has loaded fuel, and was expected to go critical last week.

Seabrook could be at full power by early July, which would make it available for the worst of the summer peak demand. The effect on reserve capacity margins that one plant can have on a region is seen in **Figure 6**. Hopefully, this will avoid the events of last summer, when power outages due to increased demand led to a loss of \$87 million of business, in the state of Massachusetts alone.

Not so with the Shoreham nuclear plant on Long Island in New York. There, after years of frontal assault by the anti-nukes, Gov. Mario Cuomo, and a Public Utilities Commission led by publicly anti-nuclear former federal official Peter Bradford, the management of the Long Island Lighting Company caved in to the pressure.

Part of that pressure was an incredible RICO suit (Racketeer Influenced Corrupt Organization) brought against LILCO last year, for "misleading the ratepayers" regarding the cost of the plant. Though the case was thrown out of court by one judge, neighboring Suffolk County is still planning to sue LILCO for damages.

The utility is ready to hand the plant over to the State of New York for \$1, to divest itself of its \$5 billion investment. Governor Cuomo has sworn that the state will force the dismantling and decommissioning of the ready-to-operate power plant, so another governor could not reverse his decision in the future!

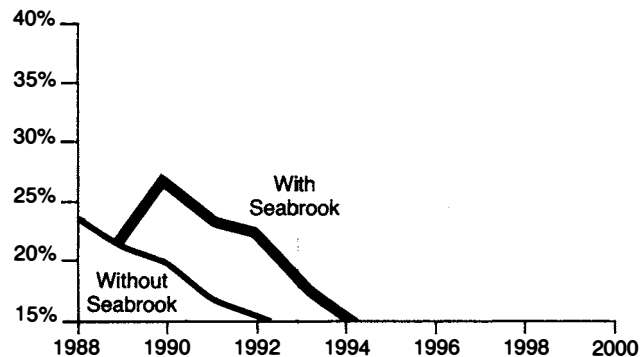
The state, however, has no intention of bearing the \$300-500 million cost of decommissioning Shoreham. That financial responsibility will remain with LILCO, and will be paid for by the ratepayers through a seven-year series of rate increases. The New York region already has the highest electric rates in the country.

What the effect of this stupid policy decision would be on the real-life electric supply situation in New York was graphically demonstrated to the Senate Committee on Energy and Natural Resources on April 13, by Deputy Secretary of Energy W. Henson Moore. **Figure 7** is a graph from his presentation which shows that the capacity Shoreham represents will make an important difference in the reliability of electric power in the region—it gains time to plan additional capacity, as reserve margins fall continuously throughout the

FIGURE 6

Reserve margins in New England

2.5% annual demand growth 1988-2000



Source: Energy Information Administration.

next decade.

But the fight over Shoreham isn't over yet. On June 13, Moore sent a scathing letter to the chairman of the New York Power Authority, warning that if the NYPA goes along with Governor Cuomo's plan to have Shoreham sold to the state, it could be in big legal trouble.

Moore's letter, which was also sent to Attorney General Richard Thornburgh, states: "I write to urge that you reconsider and reject this arrangement. I believe that failure to do so will implicate NYPA's trustees in activities that are beyond their statutory authority. In addition, we submit that the arrangement is flatly inconsistent with the public interest, as defined clearly by the respective laws for which we are responsible stewards."

Noting the illegal way this decision was taken by executive fiat, ignoring elected officials in opposition to it, Moore writes, "I am informed that NYPA previously has embarked on major ventures only after specific authorization from the New York State Legislature. . . . In December 1988, the New York legislature rejected the proposed arrangement for Shoreham. . . . Unilateral action by NYPA to carry out this arrangement seems directly to contradict the decision by the legislature."

Moore goes on to detail various sections of the Power Authority Act which empower the institution to produce reliable electric power, not tear down plants or stop the development of nuclear energy.

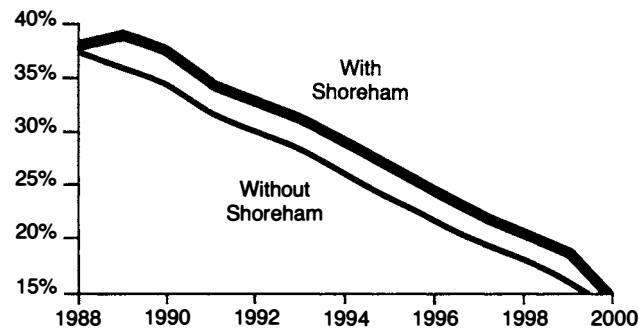
The Deputy Secretary also reminds the trustees that the Nuclear Regulatory Commission (NRC) would have to approve the transfer of the license from LILCO to the government agency that would be set up for that purpose, and Moore indicates that this approval is unlikely.

Moore ends his letter, a copy of which was also sent to

FIGURE 7

Reserve margins in New York/New Jersey

1.6% annual demand growth 1988-2000



Source: Energy Information Administration.

the chairman of the NRC, by stating: "As public officials, both our duty and our allegiance must be to the duly enacted laws that establish public policy, and not to a few influential officials whose irresponsible conduct is devoted to frustration of policies set by law. In this case the public policy established by the laws of New York counsels unequivocally that Shoreham's generating capacity must be used, not scrapped."

On June 28, LILCO's shareholders will vote on whether or not to take up the state's "offer." On June 15, Secretary Moore was on Long Island meeting with businessmen to try to convince them to vote against the proposal.

According to LILCO, the energy supply, again this summer, will be "very tight." George Loehr, acting executive director of the Northeast Power Coordinating Council stated that the situation is "too close to call." "There will be voltage reductions and public appeals" to reduce consumption, again this summer, he remarked.

Systems around NPCC, such as ECAR and Hydro-Quebec, have their own power constraints, he explained, and will not be able to export much power. If changes in policy are not made, New York/New England will get to the point of scheduling power outages, in order to ration the inadequate amounts of electricity generated, as is the case now in Argentina.

An inside-outside job

On June 6, for the first time in this nation's history, voters decided to shut down an operating nuclear power plant. Within 72 hours of the vote, the Sacramento, California Municipal Utility District (SMUD) had the 913 MW Rancho Seco plant in cold shutdown.

This one plant supplies 43% of the electricity for Sacramento, and its shutdown will force SMUD to purchase power,

at an added cost to its customers. Ironically, the reason for the vote was not that the community had been frightened into believing the plant was dangerous, but that it was uneconomical! The vote mandates that SMUD divest itself of the plant.

It is true that Rancho Seco had been out of service for two and a half years to catch up on maintenance and for modifications required by the NRC, and that other power had to be purchased while it was down. But now that \$400 million has been spent, the modifications have been made, and the plant is on line running well, it makes no sense to shut it down.

The recent vote was not really against the plant, but against the utility, according to Joe Buonaiuto, the president of the elected board of directors. He explained that at the polls, the citizens expressed their "exasperation with the political and administrative soap opera" that the utility had become. The reason was the election of two anti-nuclear ideologues to the board, whose political agenda was to shut down Rancho Seco.

The most outspoken, Ed Smeloff, was elected with support from the Tom Hayden-founded Campaign California, and has hampered SMUD's ability to effectively fight the initiative. His agenda is to substitute conservation and other environmentalist rhetoric for nuclear power. For three years, the board has been "destabilized" from within, according to Buonaiuto. The anti-nuclear minority on the board reports to the media the decisions the board takes that they do not agree with, which undermines the board's capability to carry out what it votes for.

Rancho Seco became operational in 1975 and has an operating license valid to the year 2008. Within approximately the next month, the plant can be sold to another company to operate it. After that, it would be more costly to bring it back into operation. That would avoid the irrational idea of decommissioning the plant, which would "turn it from a \$1 billion asset, to a \$500 million liability," as Buonaiuto explained.

But serious damage has been done to SMUD. Buonaiuto stated that SMUD's bond rating has gone to "one step above junk," and he feels that the "future of public power is on the line." When he first recommended that SMUD sell Rancho Seco even for a dollar rather than tear it down, the press called him the "General Noriega of Sacramento."

The leadership of the U.S. Department of Energy has been willing to step into the ring in the Seabrook and Shoreham nuclear plant situations. If a buyer is not found for Rancho Seco, it would be appropriate for a federal agency, such as the Bonneville Power Authority, to purchase and operate the plant.

The nation does not have the luxury to entertain destructive ideas, or implement idiotic decisions made for political reasons, because there is really no margin of safety left in the electric utility industry.

Argentina after Alfonsín: Can the nation be rebuilt?

by Cynthia Rush

When Peronist Carlos Saúl Menem assumes the Argentine presidency in early July, he will be faced with the monumental task of rebuilding a nation that, over the past five and a half years, has been dismembered by President Raúl Alfonsín and his Radical Civic Union (UCR). The country that once held the promise of following in Japan's footsteps, and boasted of a formidable scientific infrastructure, today has 7 to 8 million of its 30 million inhabitants living below the poverty line, and a minimum wage level which, by the end of June, could be worth \$10—lower than that of Haiti. In recent months, large slum areas have sprung up around the major cities.

Alfonsín came into power in December 1983, promising that Argentina would never again be subjected to the usury, speculation, economic looting, or civil upheaval that it suffered at the hands of the 1976-83 military junta and Finance Minister José Martínez de Hoz, Henry Kissinger's cohort. Instead, the social democratic President, and his backers in the U.S.-based Project Democracy apparatus, set out to deliberately destroy every vital sector of Argentina's social and economic structure: industry, agriculture, the workforce, and the armed forces. Until April 1988, when it could no longer do so, Alfonsín's government slavishly paid interest on the foreign debt; and, in the name of "democracy," it undermined the nation's staunchly Catholic culture and moral values with policies that encouraged the growth of the drug trade, pornography, and "valueless" education. In this environment, a terrorist capability controlled from outside Argentina was also permitted to flourish.

In October 1983 *EIR* published in Buenos Aires the book *Argentina Industrial: eje de la integración iberoamericana (Industrial Argentina: Axis of Ibero-American Integration)*. Prepared by an *EIR* team, and with a prologue written by Lyndon H. LaRouche, Jr., the book detailed Martínez de Hoz's destruction, and outlined the program which could have launched Argentina on the path of both rapid industrialization and continental integration.



Four Ibero-American Presidents at a summit meeting in November 1987 in Acapulco, Mexico. Each of the four capitulated to the International Monetary Fund's austerity regime, and the economic and political fabric of each country is now being ripped apart as a result. Left to right: Argentina's Raúl Alfonsín, Mexico's Miguel de la Madrid, Brazil's José Sarney, and Panama's Eric Delvalle.

In a new chapter in the book's second edition, included in the pages that follow, we demonstrate that the Alfonsín government used Martínez de Hoz's economic destruction only as the *starting point* for plunging production and living standards into the downward spiral that has culminated in today's hyperinflationary nightmare. Today, the monetary and financial system is wrecked to the point that the national currency has been replaced by the dollar; citizens send their funds out of the country rather than place them in the banking system; families have no way of coping with monthly inflation rates of over 100%.

With their policy, Alfonsín and his socialist supporters intended to deliver a death blow to any nationalist sector or institution that might oppose Washington's condominium arrangements with Moscow—arrangements which relegate developing-sector nations to the trash heap. The Peronists, their powerful trade union movement, and nationalists within the armed forces were singled out.

Even despite the current destruction, however, if the Menem government demonstrates the necessary political will, it could break Argentina out of the IMF's grip. This is the fear that Viktor Volsky, head of the Latin America Institute of the Soviet Academy of Sciences, expressed in July 1988, when he warned that the Peronists were "too unpredictable," and too subject to taking such "extreme" actions as declaring a debt moratorium. He added that U.S. experts agreed.

Washington and Moscow also agree that Argentine nationalists cannot be allowed to stand in the way of their strategic deals. Unable to defeat Peronism at the ballot box, the Alfonsín government has geared every action of the last

three months toward exacerbating multiple crises, especially on the economic and military fronts, with the purpose of forcing Menem to compromise himself by making deals with the very oligarchical forces he says he opposes.

To the degree that he has accepted such compromise, seen in his desire to maintain "good relations" with foreign creditors, Menem's ability to rule in the national interest has been weakened, even before he takes office. But if that's not enough to hem in nationalist forces, a second option is to prevent Menem from taking power altogether. As we go to press, Alfonsín and the Army high command are deliberately provoking a renewed crisis in the army, in a way which could affect the constitutional transfer of power. By ordering federal judges to resume trials of military officers charged with human rights violations during the 1970s "war against subversion," a source of enormous officer unrest, and permitting the largely liberal Army high command to decapitate the nationalist sector through retirements and sanctions, Alfonsín is risking provoking a response from either the liberal or nationalist sectors, which could result in bloodshed.

Most dangerous is Menem's pragmatic acceptance of the program formulated by the Soviet-linked grain cartel Bunge and Born, and his selection of cabinet ministers of the cartel's choosing, such as Finance Minister Miguel Roig. Based on the econometric model of U.S. Nobel Prize-winner Lawrence Klein, the Bunge and Born plan is at best a neo-Keynesian scheme which might offer the country a short breathing space, but whose fundamental goal is to keep Argentina functioning within the framework of IMF conditionalities. Like most other pro-IMF programs, it is doomed to fail.

The Alfonsín era: IMF policies wrecked Argentina's economy

by Dennis Small and Peter Rush

When Raúl Alfonsín assumed the presidency of Argentina in December 1983, there is no doubt that there was great hope in the country that he would put a stop to the terrible looting and destruction of the national economy by Finance Minister José Martínez de Hoz and Co. The net results of seven years of "Chicago Boy" monetarist policies had been devastating. Over that 1976-83 period:

- The country had been bled by *capital exports* (including both foreign debt service and capital flight of \$47.3 billion, and yet the total foreign debt had grown by \$37.6 billion.
- This foreign looting of the economy had resulted in a contraction of *per capita Gross Domestic Product (GDP)* by more than 10%.
- The crucial *manufacturing sector* of GDP had dropped, per capita, by more than 20%, and within that, its most important sub-sector, that of *machinery and equipment*, had dropped per capita by more than 25%.
- The all-important *gross domestic investment* had crumbled by more than 30%, as measured in terms of the national currency, the austral.
- The absolute number of *workers employed in industry* had plummeted by a shocking 33%.

After such a disaster, it was hard to imagine that Alfonsín could possibly make things any worse. But he did. Alfonsín worsened things to the point where Argentina is now faced with nothing less than national economic disintegration. The federal government has so bankrupted the provinces that many of them have been forced to adopt their own currencies in order to survive. Alfonsín continued the Martínez de Hoz policies of utter servility to foreign financial interests in general, and to the International Monetary Fund (IMF) in particular, and continued the destruction of Argentina's productive economy—albeit at a slightly slower rate than during the 1976-83 military junta known as the Proceso. The end of 1988 figures show that, during the 1983-88 Alfonsín term:

- Argentina continued to be bled white by *capital exports* totaling \$23.4 billion, and yet the foreign debt contin-

ued to grow by another \$14.1 billion.

- *GDP per capita* kept falling, by about 4% during this period.
- The *manufacturing GDP per capita* collapsed by 9%, and the crucial *machinery and equipment* sub-sector by 11%.
- Both *gross domestic investment* and the number of *workers employed in manufacturing industry* remained stagnant at their low 1983 levels.

The net result of Alfonsín's term of office, is that the economy is in far worse shape today than it was five and a half years ago, when he took office. The global figures, such as those just mentioned, do not fully capture this, however, because Alfonsín's policies, on IMF command, targeted for special destructive treatment precisely those areas of the economy most vital to economic health, and most needed for recovery: the scientific and nuclear sectors, the skilled labor force, the production of capital goods, and so on.

Even more significantly, five and a half years of Alfonsín disaster undermined the cultural optimism which most Argentines still felt at the beginning of the 1980s. Under the guise of restoring "democracy," the Radical administration and its Socialist International supporters launched a kind of *liberal cultural warfare* against the population, which deliberately attacked the traditional Catholic moral values of the nation. In fact, Alfonsín's phony democracy was that sought by the U.S.-based Project Democracy apparatus, whose "secret government" ran the notorious Iran-Contra affair and other illicit operations. Project Democracy has targeted for destruction all national political movements and sovereign institutions in Ibero-America, particularly the armed forces and the Church, considered to be an obstacle to its sordid strategic arrangements with Moscow.

In Argentina, British economic liberalism was accompanied by British moral liberalism and hedonism, and together they opened the doors to the spread of drugs, pornography, and other kinds of cultural decay. Thus, we saw the Alfonsín government promote a law whose purpose was to legalize the laundering of drug money and other funds of questionable

EIR issues new edition of Argentina program

We are pleased to announce the imminent publication of the second edition of *La Argentina Industrial: eje de la integración iberoamericana (Industrial Argentina: Axis of Ibero-American Integration)*, first published in 1983. The article alongside this box is a new chapter that has been added to the revised edition, reviewing the disastrous economic program of the outgoing Alfonsín regime in the six years since the first edition appeared. The chapter, and other revisions, have been coordinated and written by Dennis Small, presently in jail in Alexandria, Virginia along with Lyndon H. LaRouche, Jr. and other political prisoners. He was assisted by Peter Rush.

The first edition was issued in October 1983, a few days prior to the elections in which Raúl Alfonsín defeated the Peronist candidate. It put forward the recommendations to revive Argentina's economy and make the country a leader once again in the developing sector, in industrial development and high technology applications. The measures proposed remain completely valid today, with the proviso that the economy is in substantially worse shape today.

However, Alfonsín opted to ignore, point for point, the recommendations made in the first edition. It was as if Alfonsín used the book as a manual to do *the opposite* of the book's recommendations.

As the preface to the second edition states:

"Specifically, where we emphasized *the driving role of science and technology, and of the nuclear sector in particular*, Alfonsín's budget cutbacks have almost killed that capability.

● "EIR urged *strong investment in manufacturing, and in the capital goods sector in particular*; both have collapsed dramatically over the last five and a half years.

● "We proposed *raising agricultural output by expanding that sector both extensively and intensively with modern technology*; under Alfonsín, agriculture has declined in both dimensions.

● "We delineated a series of *great infrastructural projects, especially hydraulic ones, designed to raise productivity and integrate Argentina with its Ibero-American neighbors*—projects which stalled totally under Alfonsín.

● "On the financial front, *EIR urged putting a unilateral stop to the foreign debt looting of Argentina*, including taking steps to form an Ibero-American debtors' club and Common Market. Alfonsín kneeled before the IMF, kept paying the foreign debt tribute, and sabotaged all efforts at true integration.

● "And *EIR insisted that domestic monetary reform, including tight exchange controls and much lower interest rates*, were necessary to stop inflation and speculation, and to favor productive economic activity. Alfonsín instead chose free-market economics, high interest rates, and the destruction of the national currency."

We are re-issuing the book at this time, at the point of changeover to a new administration, in hopes that the lessons can be learned, and Argentina pulled back from the abyss.

origin, into the national banking system, while the Supreme Court legalized the possession of certain drugs in quantities for "personal consumption."

We can single out three nodal points of economic policy decisions during the Alfonsín years, which determined the mentioned results.

The first, and most decisive, came on June 30, 1984, when the new Alfonsín government caved in to massive domestic and foreign pressure, and decided to meet its staggering debt service payments to its international creditors, in order not to incur the wrath of the banks and the IMF. For the first half of that year, Alfonsín had kept his options open; he had negotiated with the Peronists as to the shape of national economic policy, and even went so far as to meet at the end of June 1984 with then-U.S. presidential candidate Lyndon H. LaRouche—over the violent objections of the IMF and the U.S. State Department—to discuss the options for a debt moratorium and Ibero-American integration.

Unfortunately for Argentina, and all Ibero-America, Alfonsín did not listen either to LaRouche or the Peronists, but agreed instead to do the bidding of the IMF and the international creditor banks for the rest of his term in office.

This decision to put debt repayment ahead of Argentina's development needs, in fact ahead of its very survival, led inexorably down the path that led to the second nodal point, the June 1985 Austral Plan. Under this deflationary IMF shock therapy, implemented by Finance Minister Juan Vitale Sourrouille, the productive economy and living standards were sacrificed in order to maintain the flow of debt service payments. The program in fact went beyond what the IMF had demanded in its Memorandum of Understanding with Argentina, signed during the first week of June. Interest rates were increased to 6-7% monthly, 4% above inflation, which restricted credit for productive activity. Industry was decapitalized, and a wage freeze, preceded by a 20-40% increase in utility rates just a few weeks before, effectively cut wages

by 30%. The austral shock did lower inflation from nearly 700% per year in 1985 to “only” 90% in 1986—but by wreaking havoc with the productive economy. Such classic recessionary measures continued for the next few years, coupled with continued looting through net capital exports.

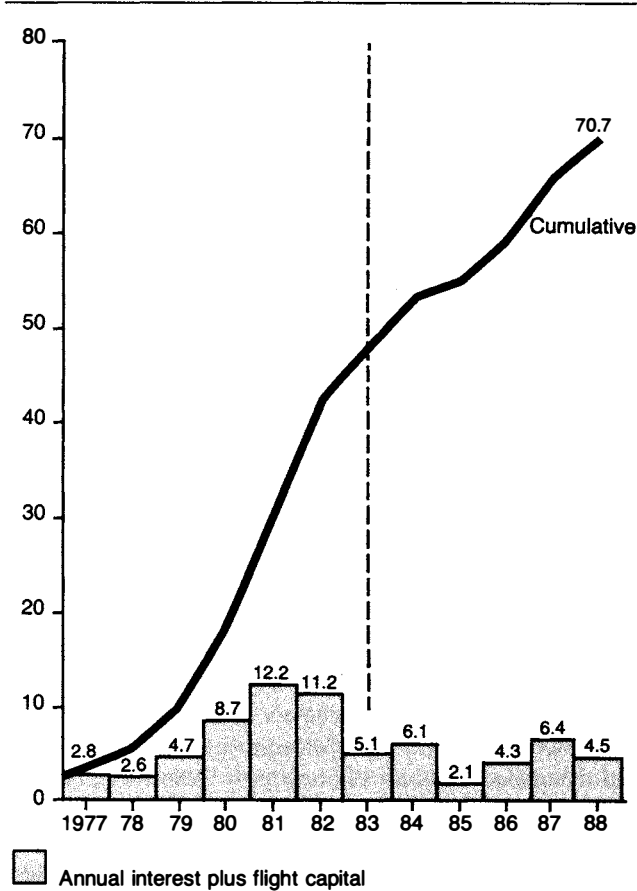
The third nodal point was the IMF-dictated August 1988 Spring Plan, which, under the guise of reining in inflation, worsened the situation with another round of austerity measures including a 30% increase in utility rates, a 10% currency devaluation, a partial wage-price freeze, and creation of a two-tier exchange rate which had the effect of immediately appropriating \$1.4 billion from the agricultural sector. The bedrock of the plan was attracting speculative funds from abroad with ultra-high short-term real interest rates, which jumped from being negative in July 1988, to 9.1% and 7.3% positive a month in September and October, respectively, and which brought in over \$2 billion in free reserves in the

central bank in the first few days alone. One month later, in a move that brought public praise from Martínez de Hoz, the technocrats at the finance ministry proceeded to tear down the “Anexo II” series of 2,600 protective tariffs for key industrial imports, as a first step toward opening up the economy as demanded by foreign creditors.

The Spring Plan lasted only until early 1989, when it was scuttled after the disgusted industrial sector officially withdrew its support. It was replaced with one after another pathetic excuse for a plan, but the economy continued on its downward spiral. The lawful consequences of this string of disastrous economic policy decisions is seen in today’s hyperinflationary explosion coupled with profound economic recession. Between February and June 1989, the austral lost 90% of its value. Monthly interest rates reached levels surpassing 150%, while citizens stopped trying to keep up with price increases that changed on an hourly basis.

These policies must now either be reversed immediately, or Argentina will disappear as a viable nation. The shattered remnants of the Argentine economy will then be handed over to foreign creditors, as speculative international capital (narco-dollars especially) will flood the country, to have a field day in newly established casinos, free banking zones, and so on.

FIGURE 1
Export of capital, yearly and cumulative
(billions of dollars)



Sources: BCRA, own elaborations.

The foreign debt, genesis of disaster

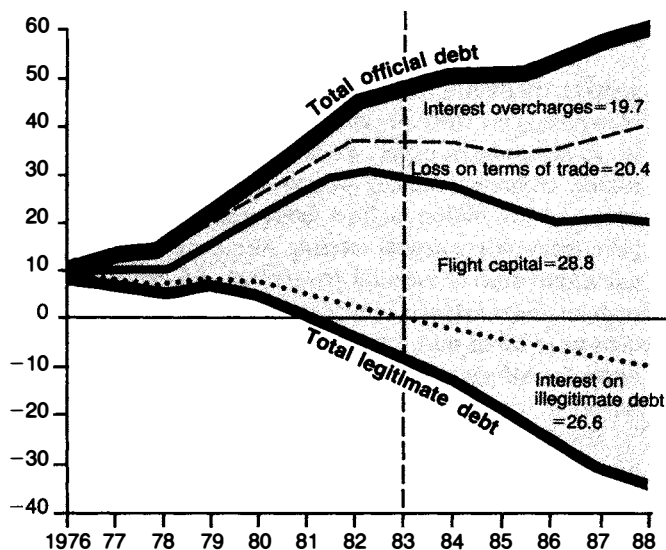
In 1976, Argentina had a foreign debt of only \$8.3 billion. From 1976 to 1988, Argentina ran a cumulative net surplus of \$21.7 billion in its merchandise balance of trade. Adjusting for net non-interest services (including shipping, tourism, etc.), Argentina still netted a \$19.4 billion cumulative surplus. And even if one assumes that Argentina had paid its 1976 interest level of \$500 million per year on its foreign debt of \$8.3 billion, every year from 1976-77, there still would have been a cumulative current account surplus of \$12.9 billion, available for increasing reserves or for additional imports for major development projects. There was no legitimate reason to borrow a single dollar more in foreign debt.

What actually happened over the last 12 years is something altogether different. Between 1976 and 1988, Argentina actually exported a cumulative total of \$70.7 billion in capital, made up of \$41.9 billion in interest payments, and \$28.8 billion in pure capital flight (see Figure 1). And yet, while all this capital was being exported, all this debt service being paid, the country’s foreign debt grew, by a staggering \$51.7 billion on top of the 1976 level, to reach \$60.0 billion today.

To state the same point differently, Argentina was looted of \$70 billion in capital exports over 12 years: The entire cumulative trade surplus of \$20 billion was sucked out of the country, and then \$50 billion in new debt was contracted—and also looted right out of the country! At the end of the process, Argentina was \$70 billion poorer, and \$50 billion

FIGURE 2

Total foreign debt, legitimate and illegitimate
(billions of dollars)



Source: ECLA, BCRA, World Bank, own elaboration.

further in debt. Not a penny went to development.

It should be noted that this is different from the cases of Mexico and Brazil in important ways. These two nations' monetarist oligarchies also squandered lots of their borrowed money; but, at least part of their debt accumulations did go to purchase needed imports of investment goods prior to 1983. The only parallel to Argentina in Ibero-America is the case of Venezuela, which also ran a large trade surplus over the past 12 years.

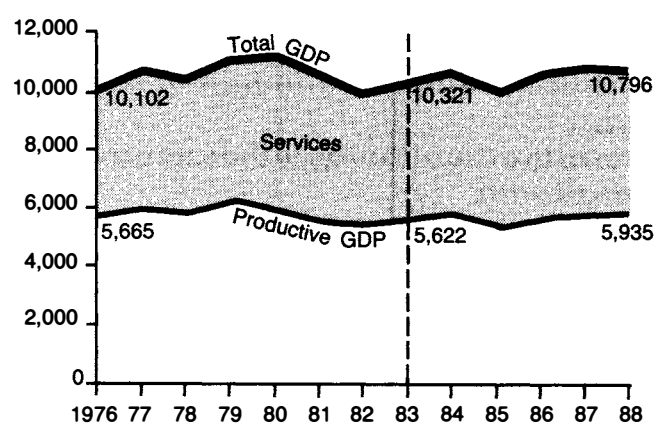
This is what is known as the debt looting mechanism. It is what Martínez de Hoz and Sourrouille and company specialized in for the last dozen years. These facts alone constitute adequate, *prima facie* evidence of the fact that the entire Argentine foreign debt is illegitimate; but more can, and should, be said on this subject.

Figure 2 shows our calculation of the total illegitimate foreign debt, compared to the official foreign debt. If we total all sources of illegitimate debt, we find that Argentina could have paid off its \$8.3 billion debt of 1976 and gone on to accumulate a surplus of \$35.5 billion by 1988. While flight capital is the largest single item of illegitimate debt, there are two other sizeable categories.

Excessive interest rates are another major source of illegitimate debt. Had international interest rates merely stayed at the mid-1970s level of 6.8% (already much higher than the 1950s rate of 3-4%), rather than being jacked up into the 20% range by U.S. Federal Reserve chairman Paul Volcker, Argentina would have saved \$8.7 billion in interest payments

FIGURE 3

Gross Domestic Product, total and productive
(in constant 1970 australs*)



Source: BCRA, *Tendencias Económicas*.

*Inflation since 1970 has been so severe that one constant austral of 1970 is equivalent to 70 million australs of 1988, and more than 300 million australs as of June, 1989.

from 1979-83, and a further \$11.0 billion during the Alfonsín years, for a total of \$19.7 billion.

Since 1976, Argentina has also lost heavily on declining terms of trade, mainly because so much of its exports are agricultural products, whose price has plummeted, especially after 1984. As shown in Figure 2, losses due to declining terms of trade total \$20.4 billion since 1976. This is based on taking 1980 as a base year, and calculating what the dollar value of imports and exports would have been had relative prices remained as they were in 1980. The difference between the much larger surplus that Argentina should have enjoyed, and the actual surplus, is the loss on terms of trade.

Then there is the \$28.8 billion in capital flight.

There is a final component of illegitimate debt, namely the accumulated interest charges on the above three categories of illegitimate debt, which represents an additional \$26.6 billion in illegitimate debt.

Total illegitimate debt can thus be seen to be \$95.5 billion. That is, Argentina ought to have \$36.0 billion in reserves, instead of its present \$500 million; and it should have no foreign debt, rather than today's unpayable \$60 billion. Of course, in reality, under such conditions, the country would have spent a large part of its \$36 billion in legitimate reserves on additional capital goods imports, and thus could have refitted the entire industrial economy at the most modern level. This looting directly represents investment that was not made in domestic industry and agriculture.

One further point should be made regarding the impact

of this foreign debt looting on the domestic economy. It would appear from Figure 2 that there has been little net capital flight under the Alfonsín administration. More likely is that sizeable outflows were balanced by inflows of specu-

lative capital in certain periods, seeking lucrative rates of return on government debt at high internal interest rates. It is known that billions returned in the first several months of the "Spring Plan," for example, and the same probably happened at earlier points when domestic interest rates were sharply positive.

However, this transaction has been far from "neutral." In general, the money flowing back has not been for the purpose of investing productively in the economy, but only financially, in government paper. To attract this money, the Sourrouille economic cabinet created an *internal debt* well in excess of \$10 billion, at high interest rates. As a result, the net effect of flight capital entering the country, and leaving it again, has been to increase government debt by \$10 billion or more under Alfonsín, albeit not in external debt. If internal debt were taken into account, the true cost of flight capital under the Alfonsín administration would be in this \$10 billion range.

Finally, the cost to the economy of the debt burden is not completely totaled without pointing out that inflation and the government deficit are also primarily the result of servicing the debt. To pay the debt, the government, already in some deficit, has, in effect, printed money in order to extract dollars to send abroad as interest payments—a highly inflationary venture. The increase in the internal debt is likewise inflationary. And of course, the combined foreign and domestic debt payments are the major component of the fiscal deficit.

Similarly, the forced devaluations of the currency, which are the result of an absurd open exchange policy, putting Argentina at the mercy of international speculative capital, have also kicked off a self-feeding hyperinflationary spiral, which, as of this writing, is utterly out of control.

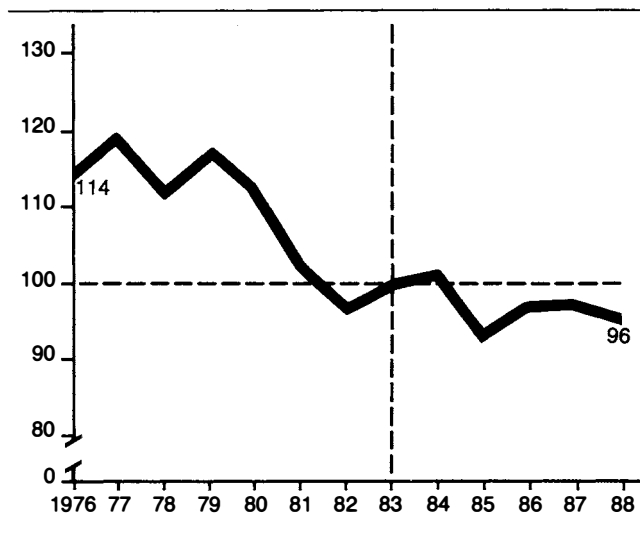
Production shattered

Perhaps the most useful way to see what Alfonsín and his economic czar Sourrouille did to the economy is by looking at the essential parameters, divided into two time frames: the 1976-83 period of Martínez de Hoz policies (he was economic czar only from 1976-81, but his policies prevailed through to the end of the Proceso in 1983); and the 1983-88 Alfonsín era, during most of which time Sourrouille reigned supreme.

Thus, in **Figure 3** we see that total GDP, measured in constant 1970 australs, was virtually stagnant both in the Martínez de Hoz period and under Alfonsín, rising by only 500 australs to 10,800 at the end of 1988—only a 5% rise in five years, far less than the rate of population growth.

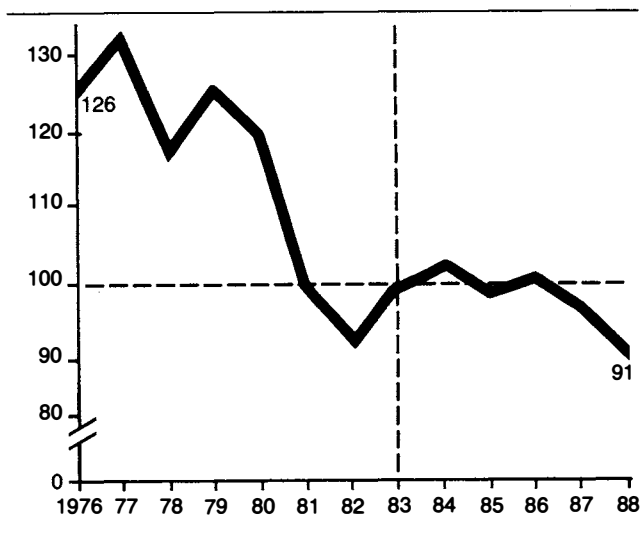
A better measure of actual economic activity is what we call *productive GDP*, a measure which subtracts from total GDP the amount corresponding to financial, personal, and administrative services, as well as other overhead expenses. As can be seen in the shaded portion of Figure 3, these total services account for nearly half of total GDP throughout the period. The productive GDP actually fell slightly under Mar-

FIGURE 4
Productive Gross Domestic Product per capita
(Index 1983=100)

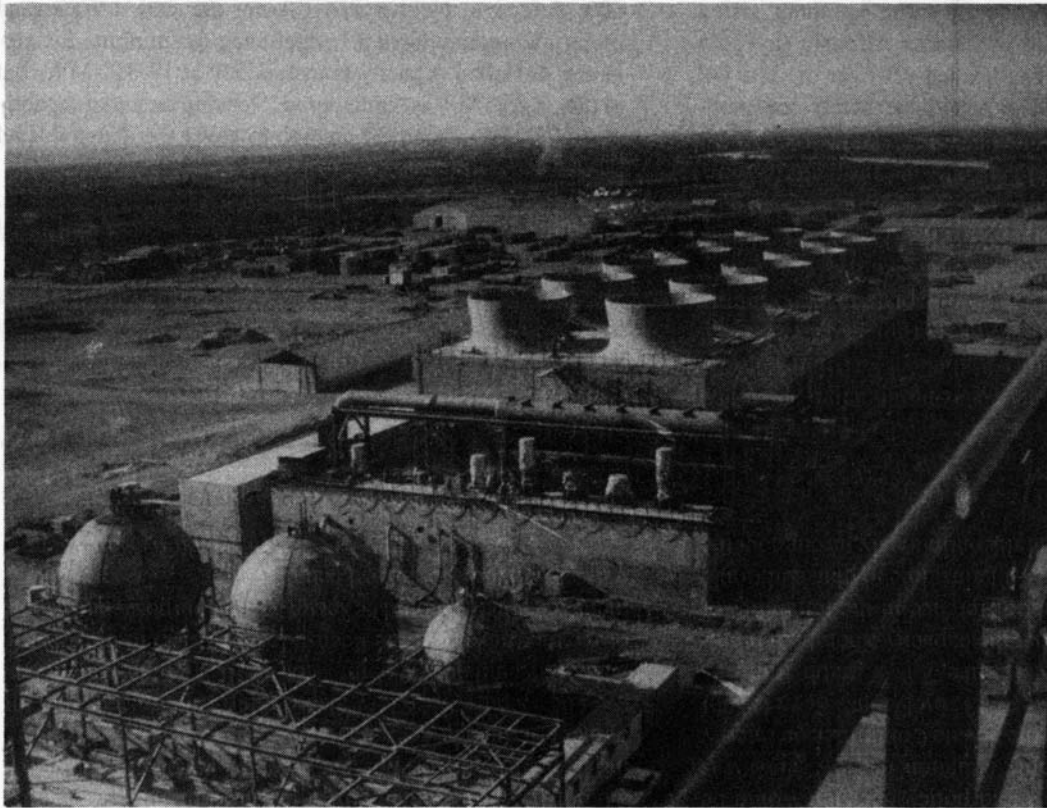


Source: BCRA, *Tendencias Económicas*.

FIGURE 5
Manufacturing GDP per capita
(Index 1983=100)



Source: BCRA, *Tendencias Económicas*.



Until recently, the electricity industry was the one growth spot in the Argentine economy. But maintenance budgets have been slashed, and during the past year, shortages and blackouts have been experienced by every consumer. The nuclear sector in particular has been hit hard. Shown here is construction of a heavy water plant in Arroyito, Argentina, during the early 1980s.

CNEA

tínez de Hoz, and rose only minimally under Alfonsín.

An even more revealing measure of actual economic performance, however, is productive GDP output per capita, which we have graphed, both for the total productive GDP and for its component sectors, in **Figures 4-8**. We have chosen to index the figures to 1983 = 100, in order to show most clearly in what condition Alfonsín received the economy in that year, and what he and his economic team did to it over the next five years. It should be emphasized that these figures show the *output* per capita in each area—not the amount *consumed* within the country. That amount would be smaller still, because of the vast net exports that the banks kept sucking out of Argentina to pay the foreign debt.

Figure 4 shows that *productive GDP per capita* was in steady, significant decline during the Proceso, and that Alfonsín in no way reversed this trend.

Of the sectoral graphs, the most disturbing is **Figure 5**, which shows what has happened to *manufacturing*, the sector most vital to economic well-being and which must lead the way in any real industrialization effort. Not only did manufacturing GDP decline under both Martínez de Hoz and Alfonsín, but it did so more sharply than productive GDP as a whole. Martínez de Hoz's wholesale slaughter of Argentine manufacturing, where per capita output dropped from 126 to 100, was continued under Alfonsín, bringing the index down

to 91 in 1988. Most tellingly, manufacturing GDP as a percentage of total GDP fell from 24% in 1976, to 21% in 1983, and to a disastrous 20% in 1988.

This decline occurred in almost all sub-sectors. *Light consumer goods* (food products, textiles, leather goods, etc.) were essentially stagnant from 1983 to 1988. The physical volume of output of *basic industrial products* (cement, oil, sulfuric acid, etc.) was also flat straight through from 1976 to 1988, with the single notable exception of steel, which grew from 3.0 to 3.6 million tons per year output between 1983 and 1988. But the worst sub-sectoral collapse occurred in *machinery and equipment* (**Figure 6**.) This is perhaps the single most critical area of a nation's productive activity, because its output is the key to the ability to grow in other areas. And yet under Martínez de Hoz it crashed by 29%, and under Alfonsín by another 14%. This sub-sector actually declined as a percentage of the already stagnant total GDP, from 6.7% in 1976, to 5.3% in 1983, to an abysmal 4.9% in 1988.

The worst collapse of all occurred in the *construction* sector (**Figure 7**), which plummeted during this period at a rate which almost defies the imagination, and certainly reflects the sorry state of Argentina's infrastructural activity.

The only sector to show significant growth occurred in the *electricity* sector (**Figure 8**), which, until recently, was

the only relatively bright spot in the entire economy, rising both under Martínez de Hoz and under Alfonsín (by 14% over 5 years), although it has leveled off over the last 1-2 years. This growth, as well as higher electricity consumption, is explained in part by the cheaper electricity rates maintained under the Alfonsín regime, a fact which may have encouraged some businesses to convert to electricity, out of more expensive forms of energy. Activities which function as part of the expanding "informal economy" have also most likely illegally tapped into the national electricity supply. It is also the case that certain energy infrastructural projects were in the works well before Alfonsín came into office, permitting growth in electricity production to be maintained despite dramatic budget cuts.

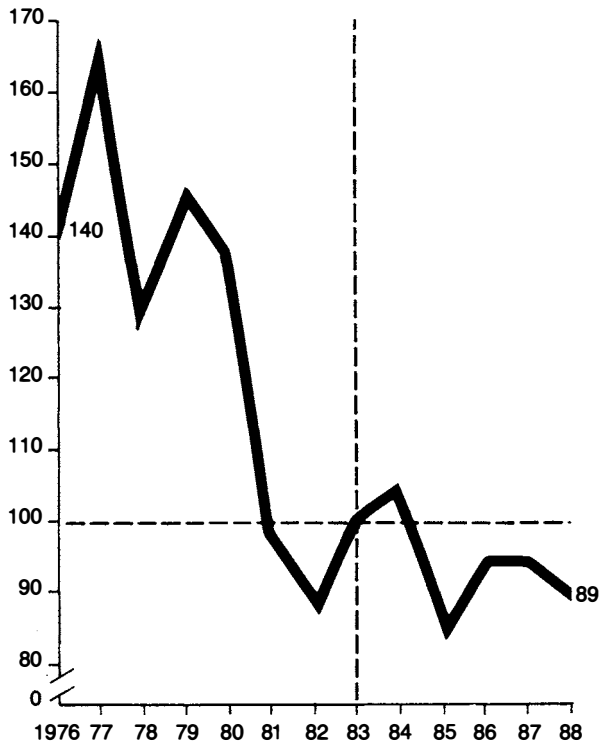
Outstanding is the complete lack of investment in the maintenance of the existing plants (e.g., the Atucha I nuclear plant), and of the electrical grid, due to IMF-enforced drastic budget cuts. In 1987, for example, this meant a 50% cut in the maintenance budget of the state-run electricity company, SEGBA—despite the fact that Buenos Aires' underground cables are an average of 60 years old, and are believed to be

60% defective. Neither SEGBA nor the state's Water and Energy Company have a budget even for minimal maintenance. Installed capacity is technically at 13,310 MW, but of this, 4,600 MW is "indisposed," leaving an actual capacity of 8,677 MW—scarcely enough to cover the demand level of 8,200 MW.

The results have been seen, and felt, by every Argentine. In late 1988 and early 1989, shortages of electricity enforced blackouts of up to five hours per day in Buenos Aires.

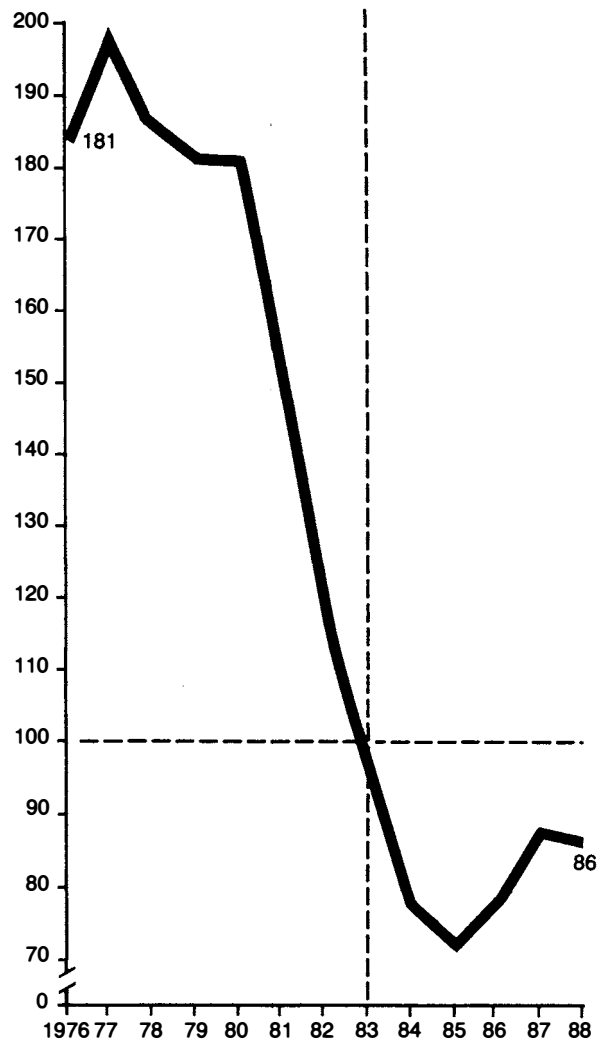
The budget cuts have hit new projects even harder than the maintenance of existing ones, and the nuclear sector in particular has been badly crippled, if not yet fully destroyed.

FIGURE 6
Machinery and equipment GDP per capita
(Index 1983=100)



Source: BCRA, *Tendencias Económicas*.

FIGURE 7
Construction GDP per capita
(Index 1983=100)



Source: BCRA, *Tendencias Económicas*.

Among other things, this has produced a "brain drain" from Argentina, as skilled engineers, physicists, and technicians seek employment abroad. Over the past decade, the budget for the National Atomic Energy Commission (CNEA) has been cut by almost 70%. Crucial projects such as the Yacyretá dam and the Arroyito heavy water plant have been relegated to limbo. Other projects, such as the Piedra de Aguila plant, which will provide 2,100 MW, have only been able to go forward because of foreign financing. The Atucha II nuclear plant is now not scheduled to come on line until 1993.

Over recent years there have been some advances in the critical nuclear sector, mostly in the international area. Thus, the Argentine test reactor, built by Argentine and Peruvian technicians in Huarangal, Peru, is operational, and there are promising prospects of sale of nuclear technology to Algeria, Egypt, Iraq, and so on.

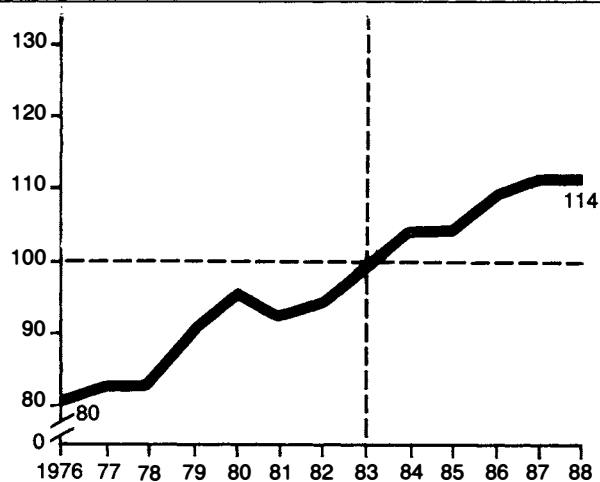
The average annual growth parameters of productive GDP per capita are summarized in Table 1. It should be no comfort that the shocking global average decline of 1.9% per year under Martínez de Hoz, was slowed to an annual average decline under Alfonsín of "only" 0.8%. The same policies (IMF monetarism) produced the same results (economic collapse), if at a slightly different rate, during the two periods. Under Alfonsín every sector, with the exception of electricity, declined steadily.

The investment nightmare

Our discussion of the way inadequate maintenance pre-empted a major problem for the electricity sector in the near future, should now be broadened by looking at the investment picture for the entire economy. Investment figures do not reveal what immediate productive GDP figures will be, but they are the determining factor for the productive apparatus one or two cycles down the line. In this sense, an economy which fails to adequately invest in its own future is as insane as a parent who kills and then eats his own child, in order not to go hungry today.

Such economic cannibalism occurred uninterrupted under both Martínez de Hoz and Alfonsín. As Figure 9 shows, the figure for *gross domestic investment* (which includes both maintenance and replacement of the existing capital stock as well as net new investment) dropped dramatically from 2,200 1970 australs in 1976, to 1,500 in 1983—a one-third drop! This 1982-83 level of gross domestic investment barely covered the maintenance and replacement capital costs, and corresponds to *zero* net new investment. Even if we assume no increase in the required absolute maintenance and replacement costs in the Alfonsín years (although they surely did rise, if for no other reason than the aging of plant and equipment), we can see in Figure 9 that for the entire Alfonsín period, the gross domestic investment was *less than* the mere breakeven level of 1982-83—in fact, it averaged about 15% per year under this level for the five-year period, with a low point one-third under breakeven in 1985, the year that Sour-

FIGURE 8
Electricity GDP per capita
(Index 1983=100)



Source: BCRA, *Tendencias Económicas*.

TABLE 1
Average annual rate of growth
of productive GDP per capita, by sector
(percent)

Sector	1976-83	1983-88
Agriculture	0.1%	-0.4%
Mining	1.6%	-1.9%
Manufacturing	-3.3%	-1.9%
Construction	-8.2%	-3.0%
Electricity	3.2%	2.7%
Transportation	-0.7%	-0.8%
Total productive GDP	-1.9%	-0.8%

Source: BCRA, *Tendencias Económicas*.

rouille's infamous Austral Plan was launched. In other words, *there was substantial net disinvestment every year under Alfonsín*—just as there were net capital exports every year, too. Pure economic cannibalism.

Agricultural decline

The pathetic state of investment is also seen in the fact that, under Martínez de Hoz, as bad as it was, the average annual rate of investment (as a percentage of GDP) was 23.3%; under Alfonsín, this dropped to the average level of 12.2%—barely half the Martínez de Hoz level.

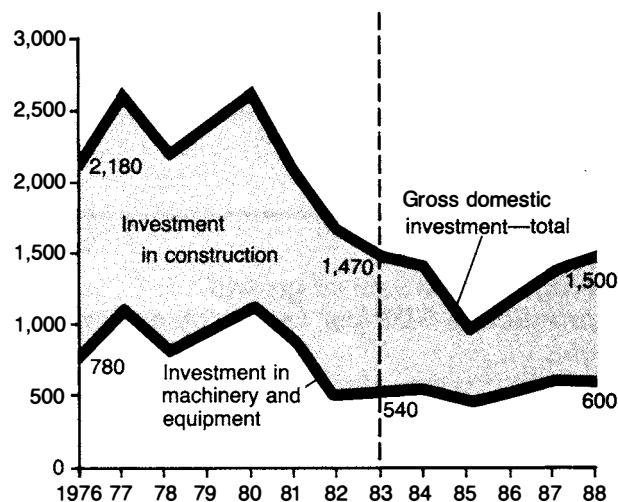
One of the areas hit hardest by the lack of investment is

agriculture. One external factor affecting output was the trade war carried out beginning in 1985 by the United States and the European Community, whose subsidies of agricultural exports at a time when the Argentine government continued to tax its exports, affected international prices and made it impossible for Argentina to compete. This trade war, compounded by the government's fixing of prohibitively high interest rates and its policy of taxing agricultural exports at 20% or more, led to a more than 50% collapse in grain and oilseed exports, and a corresponding drop in the area under

cultivation and in output from 1985 to 1988 (Table 2). The severe drought of late 1988 has now plunged 1989's output to a new low.

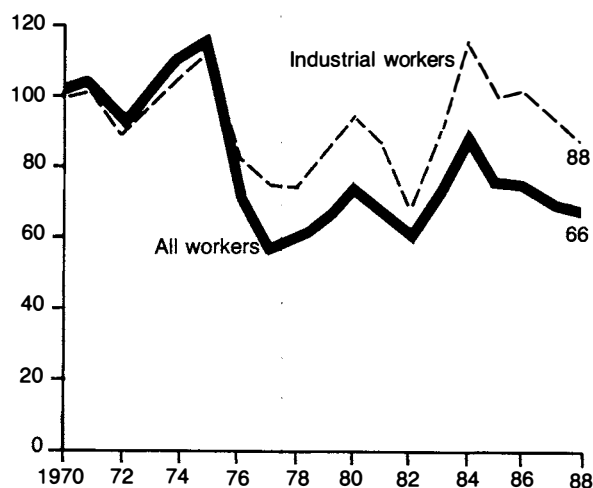
In particular, for grain and oilseed production, which accounts for almost 85% of all land under cultivation, total area under these crops dropped from 22.9 million hectares in the 1983-84 season, to 19.1 million hectares in the 1988-89 season—a 17% drop. The production of these crops also fell 18% in this period from 40.8 to 33.4 million tons. Grains were the hardest hit. Wheat, perhaps the country's most

FIGURE 9
Gross domestic investment
(in constant 1970 australs)



Source: *Tendencias Económicas*.

FIGURE 10
Real wage levels 1970–88
(Index 1970=100)



Sources: *Tendencias Económicas*, I.L.O., own elaborations.

TABLE 2
Production of grains and oilseeds
1983-88

	Area under cultivation (millions of hectares)			Production (millions of tons)		
	83/84	88/89*	% change	83/84	88/89*	% change
Wheat	7.2	4.5	-38%	12.3	7.7	-37%
Corn	3.5	2.6	-26%	9.5	7.7	-29%
Sorghum	2.6	1.2	-54%	7.4	3.4	-54%
Sunflower	2.1	2.2	0%	2.2	2.7	20%
Soy	2.9	4.9	69%	7.0	10.1	44%
Others	4.6	3.7	-20%	2.0	1.8	-25%
TOTAL	22.9	19.1	-17%	40.8	33.4	-18%

*estimated

Sources: BCRA, *Tendencias Económicas*, SEAGYT.

important crop, fell by 38% in area cultivated, and by 37% in output; maize, by 26% in area, and by 19% in production; and sorghum sank by an amazing 54% in both area and output. The only major crop with any meaningful growth was soy beans, which grew in area under cultivation by 69%, and by 44% in output.

Argentina's beef industry fared little better under Alfonsín. The total number of head of cattle, for example, dropped from 53.8 million in 1983 to 50.8 million in 1988, a 6% decline. And the significant drop in per capita consumption of meat which occurred the last years of Martínez de Hoz's rule, was in no way reversed by Alfonsín. Thus, in 1980, Argentines were consuming 84.2 kilograms of meat annually per capita, but in 1988 this had fallen to 70.5 kg—a 16% decline, in Ibero-America's premier meat-producing and -consuming country.

Workforce targeted

But perhaps the worst damage of all that has been done, is to the labor force. This is one case where it would be misleading to present the picture only from 1976 to 1988. This is because there was a dramatic drop in wage levels (by about 50%) that overlapped the 1975-77 period. We have therefore presented a picture going back to 1970 **Figure 10**, a year which we have indexed to 100, and take as the minimal wage level required to sustain the workforce.

As can be seen from **Figure 10**, the average real wage when Alfonsín took over had already dropped to about three-quarters of its minimum necessary level of 1970, and in his

term of office it dropped further, to where today it is less than two-thirds of the 1970 level.

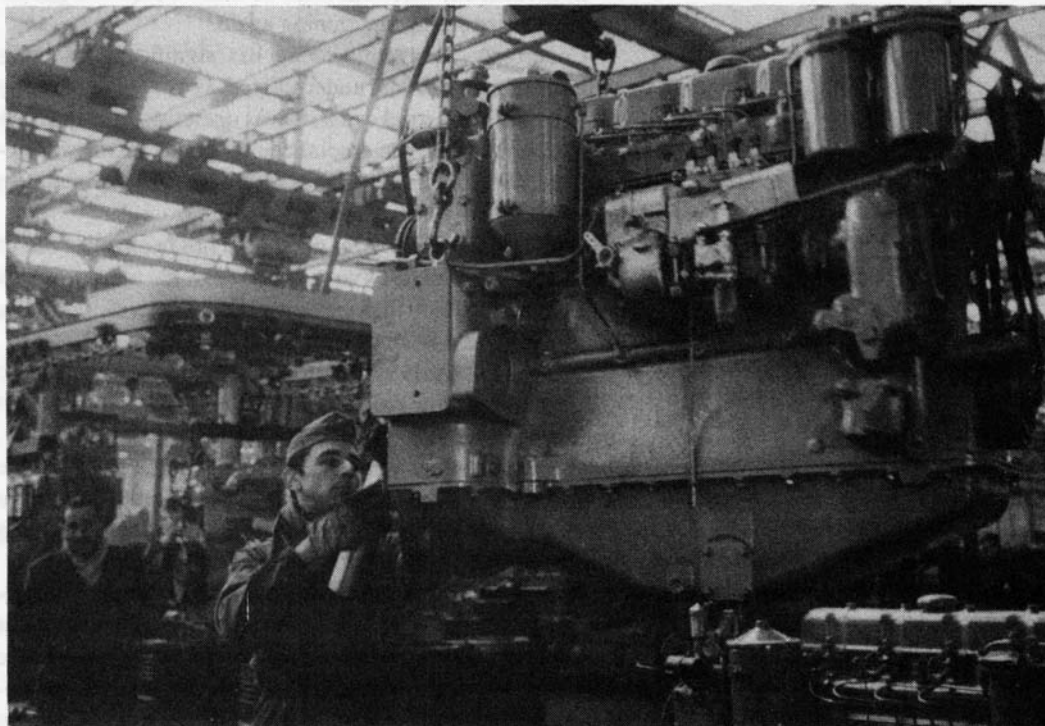
This figure is an average for the total employed labor force, and the less skilled workers fared worse than the average. The figure for common laborers, for example, shows a 50% collapse in real wages from 1970 to 1988.

The real wage of industrial workers fared better than the average ("only" a 12% drop from 1970-88). But this was a wage level that a drastically diminishing number of workers was receiving, as employment shifted out of the industrial sector into unproductive and service jobs (driving taxis, street vending, etc.) and unemployment.

Thus, **Figure 11** shows that actual employment in the industrial sector dropped by one-half from 1976 to 1988.

As shown in **Figure 11**, employment in the manufacturing sector fell one-third from 1976 to 1981, where it has stayed, with slight variations, ever since, hitting only 66.4% in 1987, the last year for which statistics are available. (Unemployment is reported to have skyrocketed, of course, in the aftermath of the February 1989 monetary blowout, but no global figures are yet available.)

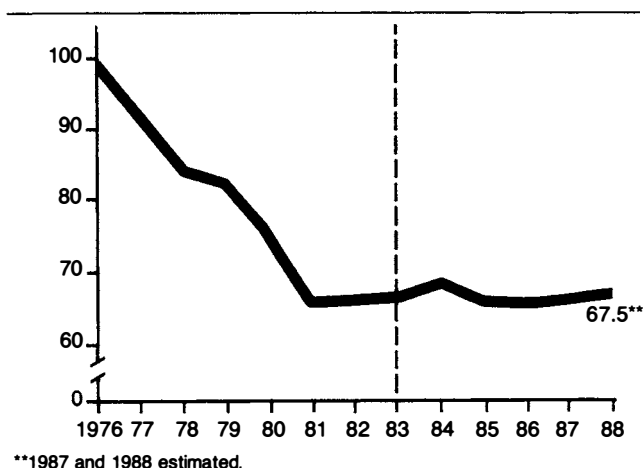
However, *real* unemployment is actually extremely high. Official unemployment rose to an all-time high of 6.8% in 1988, with underemployment officially also at an all-time high of 8.3%. If underemployment is assumed to represent a worker employed at two-thirds of his normal hours or less, then underemployment is equivalent to 3.2% unemployment, bringing the total official figure to 10%. However, since 1980, there has been a terrific increase in disguised unem-



Employment in manufacturing is falling, as unemployment rises and jobs shift into the "service" sector. Meanwhile, average real wages for the workforce have fallen to less than two-thirds of the 1970 level. Shown here is a Fiat tractor plant near Córdoba, Argentina, in the 1960s.

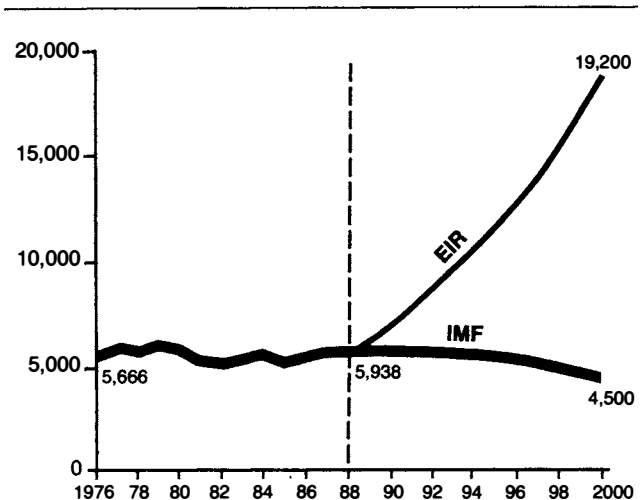
ployment, in the form of job creation in the so-called services sector, unmatched by productive growth of the economy. Since the economy has effectively stagnated for eight years, and dropped in key sectors like manufacturing, there has clearly been no increase in productive employment. The increase in unproductive employment—from driving taxis to unneeded increases in government payrolls, added to the

FIGURE 11
Manufacturing employment
 Index 1976=100



Sources: INDEC, *Coyuntura Económica*.

FIGURE 12
**Productive GDP projections:
 two alternatives 1976-2000**
 (in constant 1970 australs)



informal sector of kiosk vendors, drug pushers, and micro-industry workers—is all, effectively, unemployment from the standpoint of the real economy. Adding the increase in unproductive workers to open unemployment gives the global figure of 29% *real* unemployment.

Even this figure understates the real state of affairs, because even in 1980, there was a sizeable component of superfluous jobs in the service sector. No precise figures are available for Argentina in 1980, but for all of Ibero-America, misemployment in services has been estimated at 14% in 1980, rising to 17.5% in 1985. Clearly, productive job creation must be Argentina's number-one development task, as it is for the rest of the continent.

Options for the future

Despite all of the damage wrought by Alfonsín, and as bad as the situation is today, it is still possible to pull Argentina out of its current mess. The crisis has been created, in both the Martínez de Hoz and Alfonsín periods, by two basic causes:

- 1) Most of the economic surplus actually produced by Argentina has been looted, shipped out of the country;
- 2) The little that was left behind has been horribly misinvested in unproductive and speculative activities.

The first two steps to economic recovery are to simply reverse these policies:

- 1) The looting must be stopped dramatically, by declaring a unilateral debt moratorium (and forming a debtors' cartel and an Ibero-American Common Market as quickly as possible), and by imposing air-tight exchange controls;
- 2) Investment decisions must be made which will get the productive apparatus functioning again.

Concretely, Argentina today has significant resources which are simply un- and underutilized. For example, in early 1989, overall industrial capacity was operating at only a 58% utilization rate, and the crucial capital goods sector was operating at 49% of capacity. Thus, there is the basis for almost immediately doubling output in these areas.

Similarly in agriculture, good land has been taken *out* of cultivation over the last five years (17% of the total)—which is the equivalent of idle capacity. So, too, with the labor force, whose real unemployment rate is at least 29%.

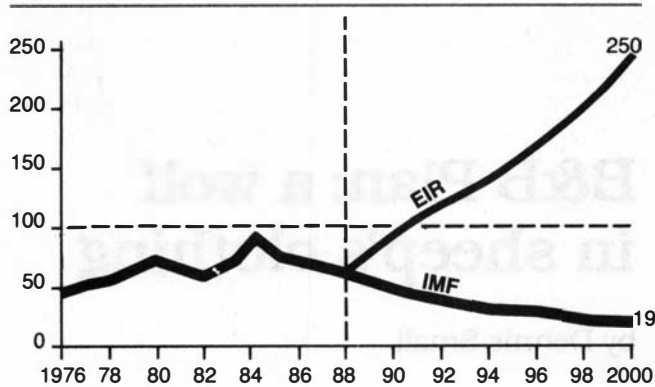
So, it is relatively straightforward to increase utilization: Just rein in the domestic financial oligarchy from its worst speculative excesses of the past decade, and put idle labor, capital, and land back to work again. This will surely create economic growth, much as President Alan García did in Peru . . . for a year or two. But it will *not* solve the underlying problems, and it will run out of steam within a few years.

Rather, such a burst of easy growth must be taken advantage of as a crucial breathing space, in which the urgent medium and long-term measures are implemented. Those measures—both economic and monetary, domestic and international—are documented in detail in the chapters that

FIGURE 13

**Real wages, projections:
two alternatives 1976-2000**

(Index 1970=100)



follow [in the book from which this chapter is taken—ed.].

If such steps are implemented, both over the short and longer term, it will be possible to get Argentina back on the path of economic growth—with per capita productive GDP

growth rates of 10% per year, between now and the year 2000, and manufacturing output growth of 15% for the first two to three years, and dropping down to the 10-12% range thereafter. This would lead to a more than tripling of productive GDP per capita by the year 2000, and a growth of manufacturing GDP per capita by over 3½ times. Similarly, real wages would rise by about 20% in each of the first two years—thereby returning to the minimally necessary level of 1970—and then would rise more slowly, at about 10% per year.

These possibilities are shown in Figures 12 and 13, contrasted to what will happen if the Martínez de Hoz-Alfonsín policies are continued. This “IMF” option is premised on some sort of short-term stabilization of the current hyperinflationary explosion, followed by a resumption of a more “normal” (e.g., neo-Keynesian) IMF conditionalities policy. If the hyperinflationary shock wave is not stopped, virtually all economic activity will cease within months—for which no meaningful projection curves can be drawn. Moreover, it is impossible that the IMF option can be played out for anywhere near the next 12 years, as relatively soon the continued sharp reduction in real wages implied even after a stabilization plan would lead to social explosions like, and probably much worse than, what has already occurred this year in



The continued decimation of living standards must inevitably lead to social and political explosions like that which took place in Argentina and Venezuela earlier this year. Shown here is rioting in Caracas, Venezuela in March 1989. In Argentina in May, rioting and looting broke out, leading to the suspension of constitutional guarantees.

Venezuela and Argentina, making long-term projections problematic. We have disregarded this factor in our extrapolations, in order to show the inherent tendency of the IMF option if it could be somehow sustained.

A similar choice of policy options on the debt front is presented in **Figure 14**. We briefly elaborate why the “EIR” curve for projected interest payments has the shape it does.

We have shown above that Argentina doesn't legitimately owe anybody anything. Argentina has already paid off its debt to the banks—debts that should never have been contracted in the first place—virtually in interest payments alone, half of which were nothing but usury. And Argentina paid again, in the form of massive capital flight, which ended up in the same creditor banks in the form of deposits in secret bank accounts. If the banks really want to collect a third time, let them seize the numbered accounts in their own banks, and appropriate the nearly \$30 billion which Argentina's looters have placed there. But neither the Argentina government nor the Argentine people are obligated to pay those debts yet again, at their current amounts and terms, and at the cost of further destroying the Argentine economy and people.

Argentina should pay its legitimate debts on its own terms, which means: 1) Declare a five-year full moratorium on all debt service payments, except trade credits, estimated at about \$200 million a year; 2) at that point, issue long-term, low-interest government bonds at 2% interest, which would replace the existing \$60 billion in foreign debt, and whose servicing would therefore cost \$1.2 billion a year; 3) conduct an in-depth audit of the foreign debt, to determine what part of it is legitimate, and what isn't, and to prosecute those responsible for the latter.

B&B Plan: a wolf in sheep's clothing

by Dennis Small

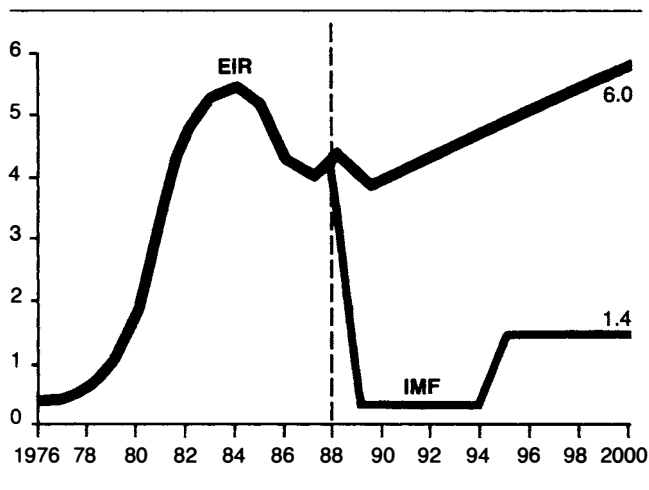
Argentine President-elect Carlos Saúl Menem has named Miguel Roig to the crucial post of finance minister in his incoming cabinet. Roig is a prominent businessman who formerly worked as executive vice-president of Bunge and Born, the giant international grain cartel and agro-exporter with extensive holdings in Argentina. Ten years ago, Bunge moved its headquarters to São Paulo, Brazil, where Roig also resided. He remains closely associated with Bunge and Born, so much so that the economic plan which he has proposed to Menem, and which the latter has reportedly approved in outline form for his administration, is known as the Bunge and Born Plan, or, for short, the B&B Plan. It was reportedly developed with the aid of the econometric modeling approach of Nobel Laureate Lawrence Klein of the Wharton School of Economics at the University of Pennsylvania, and it indeed reflects the incompetent, standard neo-Keynesian approach for which Klein is known.

The most generous interpretation of the B&B Plan is that it is a well-meaning attempt to reestablish growth in the devastated Argentine economy, which will in short order fail miserably to achieve these results, and will leave the economy once again in a shambles.

Another view has it, however, that the B&B Plan is nothing but a wolf in sheep's clothing, just as Keynesianism more generally presents itself as a less draconian alternative to Friedmanite monetarism, only in order to be accepted and then be able to apply essentially the same policies.

In point of fact, few concrete details of the Bunge and Born Plan have been made public. It is said that it will last 18 months, and that its goals are to achieve by that time annual GNP growth rates of 7½%, average wage increases of 9½% per year, and to lower inflation to about 12½% per annum. These are laudable goals, if somewhat low: EIR's program would increase GNP by about 10% per year, wages by 20% in each of the first two years, and slash inflation to next to nothing. But the question is, are these objectives

FIGURE 14
**Interest payments, projections:
two alternatives 1976-2000**
(billions of dollars)



possible to implement with the B&B Plan? The answer is, emphatically, no.

Keynesianism doesn't work

The B&B Plan proposes to achieve growth by putting existing underutilized capacity (in both labor and capital) back to work, and to use the standard Keynesian mechanism to do this: Increase the money supply. This would purportedly not be inflationary, because the government would insist that businesses not raise prices (and would presumably also put a cap on wages) and would induce them to do this (i.e., subsidize them), with low-interest government loans. The other steps that would slow inflation are a sharp cut in the government deficit and a major "structured reform" of the state sector—two measures that sound an awful lot like the standard demands the International Monetary Fund has been trying to impose on Argentina for a decade or two.

Where will the money come from to finance all of this? Roig's B&B Plan is promising that it has lined up a \$3.5 billion cash infusion into the economy for this purpose, and to cover imminently maturing government debt, from the advanced sale of next year's grain harvest and oil exports. In other words, the B&B Plan would mortgage the country's resources—exactly as the IMF and the creditor banks have been demanding of Argentina for years.

It is clear that Menem has a soft spot in his heart for proposals that promise a quick-fix cash infusion into the Argentine economy. Besides the tantalizing B&B Plan offer, Menem has in the past encouraged the idea of establishing Hong Kong-style free ports and financial centers in Argentina, allegedly in order to attract speculative international flight capital back to Argentina. Such open doors to promised international capital flows, however, always result in a net *outflow* of funds, rather than an inflow. So, too, with the B&B Plan offer.

Debt looting won't stop

There are two crucial flaws in the entire B&B strategem.

First, nowhere does the plan propose doing anything to stop the foreign debt looting of Argentina—i.e., to stop the bloodletting of \$5 billion per year in combined debt service and flight capital which is the *principal cause* of Argentina's economic and monetary crisis of the last decade and more.

Menem himself has called for a five-year debt moratorium for exactly this reason—an absolutely necessary, included step. But even if we assume Roig and Co. will accept this Menem policy (and it is by no means clear that they will), the B&B Plan does not call for exchange controls, without which there can be no effective end to the looting, nor any way of stabilizing the Argentine currency. It will continue to be whipsawed by international speculative capital, which is the *main* cause of inflation in Argentina today (through debt service looting, and forced devaluations and high internal interest rates), not the "cost-push" Keynesian nonsense ped-

dled by Klein, et al.

On the contrary, the B&B Plan proposes a drastic devaluation of the currency, followed by free convertibility to the dollar—both steps which the IMF and the creditor banks advocate.

In this context, the B&B Plan's call for a new currency, replacing the austral with the "federal," will fail miserably to cure inflation or solve any other monetary problems. It is true that Argentina needs such a new currency, but unless it is then protected with exchange controls and a solid domestic investment strategy, it will be destroyed by the international speculative capital usurers, as were the austral and the peso before it. The B&B Plan's approach is like giving a patient a much-needed blood transfusion, but then allowing the conditions to continue which infected the blood in the first place.

No investment strategy

This brings us to the second major flaw of the B&B Plan, which relates to the domestic side of policy: It presents *no investment strategy* to ensure the development of the productive powers of labor and the industrialization of the economy. All is left to a simple increase in consumer demand, à la Keynes, instead of taking a dirigistic approach of the sort used in every successful historical case of industrial development, such as Japan and the early United States.

In fact, the B&B Plan would continue the strategy of former finance ministers José Martínez de Hoz and Juan Vitale Sourrouille, of dropping import tariffs, which would only lead to the further collapse of domestic manufacturing in particular, rather than the selective dirigistic protectionism of the sort which would foster Argentine industrial development.

There is one final, strategic criticism to be made of the B&B Plan: It presents its entire battle plan as though it were possible to achieve growth while simultaneously maintaining good terms with the international financial institutions and creditors, based on naming what Roig et al. call "a credible economic team." This is, at best, a disingenuous misreading of the current international economic environment, which is in reality one of an emerging global depression and all-out economic warfare against Third World nations, especially those who dare try to grow. Argentina, in particular, faces a kind of "financial Malvinas" from the IMF and its creditors. In order not to be "Africanized" and subjected to famine and genocide, Argentina will have to swim against the prevailing world current (preferably in alliance with its Ibero-American sister nations), and not "go with the flow," as the B&B Plan implies is possible.

In this case, the B&B Plan is the equivalent in economics of Neville Chamberlain's appeasement policy toward Hitler. It does the incoming Menem administration and the Argentine nation a grave disservice by claiming that anything other than the moral equivalent of a war economy can save Argentina today.

Noriega backed by 150 of continent's lawmakers

by Carlos Wesley

Over the June 17-18 weekend, 150 senators and congressmen from 15 Ibero-American nations held the first "Conference of Latin American Parliamentarians for Panama." The conference was the first time that Ibero-American lawmakers had come together at their own initiative for an event of this nature, and was convened to demonstrate continental solidarity with Panama and the commander of its Defense Forces, Gen. Manuel Noriega. In addition, the gathering of the 150 parliamentarians, representing 48 different political parties, was "the first step in the history of the Americas towards establishing Latin America's effective sovereignty," said Brazilian Congressman Tadeu França in a speech delivered June 19, on his return to Brazil's House of Representatives.

The conference was a direct response to the capitulation of the governments of Ibero-America to the United States at the Organization of American States (OAS) special foreign ministers meeting on May 17. On that occasion, the governments sold out to the Bush administration's promises of debt relief, or surrendered to its strong-arm pressures, and passed a resolution demanding that the Panamanian government be dissolved and condemning Noriega. Unlike their governments' executives, the legislators, who are closer to the electorate, have a better understanding of the political costs of betraying Panama.

A big hole was also blown into the media propaganda against Panama as a result of the lawmakers' meeting. Throughout Ibero-America the headlines reflected the reality that "Noriega is a nationalist leader," and that the fight between the United States and Panama is about who is going to control the Panama Canal in the year 2000. But the U.S. major media blacked out all news of the conference.

For weeks beforehand, the U.S. State Department deployed every diplomatic and intelligence asset at its disposal

in a desperate attempt to prevent the conference from taking place. The CIA, the Socialist International, the international Christian Democracy, all pressured parliamentarians not to attend. Even the United States Information Service (USIS), which otherwise spends its time singing the praises of Gorbachov, deployed its personnel on a Sunday in order to give the "proper spin" to reports of the event.

But once again, as has often been the case with its handling of Panama, this arrogant and high-handed approach backfired. "We are aware that to support our country . . . you have had to see beyond the worldwide campaign of disinformation. You have had to stand up to the threats of the U.S. government," said the president of Panama's Legislative Assembly, Celso Carrizo, to the visitors.

The result, as has been widely reported in the Ibero-American media, is that Panama's position has been bolstered. "Without a doubt, the government of Panama and Gen. Manuel Noriega have just won significant support in their hot confrontation with the United States over policy and the isthmian canal," reported the Dominican Republic's *El Nacional* on June 21. In the article, titled "Noriega Gets Solid Support," *El Nacional* says that "lawmakers from 14 countries [the 15th was the host country—ed.] who met in Panama, declared their solidarity with the positions of the current Panamanian government and warned the OAS that in its handling of the crisis that is affecting that nation, it should abide by its own founding charter."

One reason for success, was that the 150 legislators who attended arrived with proof in hand that they represented even broader forces, in the form of a "Manifesto in Defense of Panama" signed by more than 500 senators and congressmen from all over the hemisphere. These signatures, said Brazilian Sen. Aluizio Bezerra—author of the initiative—as he

handed the signed manifesto to Panamanian President Manuel Solís Palma during the opening ceremonies, "prove that the entire effort by the American media to diminish the figure of your country's leader has not been enough to undermine the support and solidarity" of Latin America for Panama. "The cause of Panama is the cause of Latin America," said Senator Bezerra, of the centrist PMDB party, Brazil's largest.

Another dramatic moment came when the Ecuadorian delegation presented Solís Palma with a copy of a resolution adopted by the Congress of Ecuador, June 15 (see below), demanding U.S. compliance with the 1977 Carter-Torrijos canal treaties and condemning U.S. interference in Panama's internal affairs. The significance of the resolution is that it was a call to attention to Ecuador's foreign minister, Diego Cordovez, one of the chief negotiators of the OAS mission sent to resolve the "Panamanian crisis." Following the most recent OAS visit to Panama, June 12-14, Cordovez suggested that U.S. interference is blocking a solution. "Foreign forces are creating pressure so that no solution is found to the Panamanian conflict," he said, according to press reports published June 18.

Cordovez, the press reported, was miffed by an ultimatum issued by Vice President Dan Quayle during his recent Central American tour, that either the OAS oust Noriega, or the U.S. would have to consider stronger measures against Panama. Quayle's ultimatum was delivered while the OAS mission was still in Panama negotiating, which undermined their effectiveness, as they came to be seen not as impartial negotiators, but as U.S. stooges.

Rodrigo Borja, Ecuador's President, also backtracked somewhat in public statements from his previous anti-Noriega hard line. Radio reports monitored in Colombia June 22, say that Borja's softening "came about as a result of the conference of lawmakers in support of Panama."

In their final declaration, "The Year 2000 Will Find Us United," the legislators announced the formation from their ranks of an Ad Hoc Commission to continue the battle for the sovereignty of Panama upon their return to their countries, with three specific immediate tasks: to reverse the capitulation of the OAS, to see Panama reintegrated into the "Group of Eight" Ibero-American countries, and to turn the Latin American Parliament "into an effective mechanism of pressure towards the United States, in favor of Panama." (See Final Declaration, below.)

Bankers' democracy

The leader of Panama's parliament, Celso Carrizo, opened up by presenting the lawmakers with a picture of the reality confronting Ibero-America: the imposition of a bankers' dictatorship in the name of democracy. Our nations, he said, have been deliberately impoverished, "making them victims of an unpayable foreign debt that can only be paid in installments of endless human misery, which is still not enough to cover the growing interest on principal that remains the same

size, even though it has been paid several times over. That is another form of condemning our nations to be always dependent," he said. "And it is done in the name of glorious democracy . . . of the type that the U.S. now wants to impose upon us."

President Solís Palma immediately followed, stating that Panama is the victim of the new geopolitical arrangements between the United States and the Soviet Union. "You have arrived in the country at a very special moment in the history of mankind and Latin America," he said. "A time when agreements between the superpowers have revived old concepts about conventional weapons and the strategic value of our territories."

Challenging the fictitious bankers' "democracy," Solís Palma said: "The famous decade of democratization is a sinister farce if we count the tens of thousands of political murders, the hundreds of thousands of victims of armed violence, the drop in real wages and in the standards of living of the majority of our countries." He warned, "It is extremely dangerous for a superpower to call itself a world judge and unilaterally determine when, where, and how human rights are to be respected or a democratic regime is to be established."

"As any other sovereign and free nation would have done," he said, "Panama has rejected and will firmly reject the intolerable behavior of the United States. This is why we are requesting the support of all people. We wish that our experience can alert them to what could befall each of them in the future, if we do not all unite in a strong general movement in defense of our inalienable rights."

Panama, he said, would never surrender Noriega, whom he described as the leader of the movement of Panamanian liberation. "To hand over Noriega, is to hand over the movement, because it would be the first step in dismantling the entire political structure that allows us to continue the great battle of Latin America. It is absolutely false, illusory, and misleading [to say] that General Noriega's departure would bring peace and stability." Only by lifting U.S. economic sanctions against Panama, can the process of reestablishing peace and stability begin, he said.

Challenging head-on the lie that Noriega is a drug kingpin, Solís Palma noted, "Since it was not appropriate to bring up charges of communism in the case of Panama, they decided to invent a new monster and they laid hands on the charges of drug trafficking. . . . In the entire international scandal that they have created, they have never once presented evidence admissible in a court of law. The keystone of the entire campaign of slander are statements from perjurers, from persons who are currently serving jail terms for drug trafficking and drug-money laundering in the U.S., where the reduction of sentences in exchange for testifying as the government wants has become an institution of the administration of justice."

Several of the lawmakers also addressed the conference. Besides Brazil's Senator Bezerra, speakers included Rep.

Miguel Nacul of Argentina, who led a delegation of almost 30 parliamentarians, most of them from the Peronist party of President-elect Carlos Menem. This was the largest delegation of Argentinian lawmakers ever to embark on a foreign mission.

Venezuela's President, socialist Carlos Andrés Pérez, the Bush administration's main man in Ibero-America in the push to oust Noriega, came in for some scathing criticism from his nation's delegation. Venezuelan Rep. Pablo Medina got a standing ovation from the assembled lawmakers when he said that Pérez's ambitions of becoming the great leader of the Third World had bit the dust once he betrayed Panama. "While the Pérez government criticizes democracy in Panama, in the four months since he came to power, he has sent troops into the streets on four different occasions, leaving a toll of more than 1,000 dead, while in Panama there have been five deaths due to political violence during the last three years," said Medina.

Noriega meets with legislators

There was keen awareness that every nation in the continent is facing "the Panama treatment" from a U.S. administration gone wild. General Noriega hammered away at this theme in an informal meeting with the lawmakers before the start of the formal sessions June 17. He said that his troubles started when the "arrogant" John Poindexter, then U.S. national security adviser, and since indicted for his role in the Iran-Contra arms-for-hostages operation, came to Panama to demand that it serve as a base for military action against Nicaragua. "Panama said no, and that's when the aggression began, on Dec. 23 of 1985," said Noriega.

He spoke about Panama's late leader, Omar Torrijos, "whose most important legacy," he said, "was an armed forces that no longer belong to the oligarchy. . . . They belong to the people and will struggle for the people." Noriega equated Panama's fight for the canal to Argentina's struggle to reestablish its sovereignty over the Malvinas Islands and Brazil's fight to retain the Amazon. Addressing the "brothers from Brazil," he said, "Imperialism is also concerned about what you may do with the Amazon. And they are already worried about what will be done to the piranhas. But they must understand that Brazil can do whatever it wants to do with its own piranhas." He warned the delegates from Argentina that "you must sleep with both eyes open to keep the imperialists from preventing President-elect Menem from taking office."

Brazilian Congressman França summed up his experiences at the conference in his report to Brazil's House of Representatives on June 19. "All of us Latin American lawmakers were able to assess up close the humiliation of a subjugated country." The Latin American nations, he said, are discovering they are the "victims of a single process of Yankee domination, capable of detaching the Amazon with the same ease with which the British victory in the Malvinas was accomplished."

Final Declaration

'The year 2,000 will find us united'

We, the participants in the Conference of Latin American Parliamentarians for Panama, meeting June 17 and 18, 1989 in Panama City,

Whereas:

1. We accept as our own the manifesto, "Against Intervention in Panama," signed by more than 500 parliamentarians from Argentina, Brazil, Colombia, Peru, Uruguay, and Venezuela, and also accept the terms of the Resolution of the Ecuadorian National Congress and the Declaration of the Bolivian Delegation to this conference.

2. We have confirmed that the conflict in Panama is the result of economic pressures and the increase of United States troops and military equipment in Panama, and that the international campaign of disinformation and defamation corresponds to the obvious and repeatedly expressed interest of the United States Government in abrogating the agreements sanctified in the 1977 Torrijos-Carter Treaties.

3. The resolutions adopted to date by the Organization of American States on Panama's case have not contributed to respect for the free right of self-determination of peoples as set forth in the United Nations Charter and in its own charter.

4. We attest, and denounce, that United States military intervention in Panama infringes upon the exercise of fundamental rights, particularly free transit through its own territory and freedom of the press.

5. We believe that the above violates Panamanian sovereignty and endangers the self-determination, integration and peace of the entire Latin American continent.

Therefore:

I. We demand that the United States faithfully comply with the Torrijos-Carter Treaties, signed in 1977, especially in regard to:

a) The transfer of canal installations and administration to the Panamanian people.

b) The withdrawal of military bases from Panamanian territory.

c) The suspension of economic, political and diplomatic measures against Panama.

II. We ask the member countries of the Organization of American States (OAS) to reject any type of pressure that may lead them, in the case of Panama, to make resolutions which contradict the principles set forth in its own charter.

III. We call upon the governments of the "Group of Eight" countries to reintegrate Panama into the group.

IV. We declare that we have created among the participants of this meeting an ad hoc commission which will fundamentally serve to:

a) Promote compliance with the 1977 Torrijos-Carter Treaties by means of public campaigns.

b) Counteract the campaign of disinformation and defamation against Panama.

c) Bring this declaration before the Latin American Parliament so that this organization, in accordance with its basic principles, will become an effective mechanism of pressure towards the United States, on Panama's behalf.

Signed by 150 Latin American parliamentarians from 15 countries, representing 47 political parties.

Ecuador National Congress resolution

The plenary of the legislative commissions, considering:

● That the Government and People of Panama have been the object of a permanent aggression and threat of interven-

tion on the part of the United States for the past several years;

● That this entire campaign is directed at revising the Torrijos-Carter Treaties, seeking thereby to prolong the presence of military bases in that country beyond the year 2000; and

● That it is the duty of the National Congress to defend the sovereignty and right to self-determination of peoples.

Agrees:

1. To express solidarity to the Panamanian People and Government, today under attack and threatened by foreign military intervention;

2. To condemn the United States' interference in the internal affairs of Panama, which violates the principle of self-determination of peoples; and,

3. To call upon the Governments of Panama and the United States to faithfully and fully comply with the Torrijos-Carter Treaties.

Quito, June 15, 1989

(signed)

Nicolás Issa Obando, President of the National Congress
Dr. Carlos Jaramillo Díaz, General Secretary

U.S. goofs in Panama

A major gaffe was committed by the U.S. military Southern Command when its soldiers detained 150 senators and representatives from the national Congresses of 15 nations, who were in Panama participating in the "Conference of Latin American Parliamentarians for Panama." The detention of the lawmakers, widely publicized by Ibero-America's news media, led to widespread condemnation of the U.S. government for its "arrogant behavior" and its violations of the 1977 Panama Canal treaties. In Ibero-America, not only do elected representatives enjoy immunity from search or arrest, but the lawmakers charge that they were "intimidated, insulted, and subjected to offensive" behavior by the U.S. soldiers.

The incident occurred on June 18 as the lawmakers and an entourage of journalists were on their way to the Panamanian town of Veracruz, located near Howard Air Force Base of the U.S. Southern Command. A Panamanian highway which passes through the base provides the only access to Veracruz. When the buses carrying the lawmakers passed through the base, U.S. soldiers stopped the caravan, accusing the passengers of "taking photographs in a restricted area." When the lawmakers protested that they were in Panamanian territory, and that the troops were denying them the right to free passage, guar-

anteed in the Panama Canal treaties, one of the soldiers denied that right existed. "You may be in Panama, but this is a U.S. military base and it does not belong to you," she stated.

The soldiers offered to let the lawmakers continue, but not four major Brazilian journalists (Neri Vitor, Dilimar Francou, Cesar Moura Damota, and Ascanio Aurelio) nor Panamanian newspaperman Luis Aurelio. When that offer was rejected, the soldiers detained the entire group for almost an hour, until U.S. military officers of higher rank agreed to allow them to continue.

Venezuela's largest daily, *Ultimas Noticias*, ran this headline on June 19: "U.S.A. Troops Carry Out Aggression Against Venezuelan Lawmakers in Panama." Similar headlines appeared throughout Ibero-America and Europe.

The State Department contributed to the ill will by insisting that the soldiers were justified in mistreating the lawmakers. The troops had the right to detain them, "because they were on United States military territory," asserted the U.S. Embassy in Venezuela in a statement issued June 19, even though the incident took place on a highway which, according to the canal treaty, is not restricted, and belongs to Panama.

Only the Venezuelan government of Carlos Andrés Pérez took the U.S. side in the incident, in a June 19 Foreign Ministry statement saying the lawmakers themselves were to blame "for arguing with the soldiers."

Deng speech flaunts totalitarian regime's commitment to genocide

by Linda de Hoyos

As if the world required it, the June 9 speech of China's leader Deng Xiaoping has made manifestly clear the totalitarian character of the "unified" Communist leadership now ruling the People's Republic of China. "The storm had to come, sooner or later," stated Deng, opening his apologia for the mass murder in Beijing June 3-5. "This proceeded inevitably from the international climate and China's own, subsumed climate. . . . It was only a matter of time and of extent. We were lucky that it happens now, above all because now, still, a great number of old comrades are still living. They have already survived many storms, and know the causes and consequences of the developments."

The students, Deng claimed, were aiming to "overthrow the Chinese Communist Party," "create a Western-oriented bourgeois republic," and accomplish "the abolition of the socialist order."

The peasant army, Deng hailed as the "wall of steel for the party. . . . They have proven they are the defenders of socialism," and then fulminated: "We have seen the cruelty of the enemy, and we will not forgive."

Amid his diatribes against "bourgeois liberalization," Deng also denounced the American Constitution as any model for China, stating: "We must insist on the National People's Congress, and not on the introduction of the American system of the separation of the three powers."

With these pronouncements, Deng summoned up the spirit that made him the top hatchet man for Mao Zedong's bloody purges of 1957, and the Grand Inquisitor against the "Hundred Flowers"—Mao's brief respite for the intelligentsia.

Underlining the Orwellian nightmare character of the communist regime was the interview broadcast by NBC's Tom Brokaw from Beijing with State Council spokesman Yuan Mu, who declared with a straight face: "The Liberation Army advanced to Tiananmen to enforce martial law and maintain order in the capital. When it cleared up Tiananmen Square, no casualties occurred. Not a single person was killed nor was anyone crushed by military vehicles of the Liberation Army. . . . There was no such thing as killing people."

Despite the importance of Deng's June 9 speech, it has been published only in an unauthorized translation in the *Frankfurter Allgemeine Zeitung* June 23. While Washington sputters about the intelligence failure that "lost China"

LaRouche's observations

The following statement was issued on June 22 by Lyndon H. LaRouche, Jr. in response to the People's Republic of China government's continuing lies about the massacre in Tiananmen Square on June 4, and the subsequent arrests and executions of student pro-democracy leaders:

"The government of the People's Republic of China is continuing to lie in denying the massacre that was seen by television viewers around the world. In point of fact, more than 4,000 people were killed in the June 3 action in Tiananmen Square alone. The actions of the 27th Army are known worldwide. The present Communist regime in Beijing has lost its Mandate from Heaven. They are attempting to pretend that they have not lost the Mandate from Heaven despite the fact that the whole world knows this to be the case.

"If there are any patriots still remaining in the current regime in Beijing, they should recognize that it is impossible to save the Communist regime, now that the Mandate from Heaven has been lost. It is time now to save China from a collapse into catastrophe beyond imagination. China must be saved; not the Communist regime in Beijing. Perhaps it is time to listen to the people who were speaking from Tiananmen Square. Perhaps they have now inherited the Mandate from Heaven."

(see article page 61), the U.S. and relevant news media are suppressing the evidence of the nature of the P.R.C. regime, in deference to the "important relationship" the United States believes it has with China.

According to intelligence sources, that special relationship involves Chinese assistance to U.S. intelligence operations, including the Chinese arming of the Afghan mujahideen; the Chinese selling of arms to Khomeini's Iran; the Chinese arming of the Contras in Central America; and Chinese intelligence operations in Africa, particularly in Zaire.

Stampede on the Hill

However, the American population is evidently not satisfied with the equivocation coming from the Bush administration.

On June 20, 15 congressmen from Capitol Hill visited the P.R.C. embassy to protest the Tiananmen massacre. House Majority Leader Richard Gephardt (D-Mo.), who led the contingent, reported that any attacks on students in the P.R.C. were purely an "internal affair." The congressmen demanded the enactment of H.R. 2613 against the mainland regime, which would deny China most-favored nation treatment for its trade, and withdraw the benefits of the Overseas Private Investment Corporation.

The increasing pressure on the Bush administration to take stronger action against the Communist leadership, resulted in a stampede against Secretary of State James Baker on June 20. Under questioning from insistent senators, Baker, in testimony before the Senate Foreign Relations Committee, did an about-face and claimed that he had urged the White House to suspend all political contact with the P.R.C., at the level of assistant secretary and above. This includes cancelling a planned trip to Beijing by Commerce Secretary Robert Mosbacher on July 10. Baker also said that the U.S. would do "what we can to postpone consideration of loan applications in international financial institutions, at least for the time being."

However, a day later, and Baker had dropped such "militant demeanor." Baker urged congressmen to mute their criticism of U.S. policy toward China. He defended the Bush policy and the "special relationship" with the Chinese leaders Bush admits he can't even reach on the telephone. "We've seen examples in the past where we have not spoken with one voice in foreign policy," intoned Baker.

The source of this appeasement policy, however, is not the White House, but Henry Kissinger. Appraising U.S. policy, the *Financial Times* June 23, that "There is a desire to express moral outrage and stand up for democratic values. . . . On the other, there is a careful calculation of America's strategic interests—the *realpolitik* school of Mr. Henry Kissinger and his many disciples. . . . Bush and his advisers, especially Secretary of State James Baker, a chip off the old Kissinger *realpolitik* block, do not want to sacrifice the gains of the 1970s and 1980s."

Soviet master stroke in the Persian Gulf

by Thierry Lalevée

Iranian Speaker of the Parliament Hashemi Rafsanjani's visit to Moscow on June 20 comes at a critical time for both the Soviet and Iranian leaders. Though the trip had been planned for months, it has the same impact as when Soviet Foreign Minister Eduard Shevardnadze landed in Teheran last February and pulled off an unscheduled meeting with Ruhollah Khomeini: It confirms the worst fears about Iran's striking a decisive relationship with the Soviet Union, which will dramatically change the balance of power in the entire Fertile Crescent region.

Right off the bat, it gives Moscow a close to unchallengeable position in a region extending from the Mediterranean Sea to the Indian Ocean, consolidating its southern flank and marshalling to its advantage the so-called "Green Belt" of Islamic fundamentalism advocated by the Carter and Reagan administrations. With Syria as a reliable and totally dependent ally, Afghanistan as a tightly controlled satrapy, Iraq as a state still bound to a mutual defense treaty, and India maintaining an ambiguous foreign policy, the new Soviet relationship with Iran highlights the danger looming over both Turkey and Pakistan.

Iran and the Soviet Union each have their own imperial visions, religious and political for the first, political and military for the second, so the newly established relationship is needed for both. For Hashemi Rafsanjani, the aim is a spectacular consolidation of his personal ambitions at home. His arrival was timed with the announcement that the Aug. 18 presidential elections in Iran will actually be held on July 18, ensuring that no other candidate could successfully challenge his planned election. The very fact that he could travel to Moscow in the midst of the official mourning period for Ruhollah Khomeini underscores his power. In other times, this would have been heralded as a "very positive indication" by those fools in the West, starting in Washington, who considered him as the most "pragmatic" and "pro-Western" of the mad mullahs. The fact that this was underlined by a trip to *Moscow*, has provoked dismay and deflated illusions.

What Rafsanjani gets

As far as Rafsanjani is concerned, the deal is good. He can expect the Soviets to influence their own friends within Iran not to challenge his position, and why should they, if indeed, Rafsanjani, the "pragmatist," the "moderate," just joined their radical ranks? He proved it while in Moscow by repeating the death sentence against novelist Salman Rush-

die, pronounced by the late Khomeini in revenge against a book allegedly offensive to Islam. Responding to journalists on June 22, he declared that "only God could repeal" Khomeini's death edict.

Rafsanjani may himself have the illusion that this shift toward the Soviet Union will influence the West into bowing even lower to his demands, and will increase his own personal value. Yet the very nature of the deals being ratified ensure a Soviet presence in the country that will not go away so easily. For example, the trade list of the protocol of cooperation "until the year 2000" includes the following items: oil, petrochemicals, chemical, natural gas, metal, geology, housing and construction, heavy industries, fisheries, agriculture, technical training, transportation, trade, science and technology and cooperation in peaceful use of nuclear energy. This trade agreement is to be financed by a Soviet credit of 1.2 billion rubles.

Topping the list of the hundreds of deals prepared by Soviet delegations to Teheran in the last three months are:

- 2-3 billion cubic meters of Iranian gas to the Soviet Union beginning spring 1990;
- Iranian oil deliveries to meet the needs of the Soviet Transcaucasus region, and joint offshore oil drilling in the Caspian Sea;

- building of several 8,000 megawatt power plants and cooperation in the field of nuclear energy;
- rebuilding the Isfahan steel plant and the Ahwaz power plant;
- railroad and transportation agreements.

As indicated by the reception of Rafsanjani as the "acting commander in chief of the Iranian armed forces," and the presence of Pasdaran Commander Mohsen Rezai in the delegation, military cooperation was high on the agenda. This was confirmed by Gen. Mikhail Moiseyev during a press conference June 21 when he announced that a "comprehensive package" to be decided by the "political leadership not the army" was being elaborated. Preliminary reports indicate that this will include at the very least the deliveries of SCUD missiles, tanks—T-72 and T-54/55 as well as armored personnel carriers, artillery pieces, and military vehicles. Moscow is unlikely for the time being to deliver more important items like MiG-27s or MiG-29s. On June 16, State Department official Dennis Ross reportedly warned Vladimir Polyakov of the Soviet Foreign Ministry that any high-technology type of military hardware being delivered to Iran would have "consequences for the American-Soviet relationship." Still, the Soviet-Iran arms deals are part of a larger package where others Soviet satellites are brought in, such as Czechoslovakia, Romania, North Korea, and China. Also Rafsanjani is expected to ratify several major deals with Bulgaria during an upcoming visit. This will include the Bulgarian modernization of the Iranian defense forces.

What Moscow gets

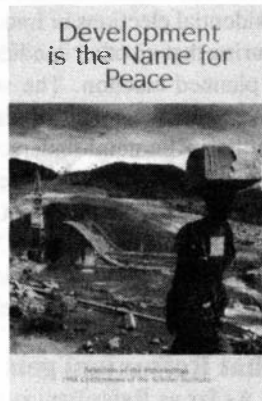
In the economic field, Moscow will gain access to the kind of product, like Iranian oil and gas, it can immediately sell on the international market for badly needed hard currency. There is more than a suspicion that it is Iranian gas that will allow Moscow to pay for the technologies Gorbachov just bought in West Germany. Hence, it would not be wrong to speak of a tripartite Bonn-Moscow-Teheran economic deal.

Politically, major gains have already been obvious on the Afghanistan front. Iran broke the solidarity of the Muslim countries which were waging proxy war against the Soviet puppet regime in Kabul. Afghan Shi'ites living in Iran are being encouraged to go back to Afghanistan and to cooperate with the Soviet-installed Najibullah regime. Likewise, the alliance with Iran comes just in time to play a role in Moscow's Central Asian Muslim republics. It is a bit awkward for Moscow to denounce an Islamic fundamentalist plot in Central Asia while rolling out the red carpet to Rafsanjani. Yet, Soviet officials have been cautious not to blame Iran in their propaganda ploy aimed at covering up the economic crisis in these regions (see article, page 4). Instead they blamed the Saudis when the Soviet military daily *Krasnaya Zvezda* attacked "pro-Wahabite elements" on June 18—a denunciation which was music to the ears of Iranian leaders who have advocated the "liberation of Mecca."

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European elections show drift toward Soviet bloc

by Ortrun Cramer

On June 15, voters in all member states of the European Community went to the polls to elect representatives to the European Parliament, and results were strikingly uniform: Whatever is left of pro-nationalist parties who defend the rights of the sovereign nation-state, was severely weakened, while the clear winners were parties both on the "left" and the "right," who opt for neutrality underneath the Soviet Union's spreading strategic umbrella. In all major EC states, the latter forces combined gained significant portions of the vote, ranging from 15-20% in Britain, West Germany, and France.

Underneath the complexities of each nation's own political menagerie, the real winners of these European elections are two major interests: first, the "New Yalta" forces of the superpower condominium of George Bush's United States and Gorbachov's Soviet Union to build a "common European house." The key to this European "neutrality" would be a "neutralized" Germany, i.e., a Germany without effective military defenses, emptied of U.S. troops, and no longer a member of the NATO military alliance. Second, the election results are a powerful boost to the "Europe 1992" forces, who want a unified Europe based on the destruction of the member nations' national sovereignty, replacing it with total control and dictatorship by a group of international banks and cartels over the entire European economy, politics, and culture.

This grim perspective, coupled with the knowledge that both Moscow and Washington are pushing for it, made for "American-style" low voter turnouts in countries where voter participation is generally 75% and more. But even so, the elections represent a serious destabilization for the domestic ruling governments in all main countries. In fact, had these elections been elections for national parliaments, all the main government parties or coalitions would fall.

Thatcher takes a beating

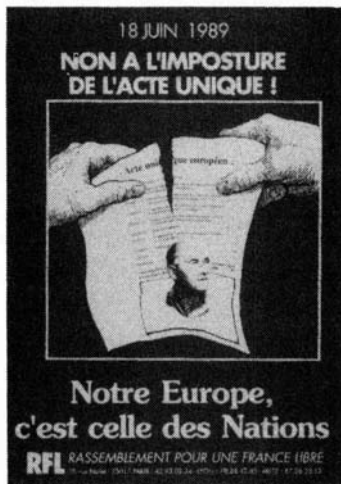
In Great Britain, the ruling Conservatives of Prime Minister Margaret Thatcher took significant losses, and for the first time in this century fell below 35% of the vote, which is considered the required minimum to form a government in

Britain. The opposition Labour Party gained 8% as compared to the last national elections of 1987, and would have gained a solid majority, had these elections been national parliamentary elections. Reacting to this, Labour Party chief Neil Kinnock has been quick to call for the resignation of Mrs. Thatcher, who is not only the most prominent opponent of "Europe 1992," but also cautioned against the outbreak of the hysterical "Gorbymania" during Gorbachov's most recent tour of West Germany.

But the big winner in the British vote is the Greens, who so far had never gained any significant vote there. Thanks to the strict majority vote formula in Britain, they will not be represented in the European Parliament, but they received 2 million votes, or 15% of the total vote! But this is not all that surprising, given the fact that no less than the Royal Household, and most prominently Prince Charles, has been a powerful promoter of ecologist ideas, campaigning against alleged "overproduction" in food as well as personally leading the publicity campaign against the "ozone hole."

In Italy, the elections took place during a period of government crisis, when no acting national government is in office. The voting results were definitely colored by a strong view on the national majority situation. But no clear majorities emerged. While a big gain of the Christian Democracy and Socialist Party, as well as a major collapse of the Communist Party had been speculated on by the media before the elections, the actual result was very different: The Communists did not lose as expected, and the actual big winners were the Greens, even though they were split into a number of separate parties with near-identical programs. The gains of the separatist parties such as the Lombard League and the Venetian League, and the 1.2% gained by a party calling for legalization of drugs, only add to the chaotic results.

In Italy, a national referendum was also held along with the elections, on whether or not to give more powers to the European Parliament. This referendum had been basically a "yes only" referendum, since all major parties—including the Greens and neo-fascists—supported a "yes" vote. It passed with an overwhelming 80%.



Election poster of the Movement for a Free France. It denounces the "Single Act" of European federation and asserts: "Ours is the Europe of the Nations."

France and Germany

France and Germany, the two potential pillars of the realization of the old plans of Charles de Gaulle and Konrad Adenauer for a "Europe of the Fatherlands," which would also be a roadblock to the forces of the New Yalta, showed astonishing parallels in their results. In both countries, Greens and "conservative nationalists" (who are not really nationalists, but neutralists) were the big winners and came out equally strong in both countries. While in Germany, the Green party won no significant increase, and came in around 8%, the Republikaner, running for the first time on a national level, came in with over 7%; in France, the National Front of Jean-Marie Le Pen has stabilized its vote at about 11%, while the Greens made spectacular gains, reaching 10.5% on a national level.

The gains for the forces advocating a superpower condominium were most obvious in Germany, where both Bush and Gorbachov visited just prior to the elections. Despite all efforts by ruling Chancellor Helmut Kohl to use both visits to bolster his electoral position, the ruling Christian Democrats took severe losses nationally. While the Social Democrats and the Greens only slightly increased the percentage of their vote, the Republikaner of national-bolshevist Franz Schönhuber was the big winner.

Schönhuber is indeed a classic national-bolshevist, like those who were so popular in the 1920s Weimar Republic. Not only was he a member of the Waffen-SS; he also has surprisingly strong pro-Soviet views in terms of perspectives for German reunification. His party program includes views such as: "The key to the solution of the German question lies in Moscow," and, "The aim of the reunification of Germany is primary and must be valued more highly than West Germany remaining in the North Atlantic Treaty Organization." Such views put the Republikaner into the same camp as the Green party in Germany, which has repeatedly campaigned in favor of Germany's leaving NATO. And in fact, during

his first public interviews right after the elections, Schönhuber openly stressed his agreement with the Greens on many issues.

Worse still, the election results imply that no government coalition could now be formed in Germany without the Republikaner, unless it would be a "Grand Coalition" between the Christian Democrats and Social Democrats—something which was mooted by SPD chairman Hans-Jochen Vogel.

The European elections also marked a dramatic change in post-war political traditions in France, moving toward what the Trilateral Commission recently characterized as the "end of French specificity. Whatever remains of traditional Gaullism, has been severely weakened. Those who gained in the elections, were the "Europeanists" of former President Valéry Giscard d'Estaing, heading the combined list of UDF-RPR, who will now try to push his version of the "Europe 1992."

France's ruling Socialist Party gave a poor showing, and as in Germany, it was the combination of the National Front of Le Pen and the Greens, who came out with the strongest gains of 22%. Most significant is the spectacular rise of the Greens, who had been insignificant so far. They will now add a very strong anti-nuclear force to France's political scene.

In sum, these are the results one would expect to see under a successful global condominium deal between the U.S. and the Soviet Union. But since that deal is not only unsuccessful, but is for all intents and purposes dead, the voting patterns shown in the elections could change virtually overnight. For instance, a senior British source noted that, in his view, Thatcher, though weakened by the European elections, would regain strength through the Eastern developments. Also, the generally low voter turnout is definitely no proof for an overwhelming support for neither the New Yalta condominium nor the "Europe 1992" plans.

The patriots' campaign

The potential for such rapid shifts in the political climate was a key element in the campaigns waged by a grouping of "outsiders" to the current political game, namely, the campaigns of parties and movements associated with Lyndon LaRouche. But for now, they were excluded from the game, and both in France and in Germany, they were credited with extremely low results.

In France, the Movement for a Free France, which presented a national slate of 81 candidates, only received 0.2% of the overall vote, despite the fact that no fewer than 40 million programmatic leaflets had been distributed through the authorities to all voters before the elections, and despite the fact that Jacques Cheminade, the head of the RFL slate, had been on national, regional, and local television numerous times, and scores of newspaper articles had been published about the campaign. This was significantly lower than during the last European elections in 1984, when with far fewer

Helga Zepp-LaRouche: 'reunification in freedom'

The following declaration by Helga Zepp-LaRouche, the leading candidate in the European Parliament elections for the Patriots for Germany party, was issued on the occasion of the June 17 national holiday commemorating the 1953 East German uprising against the Communist government. The statement was distributed as a mass leaflet during the last two days of the European election campaign.

It was not Gorbachov's visit in Bonn, but, on the contrary, the heroic fight for freedom of the Chinese students, which demonstrated to us Germans which way we have to go in order to approach the reunification of our beloved Germany. That the abolition of the Communist dictatorship and the reunification of Germany in *freedom* is and remains our national goal, is not only written into our constitution, but is also something we owe to our German countrymen who have had to live in bondage for more than 40 years.

But above all, this we owe to all those Germans, who exactly 36 years ago risked and in many cases lost their lives actively opposing Moscow's tanks and the brutal outlaw regime in East Berlin. They and the many, many innocent victims of the bloody massacres in Hungary, Prague, and now in Tiflis and Beijing are a steady call to our moral conscience, nowhere to accept bondage, least of all in our country.

The key question concerning German reunification is still the very same today as it was then, when Adenauer resisted the blatant desire of the dictator Stalin, against strong opposition from London and Washington. Sure, today things are different: blackmailing pressure from Washington, a weak federal government with a chancellor clinging to power and a treacherous foreign minister, a

Federal Republic largely isolated in Europe—all this nourishes Moscow's hope of getting the whole of Germany rather soon.

But the key question of Germany policy still remains: What kind of reunification do we want? Do we want Germany as a state governed by law, where freedom is guaranteed, or as a Communist dictatorship? Because after the brutal massacres in Tiflis and Uzbekistan, which nobody but Gorbachov is responsible for, there is not the slightest doubt that an "arrangement on the German question" with Moscow, no matter how nicely it may be presented, will ultimately lead to dictatorial suppression. Deng Xiaoping is a Communist "reformer," too.

Even if the fight for freedom in China at the present time has suffered a terrible setback, it is the Chinese patriots who are a model for us in their fight against Communist suppression. Lee Huan, prime minister of the Republic of China on Taiwan, reacted to the bloody massacre in Beijing with the announcement that the heritage of the late President Chiang Kai-shek would be realized and that the yoke of Communist suppression would be shaken off. "We have developed Taiwan, and the goal to recover mainland China is around the corner," Lee Huan declared.

Naturally, we can't think about "recovering" the other part of Germany in the foreseeable future, but we can and *must* at least create the conditions for it by developing the Federal Republic of Germany. How much from our great cultural historical heritage, the German classics, today is still alive? What do the oft-quoted values of Western civilization still mean to us now? What importance do the elementary notions of morals, human rights, reason, and progress have in our society? Are we, and especially the young Germans, conscious of the fact, that *these* are the basic principles of our freedom? And are we conscious of the fact, that we are dangerously close to sacrificing this freedom to the alluring tones sung by Gorbachov, to losing them forever?

"*Unity and Justice and Freedom*"—these three notions are bound together inseparably. That is our heritage, which we have to keep in mind especially on June 17.

resources, Cheminade's list received 1.4% of the vote in some areas.

In Germany, where Helga Zepp-LaRouche, chairman of the Patriots for Germany led the party's slate, heavy pressure was applied in an attempt to minimize the Patriots' influence, and prevent voters from seeing an alternative to the "I love Gorby" mania. The national television station ZDF at first refused to air Mrs. LaRouche's second election spot, which was officially granted to all parties running. The spot, which was to be aired on the evening of June 14, the day when

Mikhail Gorbachov ended his visit to West Germany, showed Mrs. LaRouche warning that the bloody suppression of the democratic movement in China, executed by former "reformer" Deng, could be repeated in Moscow, and explaining the parallels of the uprisings in East Berlin, Hungary, Prague, and Tiflis. But ZDF was forced to air the spot anyway, after the Patriots obtained a court order. In addition, the Patriots circulated a pamphlet entitled "Neutrality Means Treason," containing the facts about the neutralist aims of both the Republikaner and the Greens.

Palme murder trial serves political aims

by Michael Ericson

As of this writing on June 22, what in Sweden has been named “the trial of the century” is finishing its second week of proceedings and the prosecution is halfway through its case against Krister Pettersson, the 42-year-old man accused of murdering Olof Palme on Feb. 28, 1986.

The first week of the trial seemed to be a continuation of all the scandalous errors committed during the now three-year-long police hunt for the murderer of the Swedish prime minister. Three of the prosecution witnesses, all friends of the accused from the same shady crime and drug underground world of Stockholm as he, totally reversed their stories in court compared to what they had said earlier in police interrogations. Their testimony for the prosecution was aimed to disprove the defendant’s claims that he had always liked Olof Palme and that he never was around the cinema or the site of the murder, but on his way home on a subway at the time. But in court these witnesses had nothing to say which was contradictory to the defendant’s story. One of the witnesses made things even worse for the prosecution by claiming that the policemen interrogating him had flashed a reward of almost \$8 million if the right answers would be provided!

Olof Palme’s widow, Lisbet Palme, is the only witness so far who was not drugged the night of the assassination, and who has with full assurance identified Pettersson as the man she saw, when she looked up from bending down over her shot husband. That has made the Swedish news media comment that they regard the outcome of the case to depend strictly on whether the court trusts Lisbet Palme’s words “beyond any reasonable doubt” against the words of the accused, who claims not to have been on the scene at that time. Even if they trust Lisbet Palme, she did not see him holding a weapon and therefore the prosecutors still will have to “prove” that there can be no possible alternative murderer other than Pettersson.

Purely circumstantial case

During spring 1987, a troika of prosecutors took over the leadership of the investigation from former Stockholm police

chief Hans Holmér, whose efforts to nail the Kurdish organization PKK for the crime had utterly collapsed. Holmér had run his investigation as a big “show hunt,” using the Swedish news media, which at that time was willingly working for Holmér. The new troika of prosecutors was very tight in their relations with the media, which here in Sweden instead can continue to make good money on the “Ebbe Carlsson scandal,” the “private” Palme investigation by Holmér and his close friend Ebbe Carlsson, which forced one more Swedish minister of justice to resign under very turbulent circumstances.

The prosecution case is, however, very weak. It is built on circumstantial evidence. The police have not one single hard or technical piece of evidence against the accused, not even an indirect piece of such evidence, such as whether Pettersson had access during the relevant time period to an unidentified murder weapon. The truth is that all the police investigations haven’t even produced a single trace of the murder weapon.

It’s also clear from the outset that convicting Pettersson for the crime would politically almost be “to good to be true.” With Pettersson sentenced for the crime, as a lone crazed assassin, more than one political establishment in the country might think there is a real chance to successfully put the lid on all further public investigations of Palme, his friends, and his murderer, which have all been known to propel the country into a non-stop sequence of tumultuous political scandals.

The prosecution’s claims are as follows. Pettersson, an alcoholic and drug addict for almost his whole life, a criminal who at a point of deep personal crisis in the beginning of the 1970s stabbed a person to death almost at the same place as Palme was shot, and who escaped from that murder almost exactly the same way as the murderer of Palme did 10 years later, would—by chance, according to the prosecutors—have seen the Palme couple going to the cinema. Out of his personal “hatred” of Olof Palme he is claimed to have, on impulse, fetched the weapon from a friend’s flat just above the cinema. Then finally, when the Palmes came walking from the movie he would have followed them a couple of hundred meters to shoot Olof Palme, at the same place he had stabbed another person to death long before.

Pettersson himself claims to be fully innocent and actually to never have been around the cinema in question that particular night.

Violations of human rights

The question of how to protect the defendant’s human and legal rights has already moved to the forefront in the court case, because of severe violations of that aspect during the police investigation led by the prosecutors. To name just two: The prosecutors have not withdrawn the reward of almost \$8 million to whoever can give such information that ensures “the murderer of Olof Palme is caught.” That reward

is of course creating an incentive to all prosecution witnesses to give the answers they think the prosecutors wish to hear. Lisbet Palme has also arrogantly made demands on her cooperation with the investigation that border on obstruction of justice.

Already, in the police investigation, she refused to let the defense participate in the line-up confrontation, in which she had to pick the suspect out of a video line-up of 12 persons. After the video had been shown to the court, there is no doubt that the defense would have stopped the line-up from being carried out the way it was done. The accused, an alcoholic and drug addict, was easily recognized among the other 11 in the sample, who were policemen in civilian clothes. In fact the first thing Lisbet Palme, a trained child psychiatrist, said after seeing the video was that "number eight is an alcoholic, that you recognize."

The role of the press is also creating a lot of problems for Pettersson's legitimate interests in having his legal rights protected. The friend who, before the trial, had told both the press and police investigators that Pettersson came home half an hour later than he himself claimed, but now is reversing his story in court, also told the court why he had done so: "Because the press paid me for what I told them." So the press were here feeding a group of drug addicts and criminals money to provide them with a "good" story. No wonder the prosecution got into "problems" with this group of witnesses.

It is also by now an established fact that when Pettersson was first taken into custody for the murder of the Swedish prime minister on Dec. 14, 1988, that had not been the intention of the prosecutors. They had mailed him a letter asking him to come to the police station for questioning about the assassination of Palme to "study his reactions to that letter," i.e., if he would turn up voluntarily for such an interrogation. That plan had to be abandoned the same morning Pettersson should have received the letter, because of a leak to the press that the prosecutors suspected him as being the murderer.

The testimony of the widow

Lisbet Palme, who gave her testimony to the court only after demanding some very extraordinary preconditions for doing so, was very self-assured when she identified the defendant as the man she had recognized as the murderer, whose "staring eyes" she looked into the seconds after Olof and she had been shot at. "Do you mean that you have carried this picture in your memory for three years?" asked the defense lawyer.

"Yes, of course," answered Lisbet Palme in a way that was perhaps a bit too confident. She made it clear that she will never forget "the staring eyes" from that night her husband was murdered and that it is the same eyes she now sees in the defendant. In the beginning of her testimony, when she described how she moved toward the dying Palme on the street "to look for help," she adds a strange comment: "All

this happens very rapidly. I might perhaps in this context say that I am professionally trained to make observations and that I do make real observations without analyzing in the first step." It is as if she wished to stress that she is extra trustworthy in her testimony because she is not speculating on what she sees, something she, however, contradicts later in her testimony when the defense lawyer ask her if it isn't a bit "unreasonable" to assume that the murderer takes a couple of steps, then stops and looks at the two Palmes for one to three minutes (and she meets the "staring eyes,") after the shooting. "Is it not possible that you have made a mistake here and that there is another person standing in this way?" Lisbet Palme answers by saying that she has "viewed such behavior from psychological considerations" and that it is not rational to assume such a "behavior, but that it indicates that it is a person who has killed before."

To some extent the testimony the day after hers by her son Maarten Palme, who had joined his parents to see the movie together with his girlfriend, makes the impression that his mother is not really honest in her claims to be an extraordinarily trustworthy witness because she does not analyze her observations. Despite Lisbet Palme's denial in her testimony that she discussed different pictures of suspects with her son, Maarten claims to have occasionally done so with her.

The testimony of the widow did turn the court case to some degree. After two weeks of trial where it seemed that the prosecutors were being abandoned by all their own witnesses, there was one government witness standing firm with her story. The problem was that she was a bit too firm and presumptuous to be fully trustworthy. The political gains for the Social Democratic Party leadership to have a person convicted for the murder are very high, as was reflected in the end of the editorial of the party paper *Aftonbladet* the day after Lisbet Palme's testimony: "It is too early to predict the result of the trial. Even if the 42-year-old man is convicted, we will probably never know what exactly happened and why. Namely because we are dealing with an insane murder by a psychopath and in such a case the perpetrator is not able by himself to either acknowledge or give cause" for his actions.

The Palme investigations have not lost their capacity to propel Sweden into more earthshaking political scandals, and the most probable outcome of this ongoing "trial of the century" is that other such trials will follow in the coming years and that this one will be recorded in history as just another phase of a process.

The effects of that process on the political establishment are already quite significant. In an opinion poll carried out just before the Chinese massacre on Tiananmen Square, Swedes were asked which one of their party leaders they trusted most. The Communist Party leader ranked as the winner by a good margin, with 34% of those asked. The Communists only get 5-6% of the votes in Swedish parliamentary elections.

John Paul II's historic visit

The first papal trip to Lutheran-dominated Scandinavia draws upon Nicolaus of Cusa's ecumenical ideas.

For the first time in history, a Pope has come to visit Europe's Nordic countries. On June 1, John Paul II arrived in Norway; then the pastoral trip went to Iceland, Finland, Denmark, and lastly to Sweden, from which he departed on June 10.

The papal visit, of course, stirred up a lot of controversy as well as enthusiasm in these countries, which have been anti-papist since Martin Luther's Reformation, and which since World War II have been heavily de-Christianized by the socialist movement. The visit therefore must be considered an important breakthrough in the relations between the Catholic and Protestant churches.

The Protestant church in Denmark gave by far the harshest response to the Pope, who was not allowed to give a sermon in the Roskilde Cathedral. Instead, John Paul II was invited to "listen." In all the other Nordic countries, the head of the Vatican was asked to preach. In Norway eight Protestant bishops boycotted the Pope's appearance in the old Nidarås Cathedral in Trondheim. In Finland the Protestants declared that they never had had any problems with religious quarrels on the continent, and in Sweden Archbishop Bertil Werkström and the Pope discussed the ecumenical principles outlined in Nicolaus of Cusa's book *De Pace Fidei*. Cusa is the great Renaissance cardinal whose ideas have been especially emphasized recently by Schiller Institute founder Helga Zepp-LaRouche, wife of the American political prisoner Lyndon LaRouche.

"Godlessness is a far more serious

problem than splits in religious life, and we therefore have a fruitful basis for practical ecumenism," the Pope stated, and emphasized how important it is "to be able to freely speak, think, and confess one's religion," a freedom which is embedded in "the cultural treasures of Europe." The Pope also stressed that "the wish to hear the Gospel text in a new way and to witness about it in a trustworthy way, a wish which also was vivid in Luther, ought to seek the good within others, in order to forgive and to give up obsolete enemy images."

In Finland, John Paul cautiously criticized the situation in Ukraine and Czechoslovakia, without naming the countries, but by referring to how intolerable it is that people can be repressed for their religion, and that a church can be robbed of its bishops, as was recently the case in Czechoslovakia. The visit to Tromsø, northern Norway, an important enclave to protect civilization from a Russian military threat, was spectacular. The official reason for the choice of location was that the Pope wanted to show that "no parish is too small for a papal visit," but the political importance should by no means be underestimated. Around 3,000 people, nearly 10% of all inhabitants, attended the outdoor sermon.

The conservative Swedish daily *Svenska Dagbladet* ended a warm editorial on the Pope's trip by stating: "There is too much of medieval barbarism, with and without religious prefixes in the world of today. The Pope belongs to the counter-forces." The Swedish social democratic eve-

ning paper *Aftonbladet* on the other hand filled its pages with blistering attacks on the Pope. The papal visit seemed like "an American election campaign," and one should note that the Pope is "head of the world's smallest nation which has started more wars than any other nation."

Of course the peace movement and the environmentalists tried to use the papal visit to their benefit. Press coverage of the meeting between the Pope and the Swedish Social Democratic Prime Minister Ingvar Carlsson and the widow of the late prime minister Olof Palme stressed "peace" and *glasnost*, but these words were mostly voiced by others than the Pope—the Socialist hosts, or, in other cases, by the Protestant State Church which is riddled with Greenies and pacifists.

In fact, the Pope's campaign against divorce, against sexual selfishness and condoms, against abortion, for the family, and for the inalienable rights of man hit a sore spot with the Greens. Anyone who attacks abortions in Sweden is immediately under fire. The liberal daily *Dagens Nyheter* editorialized, "An absurd view on sexuality," and the liberal evening paper *Expressen* posed "Seven Questions to the Pope," all attacking what the newspaper called the Pope's "sexual moral prohibitions," but the Pope stuck to his firm beliefs.

The Pope was confronted with another important task when the Schiller Institute greeted him with a big banner reading "Welcome, John Paul II—Help Us To Free LaRouche." The 6 × 3 meter banner was missed neither by the 16,000 people who attended the service the Pope held in Stockholm nor the world press covering the visit. That the Pope also could read the banner is beyond doubt, especially since he saw it again, over an hour later, upon leaving Sweden from the aerospace city of Linköping.

Bhutto, Gandhi defuse Siachen issue

India and Pakistan have taken positive steps to remove an "unnecessary irritant," in the words of Prime Minister Bhutto.

The three-day (June 15-17) talks between the Indian and Pakistani defense secretaries in Islamabad have successfully moved the difficult bilateral relationship another big step forward, with the decision to defuse the Siachen Glacier confrontation which had been an irritant to both nations for the last five years.

The final outcome of the talks—the result, according to informed sources here, of a direct intervention by Prime Minister Benazir Bhutto and her defense adviser Chief of Army Staff Gen. Aslam Beg—was mutual agreement to pursue a comprehensive settlement of the matter “to conform with the Simla agreement.” Details are to be worked out now, but the commitment to a negotiating process was a real breakthrough.

The Simla agreement is the product of the 1972 talks held at Simla, India, between the late Indian Prime Minister Indira Gandhi and her Pakistani counterpart, the late Zulfikar Ali Bhutto. The agreement bound both sides to resolve all bilateral issues through mutual negotiations and not by military means.

The Siachen Glacier, a snow-covered area about 74 km long and 2-8 km wide, is located at about 18-20,000 feet elevation in northern Baltistan. The glacier is bound on the north by the Karakoram Range, and on the south by the Soltoro Range. During the Simla agreement talks, which touched on various India-Pakistan disputes, the Siachen Glacier was not an issue. Ac-

ording to Pakistan, the issue was not raised because the area was physically impossible to demarcate. In all likelihood, the area's strategic importance, which later added a new dimension to the conflict, was also considered minimal at the time.

However, the vagueness of the Line of Control in the Siachen area following the 1971 India-Pakistan border war gave rise to a great deal of confusion later—particularly following Pakistan's decision to collaborate with China to build the mountainous Karakoram Highway connecting Pakistan and China by road.

The Indian government, highly suspicious of the late Pakistan President Mohammad Zia ul-Haq's intentions, realized the strategic importance of the area and in April 1984, carried out a military action whereby Indian soldiers, dropped by helicopters, took up positions in major points of ingress to the glacier from the Pakistani-held areas north of the point.

A full year later, Pakistan, claiming that the Indian soldiers had been positioned inside Pakistan's territory, made an abortive attempt to push them back. The Indian soldiers, holding the higher ground, repelled the Pakistani initiative. Since then, the snowbound, frozen land has been the scene for occasional exchanges of gunfire and irritable rhetoric.

Although the Siachen issue remained important mostly to army personnel, the foreign media, seeking sensationalism, often depicted it as a

“hotspot” which could at any moment trigger yet another India-Pakistan war. Notwithstanding the foreign media's mischievous stoking of the fire, the issue did create ill feeling within Pakistan, where accusations of “losing” Siachen were often hurled at the Zia administration.

Things began to move in the right direction soon after the Pakistani People's Party (PPP) government, led by Benazir Bhutto, took power last December. Bhutto went on record calling the Siachen Glacier an “unnecessary irritant” in bilateral relations between India and Pakistan. In answer to a query from the United News of India, Bhutto said India should withdraw its forces from the Siachen Glacier to the pre-Simla agreement positions to help bring about good neighborly relations between the two countries.

Indian Prime Minister Rajiv Gandhi was quick to respond. Following his December 1988 meeting with Bhutto in Islamabad, where a cultural pact was signed to improve bilateral ties, a schedule of talks on pressing bilateral matters was adopted, prominently including the defense secretaries' meeting on Siachen.

In May a meeting of home secretaries produced constructive results on the issue of cross-border terrorist, and drug- and gun-smuggling traffic. Simultaneous with the Siachen talks, Indian and Pakistani foreign secretaries were also meeting in Islamabad to prepare for the meeting of the Joint Commission, the first in four years, and led by the foreign ministers, set for July.

The emergence of the Simla agreement as the cornerstone for Indo-Pakistan ties is expected to clear away accumulated roadblocks to improved relations, in particular the stalemate over the proposal for a “no-war pact,” put forth by the Zia administration, and India's counterproposal for a “treaty of friendship.”

Tourism and casinos to pay the debt

The Salinas "recovery" plan is to convert Mexico's economy to tourism and casinos to create jobs and pay the debt.

There is no longer any doubt that the Salinas government's "master plan" for creating 1 million new jobs as pledged is a dangerous fraud. Under the farce of "modernizing" the country through "structural change" and "competitiveness," Mexico's President intends to replace the existing industrial base with tourism and casinos, the kind of "pollution-free industry" that should warm the hearts of the fake environmentalists everywhere.

On June 12, an article on "The Recovery of the Mexican Economy" appeared in the Spanish magazine *Política Exterior*, under the byline of Carlos Salinas de Gortari. The Mexican President argued in the article that society is witnessing "the end worldwide to a development style that made the state the sole motor of economic systems." Salinas warned that, as a result, "the state is obliged to revise structures, redefine means of economic action, and clarify the direction it will follow." The problem of a country's growth, concluded Salinas, is not the burden of the foreign debt but rather resolving "our structural problems."

The structural changes he has in mind were first made explicit at the end of 1988, when Tourism Secretary Carlos Hank González confided to representatives on the Commission of Tourism that his "cherished dream" was to pay the foreign debt with the profits of the tourist industry. His dream did not stop there. As Tourism Secretary, Hank has now announced that Mexico must create 1 million new jobs through tourism, which "generates more employment per peso than

any other investment."

In his closing address to more than 1,000 travel agents from all over the world attending the 14th Annual Tourist Fair "Acapulco '89," Hank said "without a doubt, the most serious problem in the country is the need to generate jobs—1 million positions a year. If we have so many human motors, so many creators of wealth, the important thing is to make them produce." Hank never explains what kind of wealth such jobs are intended to produce, leaving it to the imagination of an audience accustomed to supplying "services" to jaded tourists.

Hank continued: "But creating these jobs requires money, capital which is insufficient in the country. And since there are also insufficient credits, one must invite foreign investors to bring in their money." Joking that there is no danger of reviving colonialism with such an open-door policy, Hank added, "The dollars they bring will remain in the country, because it is impossible to carry off hotels, much less the land they are built on."

President Salinas elaborated on the "structural changes" he intends to carry out, to make Hank's dream a reality. In his inaugural address to the Tourist Fair, Salinas announced that he would give "an unprecedented push to this sector." Red tape would be cut through, he promised, and priority would be given to direct foreign investment in the sector. He promised to engender a new attitude toward tourism which would make Mexico the best host in the world.

He also said that in Mexico's new era of modernization and change, he

was resolved to create the infrastructure that will make of tourism "a priority activity for change." He stressed the important contribution of tourism to economic development, to employment, to the stimulus of other industries and services, and to the generation of foreign exchange.

As an example of what could be achieved in this last area, Hank announced that the preliminary results of the Tourist Fair were that \$800 million worth of anticipated sales had been negotiated in only four days. Hank's "master plan" is to bring 10 million tourists to Mexico in the course of Salinas's six-year term, which would generate an estimated \$5 billion of foreign exchange each year. He also announced that "the federal government will invest \$3 billion for the construction of 50,000 new hotels rooms across the country."

Although Hank added that there were no plans "in the near future" to open casinos—which, in any case, is strictly prohibited by the Mexican Constitution—it is widely known that he is in fact the chief lobbyist for bringing casinos into the country. Hank's links to the casino project were detailed in a June 11 column in the daily *El Universal*, written by journalist Juan Bustillos. According to Bustillos, Hank "dared to take the decisive step" by attending a March 2 meeting where former Tourism Secretary Guillermo Rossel, also the former governor of Hidalgo state, presented Hank with a 120-page tourism plan for the six-year Salinas term "which considers the installation of casinos on the coasts and borders."

Bustillos notes that one of the "stellar" moments of the meeting was when "Tourism Secretary Carlos Hank González spoke of the need to find a legal means for both satisfying the need for casinos and not violating the Constitution."

Venezuelans fight IMF

A wave of strikes is challenging the economic and political deterioration under President Carlos Andrés Pérez.

Resistance continues strong to the austerity package imposed in February by President Carlos Andrés Pérez at the insistence of the International Monetary Fund (IMF). César Olarte, secretary general of the Confederation of Venezuelan Workers (CTV), charged June 4, "One would be justified to name the package 'the package of death.'" Certainly, social democrat Pérez had no qualms about drowning the first round of protest in the blood of a thousand people, Feb. 27-March 3. But, the austerity is also taking a slower toll by means of increased hunger and a dramatic expansion of malaria, a disease once eliminated in Venezuela.

The government refuses to grant wage increases to compensate for the inflationary effects of the doubling of gasoline prices and the other measures which provoked the February-March riots. Planning Minister Miguel Rodríguez responded to the CTV union leaders June 15, "The government's plans do not include any wage increase by decree, much less any [cost of living escalator] indexing." Any measures to preserve real wages, he observed, correctly, would violate the letter of intent his government signed with the International Monetary Fund.

Strikes are erupting in many sectors. On June 12, the social security system physicians struck to demand the funding required to maintain adequate health care for the millions of workers enrolled in the system. The next day, the Venezuelan Medical Federation, for the first time ever, called a 12-hour strike of all the country's doctors to protest the subhuman conditions in all the hospitals.

Transport workers also all went on strike. On June 15, more than 200,000 teachers walked out, demanding that the Education Ministry sit down and negotiate a new contract. The same day, 5,000 people joined a "march of the dummies" in Caracas. Although manipulated by political interests trying to capitalize on the mass ferment by rallying it behind "anti-corruption" slogans, the march again illustrates the depth of discontent in the normally apolitical Venezuelan population.

Pérez, the State Department socialist President saddled on Venezuela for the next five years, condemned the strikes. He admitted, "there aren't any good wages in Venezuela today and nobody can make do with what he earns." But, like the Nazi dictum, "Work makes you free," Pérez could only exhort people to work harder to overcome the country's "transitory" crisis.

The agitation and strikes of recent days are only the beginning. On June 30, the ban on layoffs which was imposed after the February riots, expires. The ban was an attempt to prevent further social explosions from people who suddenly lost their jobs. It was expected that producers would respond to the sharp reduction in buying power, by laying off part of their work force.

The planning ministry projected June 16 that 172,000 jobs would be lost during the coming months. The petroleum workers' union, the most strategic one in Venezuela, is studying the idea of convoking a new national strike, should it be hit with mass layoffs at the end of the ban. Half the

petroleum workers are employed by private contractors and lack the job security of employees of the big state sector oil companies.

Most of the recent strikes have been against specific aspects of the austerity package. A step toward presenting a comprehensive national development program, based on the community of interests of all Venezuelans, was taken by the Poultry Producers Association. Its president, Rafael Russian, got together with CTV labor leaders to demand action to defend the sector.

Since February, poultry consumption has fallen by 40%, while interest rates have risen from 8.5% to 37%. Russian says that under these conditions, chicken farmers could avert bankruptcy only by firing 50-60% of their workers and reducing chicken and egg production to 40% of previous levels. But the combined labor-producer movement could save the industry.

The president of the National Peasant Federation, Adalberto Cubilón, charged June 11, "In practice, the packet's measures are the death blow to agriculture." He judged that to blame cabinet members for the economic and political degradation of Venezuela "would be like saying there is no President in Venezuela. But, there is a President, and he is the one who is really to blame for the present situation."

Dangelo Morfesse, the president of the Guárico State Producers Association lamented on June 10, "farmers will have to find another line of work, given that it is impossible to plant." He said there have been "significant decreases in the number of hectares planted, because farmers' total costs have risen 20-80%, and the farmers cannot afford to purchase enough fertilizer to meet the requirements of the soil."

International Intelligence

Gorbachov says U.S., Soviets now 'partners'

Soviet leader Mikhail Gorbachov, meeting with Adm. William Crowe, chairman of the U.S. Joint Chiefs of Staff in Moscow on June 21, announced that Crowe's visit "demonstrates that we are moving from the notion of enemy to the notion of partner." "To be more precise," Gorbachov said, "in the plans of the Joint Chiefs of Staff we are still considered adversaries. But the process seems to be moving along new lines, and this is very important."

The meeting took place at the end of Crowe's 11-day tour of the Soviet Union, during which he visited Soviet military installations.

Gorbachov also took the opportunity of his meeting with Crowe and U.S. Ambassador Jack Matlock, to accuse unnamed U.S. personalities of being "cold war recidivists." He said that some people in the United States still backed "nuclear intimidation," an attitude he called a "hangover from the past."

At a press conference later, Crowe declined to comment on Gorbachov's "partnership" statement, on the grounds that he did not want to "take issue with a head of state." But he did say that his visit had convinced him that "Soviets are a great deal like Americans." He said that "the most overwhelming impression" he had received on his trip was an understanding of the "searing" impact of World War II on the Soviet psyche. "This trip has given me an idea of the tremendous sacrifices made by the Soviet Union," he said.

Soviets mapped invasion routes during NATO tests

Soviet military officers took advantage of their "inspection" of a NATO maneuver to look for suitable invasion sites in Denmark, according to British intelligence officers quoted in the Danish press on June 22.

In accordance with the Stockholm "con-

fidence-building" agreements, four Soviet officers led by Col. V.D. Ermilichev inspected the NATO "Avenue Express" maneuvers in Denmark. As part of the agreement, the four Soviet officers had two cars and two helicopters at their disposal. But instead of following the 6,000 troops from the Allied Mobile Force, the Soviets ordered the helicopter pilots to fly over the Southern Sealand coastlines, the Danish Baltic Islands, major bridges, natural terrain obstacles, and other features important for a Soviet invasion of Denmark.

The Soviet officers reportedly showed no interest at all in the tactical display of the maneuver, but focused their attention on the NATO supply lines in Denmark.

Polish demonstrators: 'Down with Communism'

Demonstrators marched through three Polish cities on June 22, calling on Gen. Wojciech Jaruzelski to resign, Reuter reports. About 3,500 people marched through the city of Wroclaw chanting "Jaruzelski Must Go" and "Down with Communism" and speaking out against his expected candidacy for the new post of state president. Opposition sources said up to 4,000 protesters marched through the city of Katowice, but riot police prevented them from reaching Communist Party headquarters.

According to Polish exile sources in England and West Germany contacted by *EIR*, the next eruption in the Soviet bloc could very well be in Poland, as early as August. The dynamic of continued economic collapse and mounting austerity leaves no other course open to the desperate population.

A key adviser to Solidarity leader Lech Walesa, Prof. Bronislaw Geremek, on a visit to Britain, was quoted in the London *Guardian* on June 20, emphasizing how critical the situation had become: "Economically, we are in a disaster situation, on the brink of catastrophe. . . . Solidarnosc's most important danger is not from the party hard liners but from the economic situation. After

the summer holidays people will see that nothing has improved and that there are still shortages and prices are rising—and they will see Solidarnosc as part of that."

Geremek admitted that Solidarity's own studies had showed that of the 8 million Poles who abstained from voting in the recent elections, 4 million were bitterly opposed to the trade union's policy of cooperation with the government: "It means we have to think with some fear about the future. With those millions of people refusing to vote, things could explode."

A plenum of the Central Committee of the ruling Polish United Workers Party is scheduled for the end of June.

Argentine command purges nationalists

Argentine Army Chief of Staff Gen. Francisco Gassino, obviously backed by outgoing President Raúl Alfonsín, is seeking to destroy the nationalist core of the Argentine military before Carlos Menem becomes President. Gassino and the Army High Command, who are monetarist liberals, have begun disciplining officers who backed Col. Mohamed Ali Seineldín in a military action demanding reforms last December, in violation of the agreement that ended that affair.

General Gassino "retired" two officers who had supported Seineldín and arrested a third.

Seineldín himself was imprisoned following the December action. Authorities have now cut off his telephone and restricted visits to him to his immediate family, amid rumors that he will be sent into internal exile at a military base in Patagonia, in the southern tip of the country.

General Gassino's faction is evidently hoping to provoke another incident which would allow them to crush the Seineldín wing of the military, or drum it out of the Army. Gen. Dante Caridi, Gassino's predecessor, declared that the nationalist faction "must disappear from the Army."

In response, Seineldín sent a letter print-

ed in many Argentine newspapers June 20, which said that the High Command had failed to honor the pact by which his action had ended peacefully. "I repeat that I will not give in and will accept the responsibility of leading any comrades ready to risk themselves in this new stage of our campaign for unity, honor, and dignity within the Argentine Army," he said. In a statement to Reuter he added a warning: "If there is an uprising, it will be provoked by the High Command and it will be a lot bloodier than the others."

In a statement sent to the press on June 21, Seineldín referred to the generals who are trying to provoke a crisis as "coupists who are at the service of the international Social Democracy."

Soviet 'Glasnost' magazine goes daily

Sergei Grigoryants, the reputed dissident liberal editor of *Glasnost*, the first magazine to test Mikhail Gorbachov's policy of "openness," announced at a press conference in New York in mid-June that he will soon start operating a daily news service. The agency will transmit Soviet news to Western Europe and the United States.

Grigoryants has set up the news service as a joint venture with Freedom House, a well-known front for CIA political operations. Leo Cherne, an intimate of Henry Kissinger who may be the highest level mole in U.S. intelligence, is the honorary chairman of Freedom House, which originally ran Project Democracy before it became an official part of the Reagan-Bush administration.

Brandt counts ecology among 'rights of man'

Socialist International chairman Willy Brandt has proposed to add an ecology plank to the group's platform on the "rights of man." He made the proposal on June 19 at the Socialist International's 100th anniversary

conference in Stockholm.

The idea was modeled on concepts circulated by the malthusian Club of Rome, which, along with Mikhail Gorbachov and George Bush, is pushing world federalist schemes to use environmentalism as a weapon against industrial development and the sovereignty of nations.

According to Brandt, the traditional notions of "human rights" have been partially rendered obsolete by natural disasters like the destruction of rain forests in Brazil. Disasters like these, he said, often have a much higher destructive impact on man's living conditions than traditional forms of "violation of the rights of man."

He announced an initiative at the United Nations and other international institutions in this direction.

Turkey seeks talks with Bulgaria on refugees

Turkish Prime Minister Turgut Özal announced on June 18 that he would welcome talks with the Bulgarian leadership to regulate the exodus of ethnic Turks fleeing Bulgaria. Özal said that 37-40,000 had left or been deported from Bulgaria in the previous three weeks, while those remaining in Bulgaria are subjected to terror and indoctrination.

"When they refused to be subdued, they have been surrounded by tanks and fired upon . . . deported, jailed, maimed or shot dead," Özal said. "This is oppression in its most cruel form."

Most of the refugees have been given exit visas and 24 hours to leave the country, with no more than 500 Bulgarian leva in cash, the equivalent of some \$90.

Bulgarian Prime Minister Georgi Ananassov has replied that he is willing to discuss the matter.

En route to visit the refugees expelled from Bulgaria, the executive jet carrying Özal, his wife, and top aides developed engine trouble, but managed to land safely at Istanbul's Ataturk Airport. Özal was the target of an assassination attempt last year.

Briefly

● **THE SOVIET UNION** has supplied more weapons to the Kabul regime in Afghanistan this year than in all of 1988, according to U.S. officials.

● **THE THAI** government is planning to categorize AIDS as a "fatal communicable disease," in order to facilitate implementation of stricter control measures, including the detention of infected persons.

● **A SHOOTING WAR** between Romania and Hungary is a real possibility in the coming weeks, a senior British strategist told *EIR*. "The combination of Romania bucking for trouble and the explosive situations in Hungary and Poland, could lead to a war."

● **THE CASE** of the death of Israeli Judge Dov Eitan, who fell to his death last December from the 15th floor of a building in Tel Aviv, has been re-activated. Eitan was one of the lawyers for John Demjanjuk, the Cleveland autoworker who was framed up and convicted as a Nazi war criminal. Eitan's widow told the *Jerusalem Post* that she "strongly doubts that it was a suicide."

● **CARLOS LEHDER**, the Colombian drug kingpin currently serving a life sentence in a U.S. prison for cocaine smuggling, has written to the Colombian justice minister demanding his repatriation to face trial at home. His argument is that he is the only "victim" of an extradition treaty with the United States which has since been struck down by the Colombian Supreme Court.

● **GREENPEACE**, the international grouping of ecological fascists, tried to obstruct the passage of the *USS Iowa* through the Danish straits to the BALTOP NATO exercises on June 18. They sent down divers with a wire to block the channel, but the *Iowa* slowed down and eventually cut the wire.

Irangate still hangs over Bush, as Gregg squeaks in

by William Jones

On June 21 the nomination of Donald Gregg as ambassador to South Korea squeaked by the Senate Foreign Relations Committee in a 12-7 vote. Up until the final bell it was clear to most of the observers in the hearing room that Gregg was lying through his teeth—indeed, it was even obvious to most of the senators who voted for Gregg, who had been George Bush's vice presidential national security adviser under Reagan. In fact, the vote was really not a vote on the truth or falsity of Donald Gregg's statements; rather, it was a vote on how prepared the Senate was to really expose the whole truth behind the Iran-Contra affair, in particular the involvement of President Bush. The Senate Foreign Relations Committee clearly decided, with something of a divided mind, to let sleeping dogs lie—at least for the moment.

If the White House thinks that Gregg's nomination will finally put to rest the ghost of the Iran-Contra scandal, it is going to be sorely disappointed. Independent Counsel Lawrence Walsh announced on June 13 that he will be pulling together another grand jury hearing on the Iran-Contra affair, and that this time it will include an investigation of the role of Donald Gregg—even though Gregg is not officially a "target." Already on June 24, four days after the Gregg nomination passed the committee, the Senate Intelligence Committee announced that they had uncovered a Reagan White House file which had never been searched during the congressional hearings. The files contain key memoranda relating to a secret plan to reward Honduras for its support of the Nicaraguan Contras—an angle that involves George Bush directly.

Moreover, two of the defendants in the Walsh investigations, Adm. John Poindexter and Maj. Gen. Richard Secord, still have to stand trial. Both have been "hung out to dry"—

and neither of them seems to like the idea. Secord has been totally isolated by the "old boy network" in the CIA, and it appears that somebody there wants to drive him to desperation. It can't be excluded that Secord will try to get even with the people who forced him to "take the rap" by exposing everything about the Iran-Contra affair. Poindexter looks as if he is going to fight the charges, and his defense attorney has already indicated that he will subpoena both Ronald Reagan and President Bush.

The Senate lineup

Aside from the Republican loyalists who would have voted for Gregg regardless of what would have been exposed during the hearings, the administration succeeded in pulling three Democrats behind the Gregg nomination. Sen. Charles Robb (D-Va.) was the first Democrat on the committee to declare himself in favor of it. Robb was one of the few Democrats who had been a longstanding supporter of the Contra operation.

The vote of Sen. Claiborne Pell (D-R.I.), the chairman of the Foreign Relations Committee, was of course the biggest boost that the Gregg nomination could have gotten. Pell's support will undoubtedly help to swing a number of votes behind Gregg when the nomination reaches the Senate floor. Pell and Sen. Terry Sanford (D-N.C.) said that they voted for Gregg because of their concern that a vote to reject Gregg would reflect a lack of confidence in Bush's own statements that he was also unaware of the secret Contra resupply operation. Sen. Alan Cranston (D-Calif.) commented that Sanford "just did not want to pursue a matter that could lead to the White House . . . that could implicate the President." Sanford himself commented, "If Gregg was lying,

he was lying to protect the President, which is different from lying to protect himself.”

Another element which undoubtedly played a major role in the refusal of the Democrats to go after Gregg was the sobering thought that if Irangate turns into Bushgate, with the possible resignation or impeachment of Bush, the country would be left with President Dan Quayle. Cranston said that one of the gibes he was getting while attempting to mobilize votes against Gregg was, “Are you trying to get us Dan Quayle, Cranston?”

But the major element in pulling together a slim majority of the committee around the Gregg nomination was the bludgeon of threats and thuggery. Those who wanted to continue the investigation of Gregg were told to either lay off, or face the same treatment meted out to Jim Wright, who was forced to abandon his post as Speaker of the House along with his House seat, on unproven charges of ethics violations. At one point, when House Majority Whip Tony Coelho’s name was floated in the press in relation to similar ethics violations, Cranston’s name was also circulated—perhaps as a warning that his neck would be on the chopping block next, if he persisted with questions about Gregg.

As things developed, the truth and falsity of Gregg’s testimony became matters of minor import in a vote which concerned whether or not to proceed with the investigation of George Bush. As Senator Robb put it, Gregg’s statements, made under oath, were “as reasonable and believable as I think we could expect under the circumstances.” Even Sen. Richard Lugar (R-Ind.), a Gregg supporter, admitted that part of Gregg’s story “strains belief.” So the senators chose to live with the Big Lie for the sake of political expediency—not an unusual compromise for these paragons of pragmatism who inhabit the hallowed halls of the nation’s Capitol.

Gregg’s testimony

The Gregg testimony was so vacuous and contradictory that no one can come from the hearings believing anything but that Gregg and Bush were up to their ears in the Iran-Contra affair. A number of key episodes were hammered at during the second day of hearings on June 15. Gregg claims that he saw the “tip of the iceberg” of the Contra resupply operation first on Aug. 8, 1986, when the issue was brought to his attention by a key player in the operation, Felix Rodriguez. Rodriguez was thoroughly grilled during the Contra hearings, and there is no doubt about the role that he played. And yet Rodriguez was introduced into the Central American operation by none other than Donald Gregg.

Ostensibly Rodriguez was deployed to El Salvador to assist the Salvadoran government in fighting the rebels, although February 1985 cables from Gen. Paul Gorman, then head of the U.S. Southern Command, state that Rodriguez actually had the Contra operation as his top priority. Rodriguez and Gregg were personally quite close: Rodriguez served under Gregg as a CIA operative in Asia. Rodriguez was close

enough to Gregg to pour his heart out to him, and yet Gregg would have the Congress believe that Rodriguez had said nothing during that whole period concerning his involvement Contra resupply. That in itself “strains belief.”

Gregg also claims not to have gotten a full picture of the Contra operations prior to December 1986, after the shooting down of the plane of Eugene Hasenfus over Nicaraguan territory. It was the Hasenfus affair which first brought the possible role of Gregg in the Contra operation into the public domain. When the role of Richard Secord and Oliver North became clear, Gregg was forced to change public testimony he had previously given regarding his knowledge of Contra operations.

During the course of the trial of Oliver North, the notebooks of North reveal an entry on Sept. 10, 1985 indicating a meeting with Gregg and Col. James Steele regarding Contra resupply operations. Steele has admitted that he was present at the meeting, and originally said that Gregg also was there. But now, Steele has apparently changed his story, and Gregg denies he was present. He was, however, forced to admit in the hearings, somewhat reluctantly, that he had “probably” introduced Steele to North.

Other damning evidence involves Col. Sam Watson, Gregg’s aide in the vice president’s office. On Feb. 4, 1986 Watson wrote a memo about the need for more logistical support for cross-border attacks into Nicaragua. The memo passed Gregg on its way to Bush, with Gregg noting on it, “Felix agrees with this. It is a major shortcoming.” Watson clearly was on top of the Contra operation at an early stage, and was fully knowledgeable about what was going on, at one point even referring to North as “chairman of the board” of the Contra resupply effort. And yet, Gregg claims his aide never told him anything about what he clearly did know about the Contra resupply.

With the role of Gregg sticking out like a sore thumb, the question is raised as to why Bush risked taking him into the government, dragging him along, continually casting the shadow of Contragate over the Bush administration. In December 1986, as the Gregg role broke into the open, Gregg had offered to resign as Bush’s national security adviser. Sen. Paul Sarbanes (D-Md.) offered some possible explanation as to why Bush refused to accept his resignation. Had he done so, Sarbanes explained, it would have undoubtedly heightened suspicion that Bush was making Gregg the scapegoat for the vice president.

On the other hand, if Bush had taken Gregg directly into the government after the election, as the President’s national security adviser, or in some other post not subject to Senate confirmation, and something were uncovered further down the road concerning Gregg’s role in Iran-Contra, Bush would immediately be targeted as the one who had cleared Gregg for the post. If, however, Gregg were appointed to a post requiring Senate confirmation, then the Senate would become co-responsible for the Gregg appointment.

LaRouche announces his bid for Congress

by Nora Hamerman

The most celebrated American political prisoner, Lyndon H. LaRouche, Jr., has announced his campaign for the U.S. Congress from the 10th Congressional District of the Commonwealth of Virginia. LaRouche, a Democrat who ran for his party's presidential nomination in 1980, 1984, and 1988, said that he would run against Republican incumbent Rep. Frank Wolf, who will be seeking his sixth congressional term in 1990.

In a letter released to the press on June 19 by "LaRouche for Justice," his newly formed campaign committee, Mr. LaRouche gave the reasons why he was prompted to become a candidate, describing himself as "a Democrat in the tradition of Henry Clay."

Strategic failure of Bush

He declared, "President Bush's failure of strategic nerve in the midst of his China crisis, typifies the current lack of genuine leadership from the Executive Branch. The disgusting spectacle of the Wright affair, the way in which the House abandoned morality for the sake of ethics, illustrates the deepening erosion of the Congress since 1982.

"So far this year, both the administration and the Congress have blundered in respect to each major decision confronting them. The biggest decisions of 1989 and 1990 are yet to be faced. In a somewhat similar state of peril, when President Madison's failure of nerve left our republic at the verge of destruction, Henry Clay was elected to become the Speaker of the House, where he supplied a crucial quality of national leadership at a moment such was most needed.

"So, at the close of this May, the poor spectacles of President and Congress led my thought to memory of Henry Clay's 1812 campaign. I saw it thus my duty to stand for election to the U.S. House of Representatives."

The 10th CD of Virginia encompasses Loudoun County, site of LaRouche's residence, Arlington County, Falls Church, and the northern part of Fairfax County.

'Railroad!'

LaRouche is currently incarcerated in nearby Alexandria, Virginia, following his conviction last December, after a scandalous political trial, of a series of "conspiracy" and "fraud" charges. The trial and the draconian 15-year sentence meted out to the 66-year-old LaRouche, have prompted international jurists to call the LaRouche case a "new Dreyfus

Affair," after the notorious miscarriage of justice that occurred in 1894 in France and led to the political breakdown that triggered World War I.

The case, in which six associates of LaRouche were also convicted and jailed, has been reported in a new book, *Railroad!* The 670-page book details the shocking story of a more than 20-year campaign by government circles, in collusion with the criminal underworld and Soviet intelligence, to use every trick in the book to put an end to LaRouche's politics and his movement.

When a previous indictment against LaRouche in Boston ended in a mistrial, the "Get LaRouche" task force in the Justice Department forum-shopped and obtained an indictment in the Fourth Circuit of Virginia. The case is now under appeal. As a Virginia resident, LaRouche can run for office anywhere in the state.

Lyndon LaRouche, a statesman and philosopher who has distinguished himself in a wide variety of fields, is the author of numerous published books and hundreds of magazine articles, as well as privately circulated advisory memoranda to government figures all over the world. A cross-section of his achievements includes the fact that he is known, particularly in Western European capitals and (with hatred and fear) in Moscow, as the intellectual author of the Strategic Defense Initiative. His role in developing that program goes back to collaboration with leading physicists starting in the 1970s.

He is the author of the only workable program to solve the Ibero-American debt problem, his 1982 *Operation Juárez*, the most famous among a long series of programmatic proposals to solve the world economic and monetary crisis, which have unfolded following from his breakthroughs in economic science in the early 1950s.

Lyndon LaRouche is the originator of the campaign to restore the classical standard pitch which sets middle C at 256 vibrations, also known as the "Verdi A" of 432 vibrations advocated by opera composer Giuseppe Verdi, which has taken the entire classical musical world by storm, all over continental Europe and now in the United States.

LaRouche opposed Jimmy Carter's plans to legalize marijuana in 1977 when Carter took office, and in 1978 he commissioned the bestseller *Dope, Inc.*, which led to the launching of the Anti-Drug Coalitions and the magazine *War on Drugs* in many countries of the world, and made him a target of the dope lobby.

In August 1988, LaRouche with his wife Helga Zepp-LaRouche visited the Republic of China (Taiwan) and met with leading figures of the anti-Communist Chinese military and political leadership. Soon afterward, prompted also by the gross injustice carried out against West German parliamentary president Philip Jenninger, LaRouche launched the appeal for a Worldwide Anti-Bolshevik Resistance movement. Also, in summer 1988, he initiated the Food for Peace organization, forewarning of the drastic global food shortages ahead.

Who lost China? The fingerpointing begins

by Herbert Quinde

In 1979, U.S. decision-makers were caught totally by surprise as events unfolded in Iran. The Shah was overthrown, an unwashed mullah named Ruhollah Khomeini consolidated power and a mass following, eventually leading to the hostage taking of U.S. embassy personnel. The U.S. intelligence community, especially the CIA, was left looking like fools. The CIA assessment was that the Shah was firmly in power and there was no political opposition of consequence to worry about.

U.S. intelligence operatives scurried out of Teheran and eventually found themselves in the People's Republic of China, where they were allowed to establish radio and electronic listening posts to monitor Soviet activities—listening posts which previously had been situated in Iran. Back home, Congress and the media opened an angry public debate: Who lost Iran?

By mid-June of this year, the CIA bureaucracy began to have that queasy feeling of *déjà vu*. The fingerpointing has started over who was responsible and why U.S. intelligence was “caught with its pants down,” in the words of one Defense Intelligence Agency source, as events exploded in China.

CIA's Webster on the hot seat

On June 19, the White House released a statement praising the CIA and Director of Central Intelligence William Webster for doing a good job in gathering intelligence on the upheaval in China.

White House spokesman Roman Popadiuk was forced to deny the contents of a news item in the June 26 issue of *U.S. News and World Report* which had just hit the stands. The short article said that President Bush had been appalled at the quality of U.S. intelligence out of China, and planned to replace Webster by the end of the year.

“The CIA is doing a superb job. There is no truth to that article. The President continues to support Director Webster,” Popadiuk said. Asked if he was speaking for higher-ups, Popadiuk said, “I speak on good authority.”

U.S. News reported that the worst example of U.S. intelligence from China was a report that 84-year-old Deng Xiaoping was so ill he had lapsed into a coma. That was a day before Deng emerged from seclusion and appeared on TV looking in good health.

Despite White House denials, it is quite credible that President Bush, a former director of the CIA himself, would be displeased at DCI Webster and the dismal quality of CIA information, as events developed in the P.R.C. The night before Deng reappeared praising the People's Liberation Army (PLA) for brutally crushing the pro-democracy demonstrators, the President held a press conference at the White House, his first performance before the entire press corps. He indicated that he did not think Deng, the “liberal reformer,” had ordered the crackdown, or at least no one knew for sure if Deng was actually in charge. The next morning, there was Deng on TV praising the PLA. Bush sure looked like he was “out of the loop” this time.

An administration official said U.S. intelligence never reported that Deng was in a coma, but that the story originated with a Yugoslav newspaper and was routinely relayed to Washington.

William Webster was probably not surprised at the malicious leak originating from a White House source, according to the *U.S. News* item. There was a clear concern by the CIA not to look like they were completely caught off guard. As events progressed prior to the crackdown in Tiananmen Square, media reports indicated that PLA units were rebelling against their commanders and fighting each other. Webster went out of his way to get the story out that the CIA “never subscribed to the theory” that there were factional divisions in the People's Liberation Army. He gave an exclusive interview to his hometown paper, the *St. Louis Post-Dispatch*, during the weekend of June 3-4, elaborating that the CIA never thought there was real evidence suggesting that PLA soldiers were prepared to turn on other soldiers in their ranks. The *Washington Times* which allegedly is often used by the CIA to plant stories, carried the same Webster interview, hyping the Agency's intelligence prowess.

Effect on intelligence capabilities

But the CIA is not off the hook. Their troubles have just begun. Investigative journalists from major publications in the nation's capital are presently hard at work to find out just how compromised joint U.S.-Chinese intelligence operations are, as the Bamboo Curtain comes crashing down. For example, how much of U.S. “national technical means” (radio and electronic listening posts) have been lost? Rumors are circulating that Congress is interested in looking at the CIA's most recent National Intelligence Estimate on China. According to sources, the NIE generally advises continuing to play the “China card” and characterizes Deng, the now acknowledged “Butcher of Beijing” as a “liberal reformer.”

Lest someone be left with the impression that the CIA has been unfairly singled out, witness the admissions from the Defense Intelligence Agency. The state of U.S. intelligence on China is reflected in the fact that the most current publicly available strategic analysis prepared by DIA on China is at least five years old.

How to read the President's lips

by Leo Scanlon

On June 2, upon his return from the NATO summit, President Bush gave a lengthy interview to the *Washington Post* which announced his grand strategy for dealing with the Soviet Union: "Beyond Containment." According to carefully manicured leaks to the press, this strategy was the outcome of a process which reflects the quintessential George Bush—chief executive.

As the PR story goes, the President became frustrated with the *status quo ante* thinking of his top security advisers, rejected their long-awaited strategic review, announced his bold arms and troop reduction plans for Europe, left for the NATO meeting where he bested the opposing team, won the day for his side, and returned, triumphant and magnanimous, to explain the secret of his success to the readers of the *Washington Post*.

Yet patriots the world over have been disgusted by the weak and vacillating reaction of the White House to the bloody events in China, and even his staunchest supporters among the conservative populists have been roused from their post-election lethargy, in reaction to White House plans to bail out the collapsing Soviet economy. The June 2 *Post* interview, if looked at closely, will show that the propitiatory response to Communist butchery in China is not the result of an "intelligence failure" but is cut from the same cloth as Bush's proposals in Europe—the "convergence theory."

What Bush said

"Thoughts are that the Soviet Union might well be in the state of radical change. And as this change asserts itself . . . our doctrine need no longer be containing a militarily aggressive Soviet Union. It means a united Europe. It means a Europe without as many artificial boundaries. It means much more freedom and democracy, not only in the Soviet Union, but in Europe. As those things happen, the role of NATO shifts, our own role shifts, from the main emphasis on deterrence to an emphasis on the economic side of things. . . ."

"But Beyond Containment means a significant shift in the Soviet Union. A lightening up on the control in Eastern Europe and thus, freeing them to move down the democratic path much more. And as those changes happen with reality, our mission will change. We will move to a much more peaceful world. . . . Beyond Containment has as its underpinning, reform. . . ."

Then, when asked if he was talking about a "one world system" for Europe, the President responded, "Well, I talked about a united Europe, and I am not just talking about West-

ern Europe. That's the 'vision thing' people talk about. . . ." (This last remark refers to the way Bush is criticized for using vague, New Age-style terms.)

What Bush meant

Aside from the overt reference to a "united Europe" the tell-tale formulation in the interview is the indication that reform in the Soviet Union will produce more democracy in *Europe*—not Eastern Europe. The President is referencing an idea which has been the staple of geopolitical analysts in the State Department and intelligence community since the 1930s, and is upheld today by CIA circles associated with old intelligence hand Ray Cline, his recent book *Metastrategy*, and an outfit called the Association to Unite the Democracies (AUD).

First propounded by Clarence Streit, in his 1939 book *Union Now*, this school of thought argues that the U.S. and Europe must be federated, under a democratic, supranational government structure, (Streit and his crowd wanted the League of Nations to play the role, NATO is the preferred agency today) in which all the "democracies" are bound by economic and security policy decisions reached in the NATO council. Europe will thus be the equal of the U.S., and therefore "more democratic" than today.

This school brushes off the European movement to establish constitutional republics, as seen in the founding of the United States of America, and substitutes the New Age term "pluralist democracy" as the ideal. This contentless formula allows Streit and his followers, including the President, to believe that Communism is a "precursor to democracy" which can evolve into a form of government equivalent to the West's "pluralist democracies." According to their magazine *The Federator*, Russia has been repelled by the political and economic strife among the European nations since the Renaissance. If Europe (and the U.S.) can be stabilized under a central institution of government, it could then attract the Communists to join the "Concentrically Organized Democratic World."

The outermost edge of the "democratic world" is the IMF and GATT. If the Soviets meet the IMF test, they can be integrated into the OECD Summit process, and when that is completed, they can join the "democracies" in NATO itself. As the President said in his interview, "the role of NATO shifts . . . from a military alliance to a political and economic alliance."

If this succeeds, *The Federator* hopes "The species will be granted a stay of time and a release of energies to tackle together its deepest problems: population, ecology, development, and global integration."

It is not only Bush and Gorbachov who are reading from this sheet of music; the AUD cohort includes Generals Scowcroft and Goodpaster, State Department officials, and a host of academics associated with prestigious, but derivative organizations, such as the Atlantic Council.

Dennis King critic murdered

by Investigative Leads Staff

Bruce Bailey, 54 years old, the president of the Columbia Tenants Union in New York City, and a longtime arch-enemy of dope lobbyist Dennis King, was found murdered in the Hunts Point section of the Bronx on June 15. Bailey's body was discovered stuffed into four black plastic bags that had been left in a desolate spot underneath the Bruckner Expressway. His head, feet, and hands were cut off. His head was not found. Police determined his identity from birthmarks and scars on his back and legs.

Bailey disappeared in the early evening of June 14 as he was en route from his apartment on West 111th Street in Manhattan, to a tenants meeting in Harlem. News accounts of his grisly murder mooted that he may have been killed either by angry landlords or by crack cocaine dealers whom he had been battling in Harlem. However, a New York Police Department spokesman interviewed on June 20, the day the body was publicly identified, dismissed both theories on the grounds that neither landlords nor typical drug dealers carried out such brutal and ritualistic murders.

The Dennis King angle

"Author" Dennis King, in his recently published, book-length libelous diatribe against Lyndon LaRouche, *Lyndon LaRouche and the New American Fascism* (Doubleday, 1989), fingered Bailey as an "anti-Semite" and "snitch" for LaRouche.

From page 248: "[LaRouche] security also managed to attract informers who were motivated by grudges or cupidity and who possessed, or were willing to gather, information of real substance. One example of these not so golden souls was Bruce Bailey, a tenant organizer well connected among New York leftists and anti-Zionists. According to former LaRouchians (including Charles Tate, who dealt directly with him), and substantiated by court records and internal NCLC reports, Bailey had numerous secret meetings and phone conversations with Security staffers between 1979 and 1984.

"The principal target was me. I had worked with Bailey in community politics in the 1970s, but ended up on his list of ideological enemies."

King later referred to Bailey as "LaRouche's Upper West Side snitch."

Indeed, for a brief period in the early 1980s, Bailey had assisted investigative reporters for *New Solidarity* newspaper in the preparation of an article exposing King's personal life as well as his involvement in petty criminal activities. That article was published on Feb. 20, 1984 under the title, "Will Dennis King Come Out of the Closet?" Although the article was bylined "Special to New Solidarity," the author of the piece was Charles Tate, now a principal FBI informant and government witness against LaRouche and his associates in a string of politically motivated prosecutions.

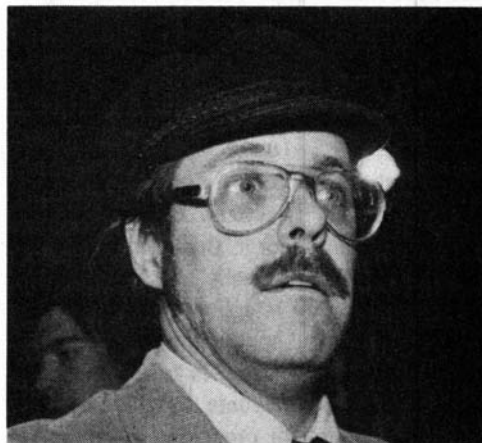
According to Bailey's own accounts to Tate, within weeks of the appearance of the *New Solidarity* article exposing King, Bailey was brutally mugged on the Upper West Side of Manhattan. Bailey suspected that King was behind the attack, possibly drawing upon mob "muscle" accessed through his publisher at the East Side weekly *Our Town*, Ed Kayatt.

A convicted felon, Kayatt was widely believed to be a front man for organized crime extortionists operating against shopkeepers on the posh Upper East Side. Notably, the attorney for *Our Town* was the late mob lawyer Roy M. Cohn.

While no evidence exists at this point that would link the recent King fingering of Bailey to the tenant organizer's apparent kidnapping and torture-murder, it should be noted that in the recent Justice Department prosecutions against LaRouche and his associates, King was reportedly in intimate contact with prosecutor John Markham, as well as with government informant and perjurer Tate.

As has been now widely reported, prosecutor Markham, now an Assistant U.S. Attorney in San Francisco, was for years closely associated with the Process Church of the Final Judgment, a violent Satanic group linked to the Charles Manson family and the New York City Son of Sam killings. Process had been investigated for years by police for involvement in drug trafficking, international pornography distribution, (including "snuff films"), and contract killings.

King himself was at one time linked to the New York Humanist Society, a New Age movement with ties to the Lucis Trust (formerly Lucifer Press).



Philip Ulanowsky

Dennis King

Students demand new constitution for China

by Leo Scanlon

A powerful contrast to the cowardly actions of the Bush administration was provided by a new organization of Chinese students, the Alliance of Chinese Patriots, which held its first press conference in Constitution Hall in Washington, D.C., on June 7. The movement is a direct representative of the programmatic aspirations of the students in Tiananmen Square, and is keeping alive the demand of those students for the formation of a constitutional government to rescue the nation.

The first point made by the students was that this issue is not an academic matter, for the idea of creating a new constitution is being widely debated among leading Chinese, both before and after the massacre in Tiananmen Square. The U.S. Establishment, they point out, is fixated on preserving the rule of the Chinese Communist Party and therefore has found itself far behind the pace of events. Unless this folly is corrected, the next phase of developments in China will shock the United States even more than the notorious events of 1947.

One student emphasized that the current administration policy, based on Kissinger-style geopolitical theories which ignore economic realities, is not only foolish, but murderous as well. Trade and financial credits issued on behalf of the policy of stabilizing and "moderating" the regime, will produce the opposite effect. "The credits provided for trade and industry only preserve the ability of the government to carry out suppression of the population." He emphasized that China is undergoing a total economic collapse, and that that collapse is the only thing which will moderate the actions of the regime. "The government survives through the efforts of the military and secret police, and that costs money. Money to the Chinese government is blood money . . . there is no logic to the U.S. policy."

The Washington media have been presenting the anti-Bolshevik ferment in China as if it has been defeated. In this, the media is taking a cue from George Bush himself, who told a national TV audience the fantastic tale, that he had tried to reach Deng Xiaoping by telephone, but had been unable to get through, and thus did not know what was going on in the days leading up to the massacre. In fact, Deng gave a speech the day before the bloody events, in which he specifically attacked the movement for proposing to create an

"American-style" constitutional system. It is inconceivable that Bush remains unaware of this speech, and the continued suppression of the true picture by the administration is a betrayal of China's aspirations to freedom.

Even worse, National Public Radio and the *New York Times* have started a campaign designed to make the Goebels-style "Big Lie" propaganda of the Deng regime credible. "More than two weeks after the Chinese Army gunned down demonstrators and onlookers in the center of Beijing, there is still no evidence to support the higher estimates of casualties, like an early estimate that 3,000 died," wrote Nicholas D. Kristof in the June 21 *New York Times*. Kristoff quotes a number of sources (all of whom would be killed for contradicting the official line) in support of his theme that government spokesman Yuan Mu might be lying, "but we'll just never know." This process of rehabilitating the government began with an exclusive interview granted to Tom Brokaw of NBC-TV news by Yuan Mu himself. The success of Yuan Mu's brazen lies was so complete that the government fearlessly played the entire interview on Chinese TV.

Declaration of Chinese Patriots

This statement was released in Washington on June 7.

As the world watches, we, the Chinese people, are today engaged in an epic struggle to cast off the chains that have bound us for two generations. The present system has been tried in China and has failed. It has produced hunger where there should be plenty, corruption where there should be integrity, servitude where there should be freedom. The Chinese Communist Party and the government it created are today under siege because they have failed to understand that the Chinese people will no longer tolerate these conditions. The Chinese people yearn to be free. We yearn to join the community of free peoples. We will not rest until we do.

Therefore, we Chinese patriots, declare to the world the principles that guide our struggle for freedom:

- 1) Every individual is born with equal and inalienable human rights.
- 2) The basic right of every individual is the right to be free, the right to plan and live his or her own life. This right entails all other rights, including the rights of speech, press, assembly, association, religion, property, and privacy.
- 3) To secure these rights, individuals create government, to which they give only as much power as is necessary to secure their rights.
- 4) A government is legitimate only if it rests on the consent of the governed.
- 5) The people retain the right to deny legitimacy to their government by withdrawing their consent.

To secure these principles through law and legal institutions, we call for a constitutional convention where the people's representatives, selected in free and open elections, will write a constitution for a free China.

Savings and loan meltdown predicted

The head of the National Council of Savings Institutions says the administration's bailout is just the beginning.

The situation facing the nation's savings and loan industry now is akin to a Hershey chocolate bar sitting on a hot sidewalk in the summer. Unless action is taken very quickly to save it, it will melt down completely."

That was how Dr. Mark Reidy, head of the National Council of Savings Institutions, described the situation to a gathering of S&L executives in Washington on June 20, on the eve of a vote by Congress to pass the Bush administration's S&L bailout package.

Most experts now predict that taxpayers will be hit for at least \$300 billion to bail out the nation's ailing thrift industry—but some indications provided by Reidy point to a situation even worse than that.

For example, when asked by this reporter about whether he was satisfied that the underlying causes of the savings and loan crisis are being effectively addressed by the bailout legislation, Reidy struck an ominous tone. He pointed out that one of the speakers at a workshop of the conference held the day before pointed to the "trend of commercial real estate in the Northeast to move in the direction of the Southwest."

This was a reference to the precipitous collapse in real estate values in Texas and other Southwestern states, which has been the principal cause of the S&L crisis, despite administration efforts to pin the rap on "mismanagement" and even criminal fraud.

Reidy noted that shiny new glass office buildings in the Dallas area are now being bulldozed down, because

they failed to attract any occupants, and that many others throughout the region "will never become solvent properties."

"Even in the best of all possible worlds," he said, "there is going to be a great fallout in values of commercial real estate nationally."

How this will be dealt with will determine whether the industry as a whole survives or not, Reidy said. In other words, it is not so much the details of the bailout legislation that are important, but the kind of "judgment calls" that are made by the industry's top managers. "If they move too fast on the problem, then they could create a situation that would create more problems than it would solve for the S&Ls that are still surviving."

This would happen, he said, if the move were made to begin dumping real estate in local markets. "This would threaten all real estate, and undermine the healthy thrifts."

Later, during his address to the assembled executives, he predicted that the current S&L package before the Congress "will not be the last." There will be second, third, and fourth follow-ons to the current bailout. This will occur because "there is so much contained in this first bill that no one could possibly foresee all the problems that will arise once it begins to be implemented. . . . There are at least 15 major pieces of legislation contained in this one bill. The operating implications of the bill go far beyond what Congress can possibly understand now."

For one thing, he noted, the

amount of money allocated will have to be greatly increased.

For another, this bill avoids many of the more controversial components of the problem, such as how to deal with credit unions, and the issue of federal insurance for foreign deposits.

He said the legislation is designed to do more than simply mend the ailing S&L industry, however. Its real aim is to give Congress power over the states in the regulating of thrift institutions. In this regard, it is "clearly an overreaction," he said. This was reflected in the attitude taken by the Bush administration when its plan was first announced, and it took the posture that it was going to "punish" the industry for its problems.

Reidy predicted that the net result of the current approach to the problem will be "an end to the dual banking system within 10 years." In other words, any distinctions between commercial banks and thrifts that now exist, chiefly to ensure secure credit for homebuilding and local entrepreneurial activity—will be abolished.

President Bush, Reidy said, has "only given lip service to housing finance." Reidy expects the Federal Home Loan Bank Board to be liquidated soon, and the Federal Deposit Insurance Corporation will emerge as the only insurance agency for both banks and thrifts. "Within 10 years, there will be complete chartering homogenization," he predicted.

In the face of these grim forecasts, Reidy's only advice to the executives was to "stay flexible," "fight to survive," and "buy time."

He said that between now and the expected early-August date for the final vote on the S&L bailout package, the main strategy for the industry will be "damage control," including an effort to "calm down the high level of emotion that currently exists on the Hill over this issue."

Kissinger plots with British 'wets'

The June 15 elections to the European Parliament, in which the British Labour Party scored big gains against the Conservatives, is not the only thing that has pro-Thatcher circles in Britain alarmed. There is also a slowly building panic about the takeover of key Tory-linked publications by an international mafia which includes Henry Kissinger as one of its leading figures.

Kissinger sits on the board of a Toronto, Canada-based entity, Dollinger, which is the holding company for the London *Daily Telegraph*, the main "respectable" Conservative Establishment daily newspaper. Dollinger is owned by a Canadian named Conrad Black, who oversees an international financial empire centered around the Argus Corporation. Argus interfaces, in Canada, with the interests of Seagrams' seedy Edgar Bronfman.

In 1986, Black bought the *Telegraph*. Since that time, the paper has become more and more "wet," which in British political parlance signifies mushy-soft on the Russians, and Fabian-leaning in social and economic policies.

The editor in chief of the *Telegraph* is Andrew Knight, former editor of the London *Economist* and an intimate of Kissinger.

The editor of the *Telegraph* is Max Hastings, whose treatment of his underlings is summed up in the satirical magazine *Private Eye*'s usual characterization of him as "Hitler" Hastings. His most recent book, a history of the

Korean War, is a diatribe against Gen. Douglas MacArthur.

British sources report that Lord Carrington, a former director of Kissinger Associates, has recently been brought onto the Dollinger board. One source says that the Dollinger-Kissinger-Carrington combination points to an emerging "big political shift" in British politics, for which Conservative losses on June 15 will be an important catalyst. There will be growing pressure on the Conservatives to drop objections to a global deal with the Russians, and to integrate Britain fully into the "Europe 1992" corporatist restructuring scheme for Western Europe, which Mrs. Thatcher has vehemently opposed.

Conrad Black has bought into several other key publications, including the Conservative monthly *The Spectator* and the pro-Thatcher *Daily Express*. His shares of the *Express* were bought shortly after the strange death, earlier this year, of the wife of the paper's owner, Lord Stevens. She died, according to official reports, from "choking on a peach sliver." (It was the *Express* that recently ran a story about how Kissinger was "red with rage" about new allegations that he was a Soviet intelligence agent.)

Black has also gained shares of the magazine *Encounter*, the hallmark magazine of Project Democracy in Britain. *Encounter* is closely associated with Leo Cherne, leading figure in the U.S. President's Foreign Intelligence Advisory Board, on which Kissinger also sits.

The role of Lord Rothschild

Kissinger has important ties into what might be called the Lord Victor Rothschild faction of the British Conservative Party. Although Rothschild

would appear, by political and philosophical loyalties, to be a Labour Party stalwart, he was brought in, in 1971, to head a new Central Policy Review Staff (CPRS), a special Cabinet Office think tank created by Conservative Prime Minister Edward Heath. During May and June of this year, Heath has been the most savage opponent of Thatcher within the Tory Party on the "Europe 1992" issue.

The Rothschild-Kissinger ties from the early 1970s are a subject of considerable sensitivity. While it would seem evident that Rothschild, as head of the CPRS, would have been in touch with Dr. Kissinger, *EIR* journalists have spoken to a half-dozen British liberal influentials, who have come up with the most contorted explanations about why Rothschild and Kissinger "could not possibly" have been close.

However, the 1988 book *Inside the Think Tank*, the history of the CPRS written by Rothschild protégés Tessa Blackstone and William Plowden, says otherwise. It reveals that one of Rothschild's first acts, on being appointed head of the CPRS in November 1970, was to consult with Kissinger, who was then U.S. national security adviser.

In fact, Rothschild was Kissinger's semi-official counterpart in the U.K.

Rothschild is a unique phenomenon in Britain, representing the interface of banking interests, the top levels of the Anglo-Soviet Trust, the highest levels of British scientific intelligence, the policies of the British petroleum multinationals, and the forces behind "environmentalism."

The early 1970s were crucial years, in the transatlantic liberal Establishment's inauguration of policies disastrous to the West, and we are sure that the Kissinger-Rothschild axis played a key role in developing these disastrous policies.

'Fine arts' purvey evil themes

Controversy erupts in Congress over funding of decadent, and sometimes overtly Satanic spectacles.

This past May, Senators Alfonse D'Amato (R-N.Y.) and Jesse Helms (R-N.C.) condemned a photograph that was part of an exhibit of "work" by Andres Serrano then touring the country. The exhibit was made possible through an award to Serrano given by the Southeast Center for Contemporary Art in Winston-Salem, North Carolina. This Southeast Center in turn had been given funding for its fellowship program from the government's National Endowment for the Arts (NEA); the bulk of its money is evidently from the Rockefeller Foundation and Equitable Life Insurance.

The photograph, condemned from the floor of the Senate, and described in the *Washington Post* as one "that many find offensive to the Christian faith," is a 3½ x 5-foot photograph with a yellow tint, of a crucifix in a bottle of urine entitled "Pisschrist." Serrano has other photos entitled "Pisspope," "Pissgod," "Pissmary," etc. The condemnation of the picture resulted in 25 Democratic and Republican senators' signing a letter calling for a reevaluation of NEA funding procedures. Since then, about 50 senators and 150 congressmen have contacted the NEA over the Serrano photograph.

The latest development in the controversy is the cancellation of an exhibit scheduled at the Corcoran Gallery in Washington of "photographer" Robert Mapplethorpe. The cancellation is evidently from fear of jeopardizing government funding for the NEA—which will undergo a review this year—by having another "offensive" exhibit, this time in the govern-

ment's backyard, again funded by government money. This exhibit was put together via a \$30,000 grant to the University of Pennsylvania's Institute of Contemporary Art. The photographs, described as including "a number of homo-erotic and sado-masochistic images, along with nudes of children," more specifically includes the following choice subjects: photographs of genitalia, one entitled "Mr. 10½"; a photograph of two children, a boy and girl—the photograph shows under the girl's dress where she is unclothed, and is entitled "Honey." Mapplethorpe recently died of AIDS.

These are the tip of the iceberg of such decadent and in some cases specifically Satanic subject matter flooding all levels of cultural life of the country. The Serrano exhibit, for instance, was recently in Richmond, Virginia. It also includes a photograph of a dead German shepherd shown bloody and strangled by a noose. That photo is entitled "Scream"—and perhaps should be investigated for connections to the Satanic Process Church which has a particular fascination for murdering German shepherds.

The Serrano exhibit caused a slight controversy in Richmond, which has seen a noticeable change in the quality of exhibits at its museum since director Paul Perrot arrived five years ago. The next exhibit due there is of works by New York-based Lucas Sumner. Evidently, his work is sculpture, and includes statues of Christ in questionable poses.

Similarly in Baltimore, recipients of the Baltimore Opera Company's brochure for the year's concerts were

surprised to see violent depictions of upcoming operas. *Faust* had a garishly colored and morbid Satanic scene; *Otello* had a similarly garish photo of a black male brutally strangling a white woman—the emphasis was on the pressure on her neck of his hands.

The Walters Art Gallery in Baltimore is now sponsoring an exhibit of the Egyptian Coptic Church, with an exceptional emphasis on black magic. Their invitation to members caused some controversy because it was actually a curse sent via the mails. The article on the exhibit in the museum newsletter is entitled "Magic for Good . . . Magic for Evil," with the following description: "In antiquity miscarriages and infant mortality were commonplace and much feared. And so this is the focus of quite a different sort of amulet—one in stone, which shows King Solomon atop a horse, impaling with a lance the body of a nude female. This woman is Alabastria (Lilith, among the Jews), antiquity's primal she-demon who was believed responsible, among other things, for suffocating infants in the crib. But even more potent than this amulet's image was its very medium, hematite, for in Greek this means bloodstone, and it is so named because, as black iron oxide, it turns blood-red when powdered." The brochure continues, "But in this multi-ethnic, multi-religious society there was also magic for evil."

Why this fascination with the occult, with child and other pornography, and with Satanic themes in supposedly "refined" art circles? The parents who decide to protect their child from rock music lyrics, from violent and sadistic comic books, and from slasher movies, now has to be wary of the supposed repositories of higher art. Who can doubt that this is cultural warfare?

Bush backs dual missile as bargaining chip

President Bush is trying to pull together a consensus on Capitol Hill to gain financial support for the MX missile, not for defense, but to use it as a bargaining chip in the upcoming START negotiations with the Soviet Union.

Bush earlier threatened to propose a ban on all mobile missiles. For the United States, this would mean that both the multi-warhead MX as well as the single-warhead Midgetman would be eliminated.

The Midgetman is a favorite of arms control Democrats like Armed Services Committee Chairmen Sen. Sam Nunn (Ga.) and his House counterpart Rep. Les Aspin (Wisc.). They warned Bush that there would not be enough funds for both missile programs. The Reagan administration, which had focused on developing a Strategic Defense Initiative, had called for a ban on all mobile systems, limitations on which they considered too difficult to verify.

The decision by the Bush administration to abandon the ban encouraged the chairmen in the belief that Bush was putting more emphasis on nuclear deterrence than on SDI, and that he was prepared for a limitation on nuclear weapons. Bush also increased proposed funding for the Midgetman by \$1 billion. Both Nunn and Aspin were pleased, Nunn characterizing the move as "a strong, good step in the right direction."

Congress asks Bush to revoke Chinese trade status

A Senate concurrent resolution submitted by Sen. Pete Wilson (R-Calif.) on June 19 recommended that the Bush administration make the resumption

of normal diplomatic and military relations with China dependent upon the Chinese leadership releasing all those imprisoned for peacefully assembling to express their political beliefs, and entering negotiations with leaders of the country's student democratic movement. It further advised delay of China's 1989 certification of Most Favored Nation status with the United States, until the Chinese authorities restore human rights.

Similar legislation has been introduced into the House by Reps. Tom Lantos (D-Calif.) and John Porter (R-Ill.). "It is high time," said Lantos, "that business as usual will not go on as long as they massacre young men and women whose sole crime it is to cry out for freedom and democracy."

On June 20, a group of congressmen marched from the Capitol to the Chinese Embassy to appeal to the Chinese government not to execute the three young men condemned to be shot the following day—an appeal ignored by the Beijing government.

Weapons budget squeaks by subcommittee

With the support of House Armed Services Committee chairman Rep. Les Aspin (D-Wisc.), the \$69 billion weapons procurement budget passed through the Procurement subcommittee by a vote of 10 to 9.

No new projects were added nor were any of the items canceled, because Defense Secretary Richard Cheney had done the cutting before submitting it to Congress. Aspin was described as "exultant" that he had gotten two Democrats and seven Republicans to join with him in protecting the proposal from a wholesale rewrite.

The entire committee is scheduled

to vote on the subcommittee action on June 27, but Aspin is not predicting the outcome. Rep. William Dickinson (R-Ala.), the ranking Republican on the committee, warned that "if this [bill] becomes undone" through a congressional rewrite, "his [Bush's] budget becomes almost meaningless."

Many congressmen, however, want to add special projects of local interest to the bill. According to the *Washington Post*, Aspin is counting on a gentlemen's agreement that any additions be offset by other cuts. The SDI and the B-2 bomber program could then become targets for further reductions.

Does Rep. Bentley back Serbian strongman?

Rep. Helen Bentley (D-Md.) made some disconcerting remarks on the floor of the House on June 20 concerning the situation in Yugoslavia. The daughter of a Yugoslavian immigrant, Bentley commemorated the Battle of Kosovo, where the Serbians succeeded in defeating the Turkish invaders under Sultan Murad in 1389.

Bentley complained that Serbia, the most populous of the nationalities integrated into the Republic of Yugoslavia after the war, is not free and that the Communists had allowed the widespread influx of Albanian Moslems into the "sacred" Kosovo region.

Bentley, who will visit Yugoslavia for the dedication of the new Orthodox cathedral in Belgrade, hopes that the "plight of the Serbian people in their ancestral homeland" will be brought to the attention of the world. The plight of Yugoslavia, on the verge of being pulled apart by ethnic unrest,

fueled by Serbian strongman Slobodan Milosevic, has become apparent to most people. It is doubtful, however, that many would be happy to see, as Bentley seems to do, a rising Serbia nationalism, which is plunging the area in bloody ethnic and racial turmoil.

Dems are faced with \$1.8 million debt

It has been revealed that the Democratic Congressional Campaign Committee (DCCC) has accumulated \$1.8 million in debt.

Committee chairman Rep. Beryl Anthony Jr. (D-Ark.) is seeking to put the blame on his predecessor, former Rep. Tony Coelho (D-Calif.). "Tony Coelho was throwing money away like crazy to get elected whip," said Anthony.

Lawyers for Lyndon LaRouche and his associates in Alexandria, Virginia were curious to know how much of the money was in the form of loans, and if mail and wire fraud charges will be brought against the DCCC in order to shut it down.

House rejects efforts to modify S&L bill

The House on June 16 decisively defeated an amendment to the administration's savings and loan bailout bill which would ease capital requirements for S&Ls. In a 362-94 vote, the House defeated the amendment of Rep. Henry Hyde (R-Ill.), which would have given more than 240 S&Ls the right to petition regulators for relief from new capital standards that would erase more than \$19 billion in special "goodwill" capital from their books.

President Bush had threatened to veto the bill if the Hyde amendment were accepted.

The President did not get his way in keeping the bailout off-budget. The House voted 280-146 to add \$50 billion in bonds for the bailout to the budget deficit. The Democrats largely supported the President on the S&L legislation, while many Republicans went against him. Many savings and loan institutions would undoubtedly be able to make ends meet if the legislation, as Hyde indicated, would allow more of a case-by-case approach to the closing of the institutions.

As now formulated, the savings and loans which fail to meet the stringent capital requirements will go belly-up as well as the homeowners who are dependent upon them.

Dannemeyer proposes amendment on religion

Rep. William Dannemeyer (R-Calif.) introduced on June 15 an amendment to the U.S. Constitution entitled the Community Life Amendment. The purpose, he said, is to "successfully correct the impression that a formal recognition of God in our public schools is either irrelevant or harmful, as we have been told through a series of Supreme Court decisions."

The amendment reads: "Section 1. the right of the people to allow voluntary school prayer and the teaching of the Judeo-Christian ethic in public schools shall not be denied or abridged by the United States. Section 2. For the purpose of section 1, the term 'teaching of the Judeo-Christian ethic' shall include the Ten Commandments, and the creation of the Earth as accepted in Judeo-Christian tradition. Section 3. Section 1 shall not force the

people to enact any statute against their will. Section 4. Nothing in this Amendment shall constitute an establishment of religion, nor shall this Amendment permit any governmental or administrative authority to prescribe the form or content of any voluntary prayer."

Dannemeyer denounced the Supreme Court-assisted elimination of all religion except "humanism" from our schools as "a malignancy that is robbing the heart and soul of America." "For the past 25 years the rising generation have been denied a full opportunity to address the most fundamental of life's questions: Who am I? Why am I here? and Where am I going? Any education, in my opinion, that does not fully access all intellectual avenues to sufficiently answer these questions is a mockery to an enlightened people."

Referring to the evil influence of John Dewey in formulating the Humanist Manifesto, Dannemeyer continued, "Humanism cannot fill the substantive void left by the expulsion of religious principles and beliefs from public schools. Man, judging life by his own experience, by what he sees, is incapable of sustaining an ethical system founded on his own authority. The evidence of failure is everywhere. From abused children to juvenile delinquents to unethical business practices to the modern welfare state. . . . America, it seems, has succumbed to perhaps the ultimate delusion of mankind, the highest act of egotism. We have cast our eyes on the world, found it comely, called it our own, and have relinquished the eternities. America now serves at the altar of man. . . . We must regain our heritage through the lives of our children or else continue to suffer the consequences of a failed stewardship."

National News

Anti-Satanism bill goes to Illinois governor

Two bills targeting Satanic crimes passed the Illinois State Senate unanimously on June 19, and have been sent to the desk of Gov. Jim Thompson for his signature.

A third measure, making inducement to commit suicide a Class 2 felony, is expected to pass within the next several days with some modification.

One bill amends the Criminal Code to create a Class 2 felony for ritual mutilation, consisting of mutilation, torture, or dismemberment of another person as part of a ritual, and carries a penalty of up to seven years in jail and a \$10,000 fine.

The second bill mandates stiffer penalties for persons convicted of torturing people or animals, stealing human corpses, kidnapping, or desecrating property as part of a ceremony or ritual.

All three bills were introduced into the House by Rep. Robert Regan of Crete, Ill., and had passed there unanimously. Over 1,000 petition signatures demanding such laws were collected by the National Democratic Policy Committee, representing the LaRouche wing of the Democratic Party, and presented to Representative Regan.

Detroit News blasts Bush clean air proposal

The *Detroit News* denounced George Bush's so-called clean air proposals for being a costly fraud, in its June 14 editorial.

"President Bush wants to assault the ghosts of acid rain and ozone. . . . It is worth remembering . . . that a 1985 EPA [Environmental Protection Agency] report on the condition of 1,619 lakes in four regions east of the Mississippi found that only 4% of the lakes in the Northeast, 2% in the upper Midwest, and 0.0% in Appalachia were acidified, and none to the extent to snuff out aquatic life. The highest acid levels were found where they were not supposed to be,

in southern Georgia and northern Florida.

"On the ozone front, cities like Detroit that are listed as violators are in compliance 99% of the time. These facts, which show the twin problems to be overstated, did not sway Mr. Bush."

The editorial concludes, "We hope the environmental zealots in Congress won't try to shove scrubbers down our stacks. . . . Since so much that Michigan holds dear is at risk in this debate, the state needs a tough-minded defense from its delegation in Washington."

N.Y. Times book review hits LaRouche Platonism

The *New York Times* book review section reviewed the diatribe by Dope Lobby scribbler Dennis King, *Lyndon LaRouche and the New American Fascism*, on June 18. Most revealing is the *Times*'s rage at LaRouche's insistence on reason, coherence, and rationality in the Platonic tradition.

The *Times* devoted a full page to King's slander of LaRouche. "To the orderly mind of the conspiracy theorist there is no such thing as randomness. Every coincidence, every accident is meaningful. History is a war between good and evil in which everything unfolds according to plan. . . . In the world according to LaRouche, history is a war between the Platonists (the good guys) and the evil Aristotelians. . . . Platonists believe in standards, and absolute truth that can be divined by philosopher kings. . . .

"True Platonists, he says, believe that industrialization, technology, and classical music should be used to bring wealth and enlightenment to the citizens of the world. The Aristotelians are trying to stop them by using not only sex, drugs, and rock-and-roll but also environmentalism and quantum theory."

Is the *Times* attempting to give credence to LaRouche's assertion that he is the new Socrates? The Athenian philosopher, after all, was killed by the Democratic Party of Athens, for espousing just the views that the *Times* describes.

Spannaus defends Virginia coal miners

U.S. Senate candidate Nancy Spannaus issued a statement from Leesburg, Virginia on June 15, decrying the use of the same police state tactics by the Virginia state government against the coal miners union, as were used against the LaRouche political movement.

"If anyone thought that the Commonwealth of Virginia was making an exception, when it used police-state tactics against Lyndon LaRouche and his political associates, they should know better by now. Look at the way in which Governor Baliles, his Attorney General Mary Sue Terry, and their judges and prosecutors are treating striking miners in southwest Virginia.

"First, the commonwealth has limited picketing by the miners, and then sought to impose exorbitant fines to penalize the miners when they manned the picket lines. Mineworker leaders have correctly pointed out that this is a direct challenge to the right to strike.

"Second, the commonwealth's judges have imposed such fines for picketing, that . . . [they] would amount to an 'economic death sentence' for the union.

"Third, the state police have abused and terrorized strikers and their families. . . . Among the abuses known is that the state police are patrolling with rifles, despite the fact that the picketers are unarmed; that they have dragged strikers and their families by the ears and in other painful ways to be arrested; and that they have handcuffed strikers to a metal fence in the midst of a thunderstorm, when they could have been electrocuted.

"Where is the concern for economic justice in Richmond, when it comes to the miners? This impoverished workforce has been driven to strike by Pittston Coal Group, a company that is 'diversifying' into the admittedly extremely profitable diamond and gold trade, but does not want to assure the health care of its coal workers or retirees. When asked to mediate on behalf of the workforce, however, the Governor and his

Attorney General simply dig into their emergency coffers, and send more police."

Spannaus urged all Virginians "to let Baliles and Mary Sue Terry know that they don't want their state to be known as the center for fascism in the U.S."

New Right hits U.S., Soviet trade ties

A number of populist conservatives assembled in Washington, D.C. on June 20 to attack the Bush administration accommodation to the Soviets. Former National Security Council analyst John Lenczowski, Howard Phillips, Paul Weyrich, and others endorsed a proposal of the Taxpayers Against Subsidizing the Soviets (TASS), which demands that the U.S. refuse Most Favored Nation (MFN) status to the Soviet union, an issue which is currently being debated in Congress.

Martin Colman, leader of the coalition, pointed out that MFN is simply the green light for the major money center banks to do to the entire economy "what they did to the S&Ls, force us to invest in bad debt." He pointed out that "the current debt owed by the Soviet Union to the U.S., if defaulted on, would bankrupt the FDIC. The Soviets are lent money on terms which are unavailable to any U.S. citizen, or to any other sovereign borrower, and MFN will make this disparity much worse."

Weyrich described the populist's strategy, "We intend to make this issue understandable to the American taxpayer in dollars and cents. . . . What it is going to cost them to finance the Soviets on these terms."

Lenczowski pointed out that Gorbachov is passing laws which strengthen the hand of the state and the party to an unprecedented degree, and which legally define the U.S.S.R. as a nation under martial law. He expressed extreme concern that the Bush administration is feeding the illusions of peace in the U.S. and Europe with irresponsible statements, and described Joint Chiefs of Staff Chairman Adm. William Crowe's notorious "they're not my enemy" remark as "professional malpractice." He also in-

dicated that the tough talk from Robert Gates will probably be non-existent in the near future, if the administration continues on the present course.

Pennsylvania to debate anti-Satanism bill

Pennsylvania State Rep. Joseph A. Lashinger (R-Montgomery Co.) introduced an anti-Satanism bill on June 14 which amends the Child Protective Services Law to prohibit "the ritualistic physical or psychological abuse of a child, when undertaken as a part of a ceremony, rite, initiation, observance, performance or practices."

The bill, H.R. 1693, is co-sponsored by 30 Republicans and 24 Democrats and has been referred to the House Judiciary Committee.

Representative Lashinger said that his bill is "a direct result of increasing concern regarding Satanic cult movements throughout the state. . . . The abuse of our children within Satanic cults is a growing problem in Pennsylvania and is the reason why I have introduced legislation. . . . My proposal isn't an attempt to restrict anyone's right to practice their religious beliefs. Rather, it is an effort to protect our children against those who exploit their First Amendment rights by involving unwilling participants in cult rituals and justifying it through religion. We must stop the ritualistic abuse of our children. We can no longer allow cult members to hide behind the protection of the First Amendment when they harm our kids."

Lashinger explained that Satanic cults often use brainwashing techniques that are used on prisoners of war to attract young and vulnerable victims. He also said that a cult may even kidnap a child to perform the ritual.

The legislation, if passed, will remove the shield that protects Satanic cults from severe penalty when they abuse a child in a ritualistic ceremony. The bill provides for a punishment of 5 to 15 years in prison for first offenders and life imprisonment for any subsequent convictions.

Briefly

● **AIDS TESTING** and mandatory tracing of people who had sex or shared needles with those infected, a proposal of New York City Health Commissioner Stephen Joseph, has been at least temporarily derailed after a group of so-called AIDS experts met with Mayor Ed Koch on June 17.

● **'A MATTER of Imperfect Pitch,'** is the title of a two-page spread in the June 26 issue of *U.S. News and World Report*, on the drive sponsored by the Schiller Institute, "one of the organizations headed by conservative politician Lyndon LaRouche," to lower musical pitch to A = 432 Hertz.

● **MARY JO KOPECHNE'S** parents broke 20 years of silence on their daughter's death in Ted Kennedy's car, in an interview with the *Ladies Home Journal* to be published in July. "I think there was a big coverup and everyone was paid off," Gwen Kopechne said. Joseph Kopechne added bitterly that Mary Jo's death was not in vain, "It kept the Senator from becoming President."

● **ELTON SCHADE**, a top Teamster leader in Detroit, was found dead in an alley behind union headquarters June 14. The Wayne County Medical Examiner ruled the death a suicide—although Schade was shot three times, including in the back of the head.

● **ARTHUR RUDOLPH**, who built the Saturn V Moon rocket, is still being denied a visa to come to Huntsville for the 20th anniversary celebration of the first manned lunar landing. Hounded out of the U.S. in 1983, the West German government found no evidence of criminal wrongdoing in Rudolph's past.

● **KURT WALDHEIM**, President of Austria, was again denied permission to visit the United States. The U.S. refused an Austrian request to lift the ban on a visit, a State Department official said June 16.

Editorial

Devil's advocate

As our readers are no doubt aware, *EIR* has circulated 5 million copies of a press release containing the information that LaRouche prosecutor John Markham was linked to a satanic killer cult known as the Process Church of the Final Judgment. He served as a lawyer for them over at least a five-year period, and also worked as a volunteer in aid of their fundraising efforts in New York City.

According to drug-lobby scribbler Dennis King, Markham was selected by the Justice Department to prosecute LaRouche, precisely because of Markham's cult background. While King is notoriously unreliable, Markham himself confirmed his cult connections in private discussions, and on at least one occasion his activities were favorably reported on in the *Processian* magazine.

Numerous police sources, as well as the authors Ed Sanders and Maury Terry, have revealed presumptive evidence of Process Church connections to Charles Manson and the Son of Sam cult. There are also indications that they may have been involved with the Atlanta child murders.

At the point that John Markham went to work for the U.S. Department of Justice in the early 1980s, the Process Church of the Final Judgment had been under investigation by federal, state, and local law enforcement agencies from coast to coast for well over a decade. Under the circumstances, the Justice Department must answer how it was, that such a man as John Markham was hired as an Assistant U.S. Attorney. As a first step in such an inquiry, an *EIR* investigator telephoned the Justice Department with a query.

Today, John Markham is, according to a DoJ spokesman, the head of the Drug Enforcement Task Force out of the U.S. Attorney's office in San Francisco. From 1986 through early this year, he was involved in the railroad prosecution of LaRouche and his associates. Public Affairs officer Joseph Krovisky told a reporter on June 22 that the central files at the department had shown no such person working in the San Francisco U.S. Attorney's office. Krovisky admitted that no effort had been made to directly contact the San

Francisco United States Attorney.

The following day, Krovisky reversed himself and confirmed that Markham did indeed work at the U.S. Attorney's office; however, the department would make no further comment pending an inquiry to Markham directly. Krovisky also steered the caller to the FBI, which handled the background check on Markham at the time of his original application for a post at DoJ.

FBI spokesman Carlos Fernandez confirmed that FBI's General Background Investigative Unit, located at the Bureau's headquarters in Washington, D.C., routinely handled all background checks on applicants for positions as assistant federal attorneys. The GBIU is within the Criminal Investigations Division of the FBI. At the time of Markham's background check, the unit was headed by FBI supervisory agent David Kohl. Kohl is now a unit chief in the Inspections Division at FBI headquarters. Perhaps more significantly, the head of the Criminal Investigations Division, Division VI, at the time of Markham's hiring was Oliver B. Revell.

It was Revell who was assigned by then FBI Director William Webster in 1982 to take charge of the Bureau's "Get LaRouche" task force, a part of an inter-agency strike force established at the personal behest of Henry A. Kissinger. In an August 1982 letter to Judge Webster, referencing a July discussion with Webster at the Bohemian Grove annual secret meeting, Kissinger had demanded prosecution of LaRouche.

Within the DoJ, it was Boston U.S. Attorney William Weld, later the head of the Criminal Division, who took the point on the "Get LaRouche" task force. And it was Weld who personally brought Markham to Boston from San Diego to take charge of the LaRouche prosecution in late 1985.

A clear picture is now emerging, that not only have Lyndon LaRouche and his associates been subjected to a police-state frameup, but that actual Satanists have been behind this monstrous miscarriage of justice. Not only must the Justice Department and the FBI be called to account, but this matter should immediately be put under investigation by the House and Senate Judiciary Committees.

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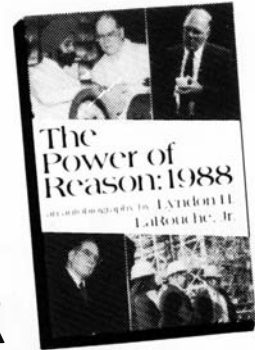
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A TOTAL WAR STRATEGY AGAINST PEKING

by Gen. Teng Chieh

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This amazing little book by one of the top leaders of Taiwan's Kuomintang party, published by Chinese Flag Monthly in December 1988, charted the course for the Chinese students' revolution that erupted just a few months later. Preface by Lyndon H. LaRouche, Jr.

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