

EIR

Executive Intelligence Review

April 19, 1991 • Vol. 18 No. 15

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Cold fusion still gives exciting results
Bush 'free trade' railroad—ambush ahead?

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stop East European chaos**



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EIR/Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the first week of April, and the last week of December by EIR News Service Inc., 1430 K Street, NW, Suite 901, Washington, DC 20005 (202) 628-0029

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

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

From the Editor

As we were putting the final touches on this week's *Feature* about the Schiller Institute's conference in Berlin on the LaRouche "Productive Triangle" proposal, our Wiesbaden bureau in Germany reported a very encouraging piece of news: the decision by the cabinet in Bonn on April 9 to go ahead with 17 important transport infrastructure projects, which will just be the first phase of a three-phase program to upgrade the transport grid of eastern Germany. Our analysts report that once this project is voted up by the German parliament, it will be put into effect right away, and can no longer be blocked. As you will realize by reading our 12-page package, this is definitely a big step in the direction of the LaRouche concept.

Look at the international strategic picture, as developed in *International*. In western Asia, the next phase of the British-planned, U.S.-led destruction of Iraq has begun; read our report showing that the plight of the Kurds is neither unique to them nor caused by the Iraqi government. In the Soviet Union, the mass ferment against the regime has escalated to levels that recall 1905 and 1917, as the result of physical breakdown of the economy, exactly as LaRouche warned two years ago. This heralds the next phase in the United States, where we are nearing a turning point in the process by which false wealth built on speculation and criminal activity is sucking out the lifeblood of the productive economy.

The Bush administration's way of dealing with this reality is simply psychotic. One facet appears in the *Economics* lead, which describes the White House's clownish push for "competitiveness." The other is Henry Kissinger's pet project for a North American Common Market, to legitimize the looting of the productive labor force and industrial capacity of the entire continent, which Bush would like to ram through Congress. But here, there is growing opposition (see *National*).

The Italians have a saying for facing harsh facts: "to swallow the toad." Anyone who seriously wants to fight for the survival of their constituency and the nation now, will have to "swallow the toad" of how disastrously wrong it has been to allow the frameup and vilification of Lyndon LaRouche, the only U.S. political leader who has consistently identified these problems and pointed to solutions.



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Correction: A line was dropped from the footnote on page 28 of our March 22 *Science & Technology* section on Guaranteed Protection Against Limited Strikes. The first two sentences of the footnote should have read: "Increasing beam power or decreasing wavelength may require alterations in the mirror design. For example, higher beam powers may require greater mirror cooling, and smaller wavelengths may require a smoother mirror surface." We regret any confusion this may have caused.

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Buzzards pick the remains of U.S. high technology

by Chris White

A newly released report from the Council on Competitiveness threatens the last remaining U.S. world class technological leadership capabilities, and proposes the fascist reorganization of U.S. technology under National Security Council control, in directing the emergence of corporatist forms of government-industry cooperation. Targeted for destruction are "national prestige projects," like the shards of the space program and a large fraction of the nation's 726 federally financed laboratories, "which do not focus on supporting the commercial requirements of technology."

The report is a dramatic example of administration "mind warfare" programs. Ballyhooed in the press as an analysis of how the United States is falling behind competitively in the areas of technological advance required for the 21st century, and a perspective on how to reverse the decline, the report is actually the opposite.

Its contents might be better characterized as a bird's eye view of U.S. technology. Just bear in mind that the bird in question is a scavenging buzzard, and what it is looking at, is a poor creature on its last legs, lost in the desert.

The establishment's phony 'reformers'

The Council on Competitiveness has been touted over the last years as an agency which proposes how to turn around the disasters of especially the Reagan years. It has produced a series of reports, like the 1988 "Picking Up the Pieces" and another called "Japanese Technology Policy: What's the Secret?"

Don't believe it. The people puffed as representing an alternative to the lunacy of the Reagan years just happen to be those who are primarily responsible for causing those lunacies in the first place. And, further back, beyond the last 10 years, the same crowd is responsible for pretty much everything that's gone wacky.

Who are they? On the Executive Board you'll find repre-

sentatives of Motorola Inc., the AFL-CIO, IBM, Ford Motor Co., Harvard University, and Wells Fargo Bank. The general membership includes Xerox Corp., Bechtel Corp., the Cabot Corp., Aetna Life, Chevron, the American Stock Exchange, the Blackstone Group of Peter Petersen, Exxon, General Electric, American Express, Eastman Kodak, and so on. This is the same bunch which regularly signs on to every document drafted in the search for a so-called "national consensus." The affiliates include the Aspen Institute, the Brookings Institution, and the Conference Board. All this, pulled together under the chairmanship of Adm. Bobby Inman, former chief of the National Security Agency, former deputy director of the CIA, the pac-man emeritus of U.S. high tech today.

In short, a cross-section of the establishment, representing the usurious anti-technology view which has dominated since the period of the Kennedy assassination. This is the crowd which wrecked the auto industry, beginning with the early 1970s Clean Air Act's setting of emissions standards and shift to lead-free gasoline, and which also wrecked defense and aerospace, by insisting during the 1970s on "off-the-shelf" technology, no new investment. Then they oversaw the destruction of the country's nuclear industry, after the sabotage at Three Mile Island, and the killing of the Strategic Defense Initiative. Now they are moving in for the kill again, and this time the country as a whole is in their sights.

These reports don't get put together the way the press claims. A group of people from Ford, Exxon, and Harvard don't actually sit around and say, "What should we do about this problem?" The word comes down from the Bush White House. Someone says, "Here's what the President wants to do, here's what he wants to hear." So, where the report says, "The President should . . ." or, "The President is uniquely positioned to . . ." this is actually marching orders *from* the

White House to drum up support among the mickes.

What happens if the President is insane, and what he wants to hear is insane? Then, what you get is an insane policy. That is what the Council on Competitiveness has produced.

Bush vs. LaRouche

Situate this from the standpoint of a sane approach to political-economy, that of Lyndon LaRouche. Generalized revolutions in scientific knowledge, and the technological assimilation of such knowledge, are the basis for human existence. Man has proven his superiority to lower species, by willfully changing the conditions of his existence. This is reflected in the increase of potential relative population density, the number of people who can be supported per unit of cultivated and improved land. Since the Pleistocene, man has increased this potential by three orders of magnitude, from tens of millions of people to billions, and has the means, or can create the means, to increase further to tens and hundreds of billions.

This capacity is what makes man human. It is not what a white race supremacist like George Bush wants to hear, and therefore it is not what the flunkies are ordered to produce. From this standpoint, they are not really talking about technology at all, as witness their hostility toward the only exemplar of a successful technological program in the last generation or more, the Kennedy Moon shot. Their criteria for judging technology are not based on what is required to improve the conditions for the reproduction and existence of the human species. For them, "to promote technologies . . . research and development must be closely tied to the market." Reproduction of human society is thrown out; market maintenance of debt structures is in. This is the classic, anti-human policy associated with the Nazi system and its twin, the Marxist collectivist system. Outlawed, the necessary freedom of the individual to contribute to the progress of the species as a whole, replaced by collectivized rule by decree.

Destruction of aerospace

The report embraces this anti-human bestiality in two ways. In the case of the National Aeronautics and Space Administration, their recommendation is to "reallocate resources at NASA labs to emphasize basic and applied research and technology validation of technical disciplines that are important to commercial aircraft." This is how aerospace was destroyed in the 1970s, with the emphasis on "off-the-shelf" technology. It is the opposite to the approach which governed the Moon shot. Were we developing a "market" on Earth for Moon rocks? Yet the Apollo Program created whole markets which had never previously existed, and would never have existed if left in the hands of the market. The same approach is taken to the national labs. There are 726 of these, with a combined budget of about \$20 billion. Their present focus is energy, defense, and health. "They do not focus on

supporting the commercial requirements of technology," the report says. Therefore they should be closed, or consolidated, their funding scaled back in favor of university research, dictated by the market.

The second absurdity is related to the ideological insanity about the market. The council profiles technologies in which the U.S. is strong, competitive, or weak. Technologies where the U.S. is strong are, for the rapporteurs, those in which *no heavy capital investment is required*, where projects can be initiated by individuals, and are strongly supported by U.S. government investment in areas such as defense and environmental controls. Areas of weakness include those which lack sufficient private or public investment, which have high capital needs and low capital investment, which require extensive investment for an extensive period of time, and which have an extensive manufacturing focus.

The aerospace industry can highlight this again. Airline deregulation helped crush aerospace, yet this crowd doesn't say, "get rid of deregulation." They say, open up NASA to commercial aerospace, and use NASA funds for such purposes. "For example," they assert, "NASA's wind tunnels and simulators are critical to the competitiveness of the U.S. commercial aerospace industry and represent part of the nation's technology infrastructure which should be fully maintained." Or, spend the money differently. "Although the U.S. government spent around \$150 million on robotic research, most of this was to develop a robotic arm for the space station, which has very little application to industrial needs."

Magic of the marketplace

What this comes down to, is that the phrase "relevant to the market" actually means protecting the accumulated structures of debt built up during the last generation or more of looting against the population and economy. The report profiles sources of such loot, and how the process might be administered: "If federal budget pressures do not permit additional spending for generic industrial technology programs, then other federal technology programs should be redirected or phased in more slowly to free up the necessary resources." The national labs, with their \$20 billion budget, NASA with its \$12 billion, and the National Institutes of Health with \$7 billion are the principal targets identified, where funds might be "redirected" under the market-based criteria of relevance and applications. This is effectively to propose privatizing federal basic science and research in order to subsidize the R&D programs of bankrupt corporations.

The structure envisioned runs from the President and National Security Council, through a proposed merger, or coordination, between offices in the departments of Commerce and Defense responsible for technology, to new partnerships between government and industry, made possible by Justice Department elimination of anti-trust laws. So much for the magic of the marketplace.

Revenue losses push budgets to the brink

by H. Graham Lowry

The ongoing collapse of the U.S. economy has now forced state and local budget-cutters onto the horns of an impossible dilemma: There is not enough left to cut to cover the deficits, and there are not enough incomes left to tax to make up the difference. Any continuation of prevailing economic policies will soon lead to the disintegration of the basic functions and vital services of the public sector.

The month of March provided dramatic evidence that the cumulative result of simply imposing austerity—instead of reviving real economic output—is a rapidly disappearing revenue base. With deadlines for tax filings approaching, March is normally one of the strongest months for revenue, but this year was generally a bust. Nationwide, new unemployment claims averaged 200,000 a week more than in March 1990, a 60% increase!

California deficit exceeds state payroll

For California, which in January calculated a deficit through June 1992 totaling \$7 billion, the official estimate now stands at \$12.6 billion. Gov. Pete Wilson has acknowledged that not even laying off the entire state work force, or closing all its colleges, universities, and prisons, would make up the deficit, which amounts to 23% of the proposed budget. The final figures for March also show revenues down another \$214 million; the steepest drop was in personal income tax collections, down 25% from a year ago. California's official unemployment rate hit 7.7%, compared to 5.3% last March.

The administration and legislature are now flailing about, weighing combinations of up to \$6 billion in further budget cuts and \$7 billion in additional taxes. California's deficit is greater than the entire budget of 45 other states—exceeded only by the general funds of New York, Illinois, Massachusetts, and Texas. Seventy percent of its general fund is spent on public schools, health, and welfare. Much of the spending eliminated would simply be loaded onto local and county governments, which are already sinking under their own deficits. The city of San Jose, located in the Silicon Valley where prosperity seemed to rule not long ago, has just reported a deficit of \$24 million for the current year, more than twice what it announced only weeks ago.

In Massachusetts, staggering job losses have wiped out

the state's unemployment fund. The unemployment rate reached 10.3% in March, a huge increase from the 5.9% of a year ago, and almost 40% higher than when Gov. William Weld took office in January. The unemployment fund, which stood at \$324 million at the end of 1990, dropped to \$61 million at the end of March. Now shrinking at \$5 million a day, it will run out by mid-April unless the state can borrow emergency funds, at junk-bond rates. Overall revenue in March collapsed by another 5.8%, adding \$45 million to the current-year deficit, now around \$900 million. Meanwhile, Governor Weld is trying to lay off 7,000 state workers.

Slave labor plans in New York

New York State entered its new fiscal year April 1, without a budget in place and with a projected deficit of nearly \$6.5 billion. Its unemployment rate hit 7.1% in March, against 5.3% a year ago, and the state's economic experts project another 250,000 jobs will disappear during the next 12 months. Gov. Mario Cuomo's administration has a new plan which will throw even more out of work, by forcing hundreds of thousands of current welfare recipients into low-level jobs at barely half the minimum wage.

As proposed by New York Social Service Commissioner Cesar Perales, the chronically unemployed home-relief recipients, two-thirds of whom suffer physical or psychological disabilities, will no longer receive direct benefits. Instead they will be placed in "jobs" with employers who will receive state grants for their wages, and pay only the difference between the grant and the "prevailing wage." Thus, employers who now pay the legal minimum wage of \$4.25 an hour, can replace their workers with welfare victims, and pay only about \$2.25 an hour from their own pockets, with the state paying the rest directly to the employers.

There is no provision in the scheme for job training, and the state's payments would end entirely after one year, at which point the employers "in good faith" are supposed to keep the workers on. Most employers, of course, would likely prefer simply to replace them with a new batch of welfare victims, and have the state again cover a chunk of the payroll. Many will no doubt be familiar faces, since nearly 75% of New York's new welfare cases are "home relief" victims of the depression.

Local social service departments will enforce this labor recycling, with powers to deny any benefits to victims who do not comply. The state will "save" additional money by taxing the "income" of those forced to work. The geniuses in Albany have not commented on the revenue to be lost from those whose salaries are currently paid entirely by employers, but will soon be on the unemployment lines.

Other state capitals may not be far behind. Ohio's Gov. George Voinovich, facing a 7.6% unemployment rate and what he calls "a budget problem unparalleled in Ohio history," has proposed to eliminate the state's \$300 million general assistance program of aid to the poor.

China barely ahead of food disaster

by Mary M. Burdman

On April 8, Chinese Prime Minister Li Peng announced to the plenary meeting of the National People's Congress that new measures will be taken to enforce China's draconian one-child-per-couple population control policy. Leading up to that meeting, the Chinese Communists held three major policy conferences on the crisis in agriculture, and, as State Planning Commission Minister Zou Jiahua stated in his report to the "Rural Work" conference Feb. 28, China must make "considerably arduous efforts" to improve the supply of food for its people.

The food situation is tenuous. The bumper harvest of 1990 did not reach the per capita grain production of the record 1984 harvest, and population control remains as critical, if not more so, to Beijing's agricultural policy, as any attempts to improve food production.

In this light, the Sino-Soviet agreement reached at the end of February, for China to provide 1 billion Swiss francs' (about \$699 million) worth of credit, much of it for Moscow to buy food, indicates just how interested Beijing is in the Soviet regime's survival.

Agricultural production 'unsatisfactory'

"The infrastructure and basic conditions of our agricultural production have not fundamentally improved," Zou reported. "The ability of our agriculture to resist natural disasters is still very poor, and the basis for further agricultural development remains insufficient. . . .

"The total grain output in 1990 was at an all-time high, but the per capita grain output was still below 1984 level, and so were the per capita outputs of cotton, oil-bearing crops, and sugar." Agricultural production is unsatisfactory in quality as well as quantity, Zou reported, both for food consumption and for supplying the growing light industry, including textiles.

One of the primary reasons for the 435 billion ton grain crop of 1990 was good weather, Chinese officials acknowledge, and already drought and floods are taking their toll this year. As important in food supply is the disastrous condition of China's storage and transport infrastructure. To fulfill the goals of the next five- and ten-year plans leading into 2000, grain production must reach 450 billion and 500 billion tons, respectively, just to supply a population growing by 17 million a year with the 394 kilos per capita reached in 1984. But two-thirds of China's cultivated land is only medium- or low-yield, and only 7% of its land-area is arable. With 20% of the world's population,

China clearly needs heavy investment to intensify production. Such investment is not available. A meeting of the Chinese Academy for Agricultural Sciences in Beijing March 13 "unanimously maintained that China's economic development will be restrained by the shortage of resources and the state's financial situation for a long time to come."

Finance Minister Wang Binqian informed the National People's Congress why, in his report on the budget March 26. China's budget deficit for 1990 was 6 billion yuan (\$1.6 billion) more than expected. One reason was that China's transport and grain-storage infrastructure was so inadequate, that whole new facilities had to be built on an emergency basis to deal with the 1990 harvest, Wang reported. Yet, despite the demand for an equivalent harvest this year, only 68 billion yuan (about \$12 per person) has been budgeted for capital construction overall in China this year.

Targeting population

The Chinese Communist Party's malthusian response to this crisis is to redouble efforts to enforce the one-child policy. Li Peng announced April 8 that he is setting up a "target responsibility system" in which every level of the party must appoint officials in charge of birth control. The career of every official will depend on his success in curbing births in his region, Li said.

Particularly frightening for Beijing is the huge army of unemployed peasants. On March 20, the Ministry of Agriculture issued a bulletin about settling "surplus labor" in rural areas, stating that people had been "pouring" into cities in economically developed coastal areas, obstructing the normal operation of highways and railways and causing many social problems. "The greatest efforts," the bulletin stated, must be made "to keep these labor forces from leaving their home areas."

To that end, the Ministry of Public Security issued 755 million identification cards by the end of last year, and "the use and checking of ID cards is now possible across the nation." Most of the functional departments of the public security organs have made the checking of ID cards "an important part" of their duty, a spokesman said.

China expects a surplus labor force of 200 million by the next decade, and has no means to employ or support these people. As the head of the Academy of Social Sciences, Liu Guoguang, wrote Feb. 22 in an article published in Hong Kong, China urgently needs social security measures, or "society cannot stand bankruptcy of enterprises and unemployment. The readjustment of the structure and improvement of economic returns will be rendered empty talk."

At this point, almost 100,000 laborers are arriving in Guangdong province on the coast from the interior every day, Xinhua reported March 1. With the number of surplus laborers in Guangdong already massive, the new arrivals are causing "tremendous pressure on society," many living and begging on the street.

Henry Kissinger and company reorganize Venezuela's economy

by Alfonso Bueno

"There exists unanimous agreement among the President's advisers that the commercial banks should be opened to foreign investment, to bring them into harmony with the policy of opening and liberalization being pushed in the other sectors of the economy," declared Venezuelan Development Minister Imelda Cisneros de Pérez, in summarizing the conclusions of a meeting of the President's Advisory Committee on Foreign Investment. Nine of those advisers met March 21 and 22 in Caracas, with Henry Kissinger the flaming star of the show.

In addition to Kissinger, there were in attendance such luminaries as American Express President James Robinson III; Gianni Agnelli of FIAT and Luciano Benetton of United Colors of Benetton; Jean Luc Lagardère, of the French Hachette Group (owners of the Matra weapons company); Toyota's Shoichito Toyoda; Heinz International's President Anthony O'Reilly; from Spain, José Sánchez Asiain (president of the Foundation of Banco de Bilbao and Banco de Vizcaya) and Carlos March Delgado, president of the Juan March Foundation.

Debt for equity

According to Kissinger, the meeting of such international figures was "testimony to the trust the President [Carlos Andrés Pérez] has earned through all the measures he and his cabinet have taken." In fact, it was at Kissinger's New York home in late 1989 that President Pérez first announced the creation of his international advisory committee, at the conclusion of a reception given in his honor by the former U.S. secretary of state.

Pérez's relations with Kissinger and James Robinson took off around the time of Venezuela's 1988 electoral campaign, as indicated by then presidential candidate Pérez's speech at Harvard University, where he pointed to Kissinger and Robinson's own formulations as the inspiration for his proposal to restructure the foreign debt.

Kissinger's name has been associated since at least 1982 with the proposal to solve the Third World's debt problem through the surrender of the public and private companies of the debtor nations, either directly or through their "privatization," in payment for their debts. Further "discounts" would

be offered to those who submit the administration of their national economies to the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). As is well known, the continent's basic industries are to be found under the shelter of Ibero-America's state companies.

Kissinger made a preliminary trip to Caracas toward the end of January, where he met with President Pérez and Venezuela's entire economics cabinet, to review the agenda for the just-concluded committee meeting. In the aftermath of that visit, the daily *El Diario de Caracas*, the unofficial voice of the influential Roraima Group, published a Jan. 31 editorial entitled "Get Out, Mr. Kissinger!" The editorial noted that Kissinger, as a long-standing enemy of the Organization of Petroleum Exporting Countries (OPEC), was consequently no friend of Venezuela's.

Foreign takeovers

In opening the meeting of the foreign advisory committee, Planning Minister Miguel Rodríguez Fandeo reviewed the various macroeconomic measures adopted by the Pérez government to "open up" the economy. As the daily *Economía Hoy* summarized it on March 22, Rodríguez "stressed the importance of foreign investment in aluminum, steel, and petrochemicals, through debt-equity conversion mechanisms [and] privatization programs," in which foreign investment would be welcome.

The government is already negotiating a series of "mega-projects" in precisely the areas indicated by Rodríguez. The projects are being launched with funds from the IMF and World Bank, and will then be handed over to bond-holders in the Venezuelan foreign debt, restructured one year ago. Rodríguez explained to reporters, at the end of the meeting's first session, that "one of the primary recommendations" for achieving the objectives laid out was "to advance with greater decisiveness toward the total liberalization of the financial system."

However, the "unanimity" of the advisers so trumpeted by government spokesmen did not exist in reality. Shoichito Toyoda said that his advice to foreign investors was to wait until Venezuelans themselves began investing, and urged a more gradual opening. He further explained that the "mega-

projects" the government was offering to creditors in exchange for the restructured debt would not work if there were not a strong small and medium-sized industry to feed them.

Eddo Polesel, president of Venezuela's Chambers of Industry and Commerce (Fedecamaras), backed Toyoda, while issuing a sharp critique of the government's financial policy. He emphasized that there could not be productive investment under a restrictive monetary policy of high interest rates which punish private investment, affecting especially small and medium-sized businesses." If this situation continues, he added, "we will become a country in which it will not be worthwhile either investing or producing, but only living off the interest from savings, which obviously is not possible."

Financial 'openings' and the drug traffic

The Pérez government is promoting a financial reform designed by the IMF, which, like most of the government's other programs, is intended to meet the conditionalities of the Letter of Intent signed with the IMF. But the reform is facing stiff opposition from Venezuela's traditional banking layers, and the issue has become the most controversial aspect of the Venezuelan economic plan.

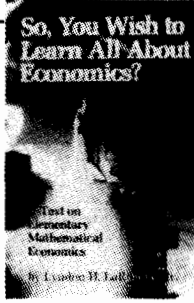
"The financial reform should be deferred in those economies which are beginning the process of freeing prices," writes Gustavo Marturet, the reelected president of the Na-

tional Banking Council, in a recent report. In any case, he insists, "the *final* phase of the reform should be the entrance of foreign banks," until monetary stability is achieved. Otherwise, wrote Marturet, the systematic currency devaluation ordered by the government will lead not to the influx of investments, but to "a nervous flow of capital" abroad, which the foreign banks would be in the best position to control. José Bouza Izquierdo, president of the Venezuelan Banking Association, expressed a similar view.

But the most precise evaluation of the situation is contained in "a report prepared by experts of the Venezuelan Labor Party (PLV), on the financial reform and the door it will open to an enormous mass of funds generated by the drug trade at the international level," according to *El Universal* columnist Carlos Chavez on April 1. Venezuela "will be used as an 'offshore' center for the capital of other Ibero-American countries moving into international banking centers," Chavez quotes from the PLV report. "This is the warning of Dr. Edison Peroso [former superintendent of foreign investments], concerning our geopolitical and economic role as the link between the Andean region and the Caribbean."

Denationalizing oil

After offering general praise for the government's economic program, Kissinger honed in on one of his favorite



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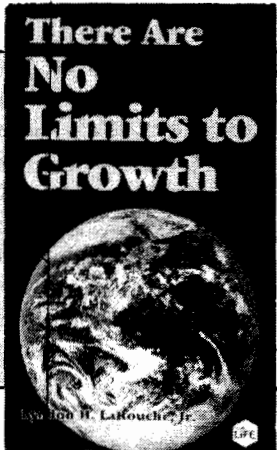
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subjects: oil. He insisted on a meeting of oil producers and consumers being organized by President Pérez, which would lead to the creation of a supranational institution to replace OPEC.

This viewpoint was also expressed by the president of Venezuela's state oil company, *Petróleos de Venezuela, S.A. (PDVSA)*, Andrés Sosa Pietri, who insists that OPEC should be solely an advisory body to member nations, and should neither fix production quotas nor involve itself in questions of price.

Following his intervention at the foreign advisory committee meeting, Kissinger told reporters, "I will write an article on my position, which is along the same lines as that of President Pérez."

While the Pérez government prepares to sabotage of OPEC, it is also elaborating the legal mechanisms at home by which it will "internationalize" Venezuelan oil activity, without having to confront the political crisis that would be entailed in trying to change the oil nationalization law.

For example, in order to exploit Venezuela's natural gas wealth—an activity reserved by law for the state—a multinational company has been created to carry out the Christopher Columbus project, in the Gulf of Paria oil zone. A PDVSA affiliate, Lagoven, will join in association with Exxon, Shell Oil, and Mitsubishi, with 31%, 30%, 30%, and 9% respectively. In order to avoid violating the spirit of the law, the participating companies will undertake a division of labor: Lagoven will do the drilling, Shell and Exxon will be in charge of the processing, and Mitsubishi will handle the transportation of the gas.

This arrangement is establishing a precedent for even broader such associations. According to the March 5 *Economía Hoy*, Lagoven has already "taken its questions to the Supreme Court, to try to determine whether the project falls within the guidelines established by Article 5 [the nationalization law], and at the same time to explain any possible clash with, in this case, the nationalization law."

The government's intention, clearly, is to win the endorsement of the Venezuelan Supreme Court, by establishing jurisprudence that would permit the creation of other similar companies that would serve as entry points for the return of the oil multinationals into the country. With the Supreme Court's approval, the Christopher Columbus Project will be presented to the National Congress.

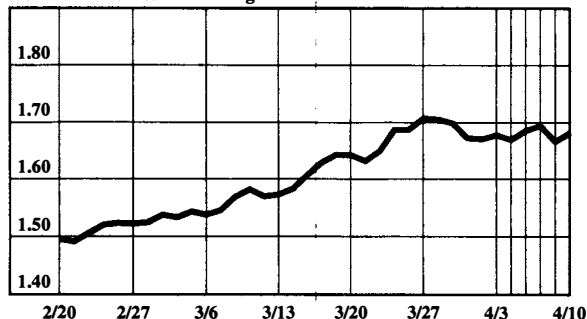
PDVSA itself is also opening the way for return of the oil multinationals to Venezuela. It is currently taking bids on the reactivation of 55 oil wells that are currently closed, with the intention of increasing production beyond those quotes established by OPEC. For the first time since the 1975 oil nationalization, these oil wells will be given in concession to private companies.

According to the March 21 *El Diario de Caracas*, 53 multinational companies will participate in the bidding, including Exxon, Amoco, Texaco, and Shell.

Currency Rates

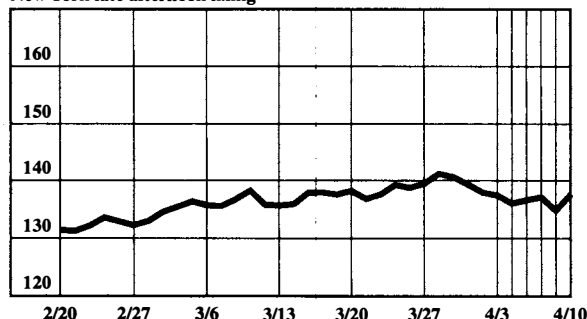
The dollar in deutschemarks

New York late afternoon fixing



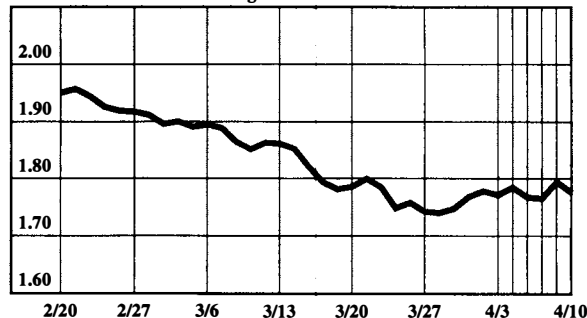
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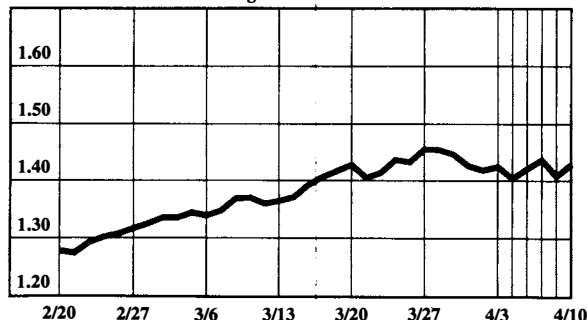
The British pound in dollars

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Bush has de facto decriminalized drugs, adopted Dope, Inc.'s program

by Jeffrey Steinberg

It's time the drug legalization mafia dropped its phony anti-Bush rhetoric and finally admitted that President Bush has done more for the dope lobby than any White House occupant, with the sole possible exception of Jimmy Carter.

EIR reported several weeks ago that the President's National Drug Control Strategy and the State Department's annual international survey of illegal narcotics flows were both shameful coverups of the fact that Dope, Inc.'s profits have gone one way up during the Bush presidency.

According to *EIR*'s own international narcotics survey, published last Nov. 9, Dope, Inc. is doubling in size every five years. The geometric growth of the illegal drug economy is expected to continue through the 1990s, as major drug cartels prepare to expand their markets into Eastern Europe, the Soviet Union, and the Third World.

The Bush administration has proven to be a reliable business partner for the world's leading narco-regimes. Syria's dictator Hafez al-Assad, whose Army presides over an opium and hashish industry centered out of Lebanon's Bekaa Valley, is Washington's newest friend in the Arab world, as the result of Damascus's role in the anti-Iraq coalition. According to the *EIR* survey, the communist regime in Beijing, a favorite of the President, has cranked up opium production such that the China-centered "Golden Triangle" accounted for over half the world's heroin output in 1990—at a profit of \$51 billion. The Bush-installed regime in Panama City is so dominated by drug money launderers that even the *New York Times* has ridiculed the hypocrisy of Bush's targeting of Gen. Manuel Noriega. After a recent "drug summit" between Bush and Colombia's President César Gaviria, that Ibero-American nation publicly abandoned its commitment to extradite cartel leaders to the United States and brought the narco-terrorist M-19 guerrilla group into a power-sharing arrangement.

These horror stories are the tip of the iceberg. *EIR* has obtained a recently released set of statistics on the domestic drug war that paint an even more gruesome picture.

Drug economy pays 'taxes'

The document is the Drug Enforcement Administration's (DEA) annual "Domestic Statistical Summary" for Fiscal Year 1990, which was released on Dec. 31, 1990. The two pages of statistics confirm many of the charges that have been published in the pages of this magazine for the past several years. Among them:

- The Bush administration has all but abandoned the effort to eradicate the nation's massive domestic marijuana crop. On Feb. 8, *EIR* published a cover story showing that marijuana is now America's number-one cash crop, accounting for over \$50 billion in annual revenue for Dope, Inc.

EIR, using statistics readily available to the federal government, showed that by 1987, in 37 states, marijuana was the number-one cash crop. Even in California, a major agricultural state, illegal marijuana production had surpassed the state's major legitimate crop in market value. According to all available statistics, U.S. domestic marijuana output rose steadily during the period from 1987-90, rising from an estimated \$33.1 billion in profits to over \$50 billion in that four-year period.

- While pressing local police to "jail a pusher," the federal government's prosecutions of interstate and international drug traffickers and drug bankers have fallen off significantly. In other words, the big-time dealers are getting away literally with murder, while the majority of small-time local pushers and users who are being sent to prison are inner-city blacks and Hispanics.

- While drug seizures are down across the board, asset seizures from accused narcotics traffickers have skyrocketed. The Justice Department has made it a standing practice to immediately seize all property and bank accounts of accused drug traffickers. Put together with the fact that fewer traffickers are being apprehended and fewer quantities of drugs are being captured through interdiction, this dramatic jump in cash and property seizures amounts to an informal "tax" on the drug economy.

So what does the dope lobby have to complain about? Two of the pillars of the decriminalization schema advanced at last autumn's annual convention of the Drug Policy Foundation, the dressed-up version of the Carter-era National Organization for the Reform of Marijuana Laws (NORML), were decriminalization and regulation of the domestic marijuana industry, and federal and state taxes on dope profits.

Statistics tell the story

While claiming to be "tough on drugs," Bush has de facto adopted two of the planks of the decriminalizers' program.

The three tables accompanying this article are all based on the DEA domestic survey. **Table 1** details the falloff in drug seizures over the past two years. After a significant jump in

TABLE 1

Domestic drug seizures decreased under Bush
(kilograms seized)

Fiscal year	Heroin	Cocaine	Cannabis
1987	364.7	37,118.4	649,548.2
1988	829.4	58,048.1	602,254.9
1989	779.0	82,631.2	341,567.0
1990	633.2	71,599.2	140,860.0
Percent change 1989-90	-18.7%	-13.4%	-58.8%

Source: Drug Enforcement Administration Domestic Survey, Spring 1991.

TABLE 2

Conviction rate soared under Bush
(number of arrest/convictions)

Fiscal year	Arrests	Convictions	Conviction rate
1987	22,211	12,359	56%
1988	24,646	13,076	53%
1989	25,201	15,889	63%
1990	21,799	15,314	70%
Percent change 1989-90	-13.5%	-3.6%	

Source: Drug Enforcement Administration Domestic Survey, Spring 1991.

heroin seizures in FY 1988, the number of seizures has gone steadily down during the two years of the Bush administration. This falloff in captured heroin cannot be attributed to a decline in heroin use among Americans. Drug enforcement sources have acknowledged that declining profits from cocaine have prompted the Ibero-American drug cartels to diversify into transporting heroin. Heroin imports into the United States are believed to have increased significantly during the FY 1989-90 period when seizures fell by 18.7%.

Cocaine seizures peaked in FY 1989 and then fell by 13.4% last year. Marijuana eradication and interdiction has been on a steady decline since the beginning of the survey data in FY 1987. Whereas nearly 650,000 kilos of marijuana were removed in 1987, last year's total was under 141,000 kilos. The seizures dropped by 58.8% in the last 12-month period alone. Yet, government and drug "industry" statistics both show a booming growth rate in domestic U.S. marijuana cultivation, the bulk of which takes place on federally owned property (i.e., in national forests) or in ultra-modern marijuana "factories" employing state-of-the-art agricultural technologies.

The federal arrest statistics are equally revealing. As shown in Table 2, federal narcotics arrests reached a four-

TABLE 3

Growth in asset seizures and forfeitures
(millions \$)

Fiscal year	Seizures	Forfeitures
1987	511.3	174.7
1988	671.3	273.3
1989	976.9	320.4
1990	1,068.3	427.1
Percent change 1989-90	+9.4%	+33.3%

Source: Drug Enforcement Administration Domestic Survey, Spring 1991.

year low in FY 1990, down 13.5% from the previous year. However, the number of federal drug convictions fell only a few percentage points from the previous year; and the rate of convictions increased by over seven points, from an already high figure of 63% to over 70%.

The extraordinarily high rate of convictions cannot, unfortunately, be attributed to high-quality law enforcement efforts combined with diligent and effective prosecution teams. Rather, the new federal sentencing guidelines and the Supreme Court's recent assault on the Bill of Rights have driven most criminal defendants to opt for plea bargain deals to lighten their time in federal prison rather than run the risk of draconian sentences if convicted. In effect, the federal courts have become instruments for advancing a federally funded army of informants rather than for meting out justice.

Further, since the 1985 Department of Justice whitewash of the Bank of Boston's laundering of \$1.6 billion in dope profits (no bank officers were indicted and the bank itself was forced to pay a fine amounting to a fraction of the profits garnered from the money laundering), the Reagan and Bush administrations have systematically covered up the complicity of all of the major U.S. commercial banks in the dope trade. With the sole exception of the Bank of Credit and Commerce International (BCCI) case, which was tied to the frameup of Bush political target Manuel Noriega and the December 1989 invasion of Panama, no major American or foreign bank has been touched for money laundering by the U.S. Department of Justice.

The dismal picture is completed by Table 3, dealing with the meteoric rise in asset seizures and forfeitures. The combined figure for FY 1990 was \$1,495,400,000. As the chart shows, both asset categories rose steadily over the four-year period of the survey, during the same period that arrests of interstate traffickers and seizures of narcotics were going down.

More traffickers on the streets, more dope on the streets, more money in the federal coffers via "indirect taxation" of the dope industry: This appears to be the essence of the Bush drug war. It is certainly the essence of the dope lobby's public agenda.

Bush bank plan dead on arrival

Chances for passage of the Bush administration's banking bill are collapsing as fast as the banking system itself.

There is much to worry about in the banking world," Treasury Secretary Nicholas Brady admitted to the "Association Insiders Breakfast" in Washington, D.C., March 27. "The state of banking in the U.S. leaves the taxpayers overexposed. . . . Our banks hold \$2.8 trillion in deposits. That means that there is simply no bank insurance fund large enough to protect the taxpayer, unless and until we address the underlying problems. We need to have deposit insurance reform, supervisory reform, and a recapitalized Bank Insurance Fund. But we also need interstate branching and broader financial activities so that our banks can finance economic growth."

Certainly one would agree with Brady that there is much to worry about in the banking world today, and that the Federal Deposit Insurance Corp. (FDIC) is utterly incapable of protecting the taxpayer against having to bail out the banking system. After all, the banks are insolvent and a massive taxpayer bailout is looming on the horizon.

The Bush administration's banking restructuring bill, the misnamed Financial Institutions Safety and Consumer Choice Act of 1991 (FISCCA), would do nothing to solve the problem. FISCCA would instead cause a massive consolidation of the banking system, sucking capital badly needed for economic development into the black holes of the money center banks' balance sheets. FISCCA would accelerate the depression, were it to be passed into law.

Not surprisingly, this incompetent proposal is coming under fire from a

variety of sources.

Comptroller General Charles Bowsher, the head of the General Accounting Office, has issued a stinging criticism of the Bush plan. "The solution to current issues facing depository institutions is not accounting gimmicks," he said in a letter to federal bank regulators April 4, criticizing their decision to allow banks to play games with their books. "The purpose of accounting is to provide even-handed, neutral, and unbiased information. . . . At this time, the implied loosening up on valuation of real estate loans will only serve to temporarily gloss over existing problems. We believe stronger, not weaker, guidelines need to be provided by the regulators."

Rep. Henry Gonzalez (D-Tex.), chairman of the House Banking Committee, attacked what he termed the "Alice in Wonderland" flavor of the Bush proposal, and accused Brady and FDIC chairman William Seidman of resorting to "a rerun of the shifting numbers, the gimmickry, and outright deceit that marked so much of the savings and loan crisis in the 1980s." Gonzalez said he intends to separate the urgent question of recapitalizing the FDIC's Bank Insurance Fund from the rest of the Bush measures, which would then move to the back burners.

The Independent Bankers Association of America is also mobilizing to stop the bill. In a letter to Congress, IBAA president Jack Dickey termed the Bush proposal "a blueprint for the massive consolidation of economic and financial power." The package has "a Wall Street bias," he charged, warning that "when loan-making au-

thority is taken away from local bank officials, community needs aren't given the same consideration as bottom-line corporate earnings." The IBAA has joined with other parties in forming the Main Street Coalition, to fight the bill.

Perhaps the most significant opposition to the plan comes from within the Federal Reserve, where the presidents of the regional Federal Reserve Banks have moved to curb the power of Fed chairman Alan Greenspan. Some of the Fed officials are apparently not as anxious as Greenspan to hyperinflate the economy to save President Bush's political hide. Several of the Fed presidents are also said to be angry over the administration's attempt to have the FDIC borrow \$25 billion from the Fed instead of the Treasury, in a silly attempt to pretend that the money will not come out of taxpayers' pockets. The Fed is also opposed to the administration's clumsy attempt to shift some of the Fed's regulatory authority over the big banks to the more political Treasury Department.

At this point, it seems that the Bush banking proposal, the supposed centerpiece of the President's domestic agenda, is unlikely to survive in its current form.

Meanwhile, the economy continues its depressionary spiral. The latest Federal Reserve lending survey shows that despite Greenspan's lowering of interest rates, banks are continuing to cut back on lending. During a six-week period from early February to mid-March, 25% of the banks surveyed by the Fed tightened their standards for commercial and industrial loans and lines of credit, and none loosened them. Junk bond defaults hit a record \$8.2 billion in the first quarter alone, and a record 25% of all corporate cash flow is being used to cover interest payments.

Dairy farmers' income plummets

The failure of Congress to allow a milk price increase plays right into the food cartels' game.

On March 22, a House-Senate conference committee failed to pass an emergency request to increase milk prices to the nation's beleaguered dairy farmers, because of the threat of a veto from the Bush administration. The administration claimed that to increase prices to farmers would make milk unaffordable to the consumer.

The fallacy in this was pointed out by Wisconsin's Rep. Steve Gunderson (R), who issued a press release stating that while payments to dairy farmers have declined 15% since 1985, consumer prices for milk products have increased 16%. He said the drop in farm prices, driving dairy farmers out of business, has created milk shortages. This is the real problem for the consumer, as thousands more dairy farms will be bankrupted over the coming months.

Sen. Patrick Leahy (D-Vt.) the chairman of the Senate Agriculture Committee, sponsored the request for an emergency increase in the support price to farmers, whose income has dropped by one-third since last summer. Bush threatened to veto the whole emergency spending bill if the dairy measure were included. Leahy and Jim Jeffords (R-Vt.) wrote a letter to Bush protesting these "strong-arm tactics."

The U.S. Department of Agriculture blames the crisis on "overproduction." This myth underlies the whole government dairy program. The USDA provides dairy products for hunger programs from its federally held stocks, which result from the government being the purchaser of last resort for so-called "surplus"

when dairy processors can't sell milk through commercial channels above a government-set floor price. The current price is \$10.10 per hundred-weight (cwt), less than half of what it costs a farmer to produce milk.

When the government buys over 5 billion pounds annually, it penalizes farmers by reducing the support price, so they will produce less. The government also calls "surplus" the dairy products it must purchase for government programs, such as the military and the school lunch program.

For three years, there have been no dairy stocks of cheese and milk for hunger programs because of market shortages. Dairy distribution to the needy has dropped by 75% since 1985. There is no government requirement for dairy reserve stocks, and none exist.

The so-called dairy lobby in Congress, and the farm groups protesting cutbacks, although sounding more humane, have no serious alternative to the administration's policy. Senator Leahy and others are investigating alternative "supply management" proposals, which purport to pay the dairy farmer by further reducing the milk supply.

One such proposal being promoted by farm organizations and the dairy lobby is the "National Dairy Act of 1991." It sets a "two-tier" pricing system, in which a farmer would be paid \$15-16 per cwt for the amount of milk he produces within a quota. Everything he produces beyond that would be penalized by a much lower price. The farmer's quota would be determined by his past production and

a survey of national needs.

The reality is that milk actually costs somewhere around \$26 per cwt to produce. Additionally, dairy farmers need abundant supplies of low interest credit to recapitalize collapsing dairies which have been looted through low prices since the 1970s. More importantly, setting an artificial quota for milk production when malnourishment among children is one of the major problems facing the world, is criminal.

The cheese cartels such as Kraft, a subsidiary of Phillip Morris, and Beatrice, a subsidiary of ConAgra, and fluid milk processors such as the Labatt's group (part of the Bronfman Seagram's empire) are the ones to blame for underpriced milk and underproduction. Kraft and Beatrice fix the prices paid to dairy farmers at the Green Bay Wisconsin Cheese Exchange and dominate the processing and marketing of cheese. It is they who have maintained the artificially high price of dairy products at the supermarket. Naturally, they are anxious to shape the politically explosive effects of the shortages.

Getting on the "hunger bandwagon," Kraft funded a survey which found that one in every eight children in the United States suffers from hunger. The study is sparking Kraft-funded grass roots "hunger coalitions" which are demanding more federal aid.

More to the point for activists concerned about stopping hunger is to prevent the administration from negotiating international free trade agreements, where government support for pricing and import quotas is eliminated. Under such agreements, the government estimates that dairy prices would drop to \$7 per cwt. U.S. dairy farmers' income would drop \$1 billion per year, in addition to the \$4 billion collapse forecast for this year.

India prepares for bountiful harvest

While global shortages of food have become acute, the Indian bumper crop may help to ensure food security.

India is expecting an all-time high foodgrain output of 180 million tons in 1990-91, following reports of a bountiful winter wheat crop now being harvested. If the next monsoon turns out to be as merciful as the last, India's foodgrain stock may exceed 28.3 million tons, the highest ever, stockpiled in 1985-86. Authorities are planning to export at least 1 million tons of rice and some wheat.

The good news has been welcomed in light of the recent report of the U.N. Food and Agriculture Organization (FAO), sounding the alarm that despite an increase in foodgrain production globally, the recent developments in the Persian Gulf, Eastern Europe, and the Soviet Union have added a new element of uncertainty to the world food situation. Moreover, cereal production has fallen sharply in Africa this year, and access to food supplies has become more difficult in several countries in sub-Saharan Africa and South America. According to the FAO, food shortages are becoming acute in several war-torn African countries. Substantial international assistance is needed by Sudan, Ethiopia, Liberia, Mozambique, and Angola.

FAO also warns that external debt and huge payments imbalances have added "a considerable element of uncertainty to the outlook for many developing countries.

In India, such problems have added to the misery caused by growing political instability and failure to implement long-term policies over the past two years. But India's success with the Green Revolution during the last two decades has made the country

self-sufficient in foodgrains. Besides increasing output, the Green Revolution has made the country's foodgrain sector virtually drought-proof. The improvement of productivity of cropland through irrigation and indigenization of high-yielding varieties (HYV) of seeds has helped boost the country into an era of food security.

In the 1960s, India's foodgrain situation was grim. Chronic food shortages which were caused by the inadequacy of traditional agricultural methods rendered the country dependent on American wheat. The political fallout of extended dependence on PL-480 wheat exports from the Johnson administration and breakthroughs made in hybridizing wheat in Mexico and paddy in the Philippines, gave India the required motivation to become self-sufficient in foodgrain production.

Aided by a group of talented agro-scientists, India exploited its agricultural institutions and the basic infrastructure set up in the 1950s and the 1960s to increase foodgrain output significantly. From a production level of about 72 million tons in 1967, the introduction of modern agricultural methods saw India's annual foodgrain production go up to 151.5 million tons in 1983-84.

But, despite self-sufficiency, India's foodgrain production has lagged far behind its potential. Out of 141 million hectares of cropped area, only about 42 million hectares, or 30% of the total, is served with assured irrigation; the rest depends on erratic and unpredictable rainfall. Rain-fed agriculture has remained impoverished

and unless a new breed of seeds is developed for dryland farming, productivity will continue to be low. Dryland farming produce is 98.4% of the country's millet and 91.4% of coarse cereals, and surprisingly, as much as 58.2% of the paddy.

Even where irrigation is assured, the productivity of the cropland is much less than its full potential. A number of factors account for this. Among the most important are inadequate amount of fertilizer, degeneration of the HYV seeds, and lack of adequate management of past low productivity.

However, Indian agro-scientists are now in the process of developing super-fast rice varieties that can mature in only 65 days. Already, trials on three such varieties have been carried out where rainfall is scarce. The new varieties will be a boon to farmers affected by inadequate rainfall and perennial floods and can be grown when the floods are receding.

The good work done by India's agro-scientists, however, is being held ransom to political instability. A draft, long-term agricultural policy, which will not only sustain food self-sufficiency but make India a major food exporter, has been hanging fire for some two years now. Each of the last three governments has promised the country the framework of a policy to increase foodgrain production to 210 million tons by the turn of the century. The policy vacuum has caused anxiety throughout the farm sector.

Meanwhile, International Monetary Fund pressure on India to cut food subsidies has found a victim in fertilizer use. According to authorities, the cut in fertilizer subsidies may help to bridge the budget gap, but it is also expected to cause serious problems to the numerous financially weak farmers.

Brazil yields to the hangman

The blackmail conditions of George Bush's genocidal new world order have forced the Collor government to its knees.

Following six months of concessions during intense negotiations with its foreign bank creditors, and under the direct pressure of the Bush administration which culminated in the vetoing of a \$350 million development loan to Brazil from the Inter-American Development Bank (IADB), the government of President Fernando Collor de Mello has ended up surrendering to its creditors' demand that conclusion of a long-term agreement on its foreign debt be entirely dependent on catching up on its \$8 billion in interest arrears.

Upon launching the negotiations six months ago, the Brazilian negotiating team under Ambassador Jorio Dauster defended the country's position of not paying arrears until a global debt agreement was reached, and that in any case, the amount of any arrears payments not exceed \$400 million, Brazil's self-declared 1991 ceiling on its "capacity to pay." The pact just reached involves payment of \$2 billion in 1991, far exceeding Brazil's pre-established limit, providing the creditor banks some hoped-for security for their endangered debt portfolio.

The rest of the \$8 billion in arrears will be transformed into dollar-denominated bonds, to be issued when a more comprehensive agreement on Brazil's medium- and long-term debt is reached. The bonds can then be used by the creditors to buy up equity inside Brazil under the Collor government's ambitious privatization program.

The pressures were particularly brutal in the final phase of the negotiations,

when the Bush administration, acting through David Mulford, undersecretary for international affairs at the Treasury Department, worked in tandem with the governments of Canada, France, Great Britain, and Japan to veto the release of the \$350 million loan from the IADB, with the explicit intention of forcing Brazil to reach a rapid agreement with the private banks. The IADB credit, which is less than one-fifth of the \$2 billion Brazil has now agreed to hand over to the banks, had already been approved by the IADB for the construction of sewage and potable water projects in the poorest slums of several Brazilian cities.

The criminal immorality of the Bush government is underscored by the fact that it took such an action at a moment when the cholera epidemic, which is ravaging Peru and fast spreading across the continent, is being cultured in precisely those horrendous conditions of lack of urban infrastructure services, such as water and sewage, that the IADB loan was intended to correct. These conditions, as World Health Organization director Hiroshi Nakajima declared during a visit to Peru March 27, are the result of the austerity conditionalities imposed by global creditor institutions, such as the World Bank and International Monetary Fund.

The veto against Brazil at the IADB, despite the fact that the Collor government has kept all payments due that institution up to date, establishes a dangerous precedent. By linking negotiations with private creditors to re-

lations with governmental financial institutions, which until now have, at least in appearance, been kept distinct, the precedent clearly demonstrates the consolidation of a creditors cartel operating within the framework of George Bush's new world order.

Brazilian Finance Minister Zelia Cardoso vehemently denounced the blackmail maneuver at the annual meeting of IADB governors held in Japan the first week in April. She declared that the politically motivated veto "would establish a new, illegitimate and unacceptable linkage between consideration of investment projects by the IADB board, and negotiations with private banks."

David Mulford's immediate response was to reiterate the Bush administration's intention to turn the IADB into an instrument of the U.S.'s colonial pretensions toward the Western Hemisphere, in fulfillment of Bush's Enterprise for the Americas Initiative. "We want Brazil to improve its economic position and we would suggest that the realization of agreements with international creditors and normalization of relations with the international financial community are an essential part of that recovery. If we do not pay attention to this, from our standpoint, there will be a threat to the health and well-being of the international financial institutions."

If the Collor government thinks it is home free with its \$2 billion payout, it had better think again. As banker William Rhodes, the chairman of Brazil's 21 member bank creditors' steering committee, said in announcing the preliminary agreement to the new pact, "This is a step back on the road for Brazil." The question remains, how many more such "steps" will Brazil be required to take before it wins acceptance into Bush's new world order—or dies trying.

Cholera in Colombia

Following years of servile adherence to IMF dictates, Colombia finds itself defenseless against cholera.

The cholera epidemic which has claimed more than 100,000 victims, including nearly 1,000 deaths, in neighboring Peru and is said to be advancing at 100-200 kilometers a day, is now knocking at Colombia's door. This once "semi-developed" Ibero-American nation, by faithfully implementing the austerity and "adjustment" dictates of the international creditor banks and the International Monetary Fund (IMF), is finding itself defenseless against this and many other diseases now fast approaching epidemic proportions. Colombia's Health Ministry currently acknowledges 42 proven cases of cholera, and another 100 symptomatic cases which remain to be confirmed at the National Health Institute (INS) laboratory.

The first outbreak took place in a rural area outside the city of Tumaco, on Colombia's Pacific coast, where the largely black inhabitants lack the most basic infrastructure for sewage, water, transportation, and communications. Health Minister Camilo González, a member of the amnestied narco-terrorist group M-19, has ordered a total clampdown on any information, with the argument that "yellow journalism" is worse than cholera. One doctor who told the press he had sent samples to the INS for testing for cholera, was immediately fired.

However, one health official who requested anonymity told *EIR*, "Colombia is defenseless against cholera," because of the widespread lack of sewage and water treatment infrastructure. "Look for example at the case of the people living along the

Magdalena River. One town takes its drinking water from the aqueduct 4 kilometers ahead. The aqueduct, however, only filters the water. Five kilometers further downstream, raw sewage from the town flows into the river, and a few more kilometers downstream is another town which depends on the river for drinking water. All the Health Ministry does is make propaganda. The only real solution is massive investment in water treatment plants, sewage facilities, and enforcement of regulations so that waters returning to the river are not contaminated."

The official added, "Enteritis and diarrhea continue to be the leading cause of mortality among infants, and among the population as a whole. That is, the water itself is sick." In 1989, the incidence of enteritis and diarrhea was 1,660 cases per 10,000 inhabitants. The water-borne cholera bacillus, already endemic in the population, can only proliferate under such poverty.

According to statistics from the 1980s that were published by the National Institute for Municipal Development (Insfopal), a body then linked to the Health Ministry and charged with the construction of aqueducts for, especially, small towns and rural populations, the budget for water and sewage services has shrunk yearly. In 1988, Insfopal was liquidated, and its personnel dismissed, to "reduce costs."

According to Insfopal's report, only 59.7% of the population had access to piped water service in 1981. In 1985, that figure was 59%, and in 1987, only 57%. However, the problem is

worse. Not all of the nation's aqueducts distribute potable water. According to the National Planning Department, only 48% of the population have access to potable water today. Further, the water may leave the aqueducts at an acceptable level of purity, only to become contaminated anew because storage tanks and plumbing are antiquated and/or not adequately maintained.

The problem is worse for sewage treatment, a service to which only 47.7% of the population had access in 1981. That figure fell to 45.8% in 1985, and to a mere 41% in 1987.

Malaria too has dramatically returned, with reports of 26,000 cases occurring in the past three months along the Pacific Coast. Given the intense poverty of the region, it is no accident that the malaria epidemic overlaps that of cholera. In Buenaventura port, 50% of all emergency room patients have malaria, and two-thirds of those have severe symptoms. Another 300 cases, including several deaths, have been reported in the departments of Cauca and Putumayo, near Ecuador.

Lack of state investment in sanitation is seen in the growing inadequacy of infrastructure and in the nation's growing inability to attend to its sick. "In reality, no one should die of cholera. A cholera death is the result of inattention, since the rehydration treatment is simple and the bacteria responsive to antibiotics," said one former Health Ministry official. Yet, while the number of health institutions and hospital or clinic beds remained constant over the past decade, the number of beds per 1,000 inhabitants has fallen 50%. Federal spending for the health sector fell from 10.6% of the total budget in 1975 to 3.7% in 1989. Under the government of former IMF employee César Gaviria and his M-19 health minister, that tendency is accelerating.

Business Briefs

Health Care

Texas hospitals 'going bare' due to no funding

A representative of the Texas Hospital Association told *EIR* April 4 that many rural Texas hospitals are in such bad financial shape that they can no longer afford hospital malpractice insurance. Should a facility be hit with just one malpractice suit, it would have to close.

Texas has lost hundreds of hospitals over the past few years because federal and state reimbursements for their services to Medicare and Medicaid patients are inadequate, and the number of uninsured patients has risen dramatically. Texas reimburses hospitals the least of all states in its Medicaid program.

This crisis, which caused a tremendous number of rural facilities to close, is now hitting the inner-city hospitals. Several hospitals grossed \$2 billion in uncompensated care in 1990.

Food Supply

World rice trade up in 1991

World rice trade rose to about 12 million tons in 1991, up 1 million tons from 1990, the U.N. Food and Agriculture Organization reported in the March issue of *Food Outlook*. Exports from the People's Republic of China, Burma, and Pakistan, in particular, are expected to be larger this year.

However, rice exports from Vietnam are expected to fall by more than 50%, due to rising domestic prices which are causing concern over domestic supplies.

The main countries with larger import demand for rice are Brazil, Malaysia, Peru, and the West Asian oil-producing countries.

Import requirements for the Soviet Union are also expected to increase. So far, about 200,000 tons have been contracted from Thailand for delivery this year, according to the FAO.

India has also announced a large increase in exports available for 1991, but its export

prices are higher than world market levels. India has introduced a new rice seedling, which matures in 65, as opposed to 95 days, and will be a great boon for semi-desert areas, according to Indian press reports. The superfast variety has already been tried out for three consecutive years in the Kalahandi desert in the state of Orissa, and despite the short monsoon there, the rice variety gave a very high yield. Scientists claim that even if it rains only 3-4 days during the monsoon period, this variety of rice will produce a subsistence level of yield.

The new variety could also prove to be a boon in flood areas like the state of Assam in the northeast, where the Brahmaputra floods over thousands of hectares of cropland, destroying the standing crops. Following the receding of the flood waters, the normal variety of paddy does not get much water to sustain it for the full 95 days. By cutting down the maturity time by 30 days, Assam will also be able to pull in bumper crops.

Technology

New X-ray lens developed jointly by U.S., Soviets

U.S. and Soviet scientists have jointly developed a new X-ray lens. The lens is capable of focusing X-rays into beams that can be used for medical applications and for manufacturing semiconductor chips.

Soviet physicist Muradin A. Kumakhov of the I. V. Kurchatov Institute of Atomic Energy in Moscow, and American physicist Walter Gibson, director of the Center for X-Ray Optics at the State University of New York in Albany, recently formed a partnership to commercialize the X-ray optics technology.

Utilizing the principle that X-rays can be reflected off of smooth surfaces at very slight angles, the lens is made up of 2,000 glass capillaries through which the X-rays are channeled. The X-rays "bounce" down the smooth walls of the tiny glass fibers, and by tapering the fibers toward one another, the X-rays are focused on a small spot.

X-rays have been sought as a "light" source for etching details on the semiconductors to create more advanced chips with finer

features. However, an X-ray source powerful enough to manufacture semiconductor chips with present technology could cost as much as \$50 million. With an X-ray lens to focus the rays, a less powerful source could be used.

In the medical field, focused X-rays would allow for more precise pictures of small features or, in the case of radiation therapy, to concentrate X-rays in treating a tumor and reduce the exposure of healthy tissue.

Living Standards

Britain: second-worst poverty level in EC

Great Britain has the second-highest poverty rate in the European Community, according to a new EC report just issued in Brussels. Only Portugal has a higher percentage of its population living below the official poverty line.

According to the report, the number of British poor grew from 8.2 million to 10.3 million in the first five years of Margaret Thatcher's rule, representing 19% of the total population, and a rise of 35% for households.

A recent study done jointly by the University of Bristol and an independent British television station shows comparable figures, asserting that in the last seven years, the number of poor in Britain has doubled.

The study did not point out that Britain is unique among European Community members in the degree of its commitment to "free market" economics.

Trade

Germany surpasses U.S. as top exporter

Germany has surpassed the depression-ridden United States as the leading source of exported goods. According to recent General Agreement on Tariffs and Trade figures, the U.S. was the world's largest exporter in terms of financial value in 1989. In 1990, however, Germany took over the number-one spot for

the first time.

Germany exported \$421 billion worth of goods, representing 12.1% of the world total. The U.S. sold only \$394 billion worth, 11.4% of the world total. Japan was third in both 1989 and 1990, exporting \$286 billion in 1990, 8.2% of the world total.

The U.S. was still the largest importer, with 14.3% of the world total, followed by Germany, France, and Japan.

Domestic Credit

Consumer credit still on the decline

Consumer credit for installment debt fell for the third consecutive month in February, according to the Federal Reserve. It was the first three-month drop since 1987, throwing more cold water on the "consumer confidence" theories of the economic wizards.

Every major category of credit declined, underscoring the deepening decline in sales of consumer durables and income levels. The only thing going up is credit card debt, which rose 7.5%, reflecting not more spending, but only people's attempts to survive the income collapse.

Markets

Plans for Japan Sea basin trade zone advance

Japanese and South Korean circles are drawing up preliminary plans for a new trade zone to include the nations bordering the Japan Sea including Japan, North and South Korea, the People's Republic of China and the Soviet Union.

The development of basic infrastructure including rails, ports, and telecommunications, in remote but raw materials rich regions of the Siberian Far East would possibly form the core of the regional development, according to Toshio Watanabe of the Tokyo Institute of Technology.

A senior continental European banker said that the Japan Sea trade zone idea "is one of the most interesting potentials I have come across in a long, long time."

Biological Holocaust

Economic strangulation caused current famine

A continuous economic collapse of the African continent is the reason for the disastrous famine threatening 25-30 million lives in black Africa, reports the relief organization Deutsche Welthungerhilfe in an article in their March newspaper. Most important is the "economic strangulation imposed on the continent by foreign powers," caused by the collapse of prices of raw materials, the debt crisis, and the "incompetent conditionalities imposed by Western industrial countries."

The collapse of prices of raw materials, which were on the same level in 1987 as in 1932, caused losses of \$150 billion between 1981 and 1990, calculated in 1980 prices, and at parity prices the losses were between \$400-500 billion. In the same period, the total of all aid including loans was \$105 billion.

Africa is so extremely overindebted that it implies the creditors acted wrongly, says the agency. Debt payments in the 1980s were at least 230% too high, given the economic weakness of the continent. "In the 1980s, \$47 billion in interest payments were pressed out of the African hungerhouses. With this amount of money, they could have constructed 200,000 new schools and 200,000 hospitals. 'Structural adjustment' became the dominating doctrine in North-South relations, as dictated by the Western industrial countries and their institutions, the IMF and World Bank."

They report some consequences of these drastic conditionalities: In Ghana and Zaire alone, so many teachers had to be fired that half a million students have no teachers. Real wages dropped by 50% in 12 countries. The expenditures for healthcare were cut by at least 25% as a result of the imposed conditionalities. The agency calculates that 320,000 African children died in 1988 alone as a result.

● **THE MEDICARE** hospital fund will be broke in 15 years, due to sharply declining revenues, and rising costs as the baby boom generation reaches retirement age, the Social Security Advisory Council said April 3. "The current state of the Medicare program is precarious, and the status quo cannot be maintained," the council warned. Medicare costs were estimated at \$109 billion in 1990, or about 2% of GNP, compared to about 1.3% of GNP in 1970.

● **SOUTH KOREA** and the Soviet Union have jointly proposed construction of a transcontinental railway linking South Korea and the Soviet Union through North Korea, China, and Mongolia. Officials in Seoul, quoted in the Bangkok *Morning Post*, say the proposal was made at the annual meeting of the U.N. Economic and Social Commission for Asia and the Pacific which met in April in Seoul.

● **THE SOVIET UNION** is putting \$25 million into cold fusion research over the next four years, reported a source whose colleague just returned from a Soviet seminar on the subject. The decision to fund 20 different scientific groups working on cold fusion was made after one researcher reportedly devised an experiment that produced 150% excess heat. The experimental device shot deuterons into palladium in a vacuum and produced almost immediate neutron bursts.

● **NORTH KOREA** and Japan have agreed to launch a joint venture to produce graphite at the Fungsan Mine, North Korea's largest graphite mine, near the border with South Korea. Annual production is targeted for 50,000 tons. About 10,000 tons of graphite will be sold to North Korean steelmakers, and the remainder will be exported to European countries, including Germany, to ease North Korea's foreign exchange problem.

Cold fusion still providing exciting scientific results

More than 90 laboratories in 12 countries have produced effects in a variety of cold fusion experiments, and some have achieved reproducibility upon demand. Marjorie Mazel Hecht reports.

For an experimental field just barely two years old, cold fusion has already amassed more obituaries in prestigious newspapers and journals than most deceased Nobel laureates receive after a lifetime. Fortunately for cold fusion researchers—and for the future beneficiaries of the energy technology it will become when it “grows up”—cold fusion is still very much alive.

The spectacular successes in cold fusion, reproducing the original work of Martin Fleischmann and Stanley Pons in a wide variety of experiments with many different effects, have gone unreported (or misreported) in the U.S. and most of the scientific press. Thus, some of the items noted here may be startling to readers accustomed to reading only the disparaging remarks attached to the words cold fusion—slanders that range from “fraud,” “scientifically impossible,” “deception,” and “pathological science,” to the more benign “wishful thinking.” Hopefully, this “good news” about cold fusion will help wake up some people, including the government energy officials, industry representatives, and venture capitalists who should be funding this research in its infancy, because of the promise it holds for energy production, as well as its contribution to advancing man’s knowledge of the laws of the universe.

Here are just a few of the promising, but little-known developments in the cold fusion field:

- Within 34 days of the original March 23, 1989 announcement of the Fleischmann-Pons cold fusion discovery, Japanese scientists working at the Matsushita Electric Co.

filed a European Patent Application for a similar cold fusion device that produced excess heat, tritium, and neutron bursts. This patent has just been made public, after the 18-month waiting time.

- In the first six months of the cold fusion era, several teams of Indian scientists working at the Bhabha Atomic Research Center (BARC) in Trombay were successful in producing nuclear effects from a wide variety of electrolytic cells. This work, which is continuing to develop, is reported in the accompanying interview with BARC fusion scientist M. Srinivasan.

- The Soviet government has reportedly just put 15 million rubles (\$25 million) into cold fusion work at 20 different research centers, after a Soviet team was able to produce 150% excess heat (more heat produced than the energy necessary to run the experiment). Reportedly, the successful Soviet experiment shot deuterons (deuterium nuclei) into palladium under a vacuum.

- A U.S. researcher has filed a patent on a similar experimental setup, but nothing is being publicized as yet (probably, as is true in many cases, because the scientist does not want to be exposed to the scientific mafia’s sharp-shooter snipers, who have made life miserable for those cold fusion pioneers who dared to go public with their exciting results).

- One of the most recent cold fusion advances was announced in March by a team at the Naval Weapons Center in China Lake, California, headed by Dr. Melvin H. Miles. Using an apparatus similar to the original electrolytic cell set

up by Fleischmann and Pons at the University of Utah, Miles et al. produced excess heat as well as helium-4, one of the expected by-products of a conventional (not cold) fusion reaction. The helium-4 was present in the amounts expected given the particular generation of excess power. In addition, some ionizing radiation was detected, enough to "significantly" expose dental X-rays.

Miles states that the helium-4 is produced "at or near the surface of the palladium electrode rather than deeper in the bulk metal and that the preponderance of the helium escapes from the electrode and resides in the effluent gas."

(It is important to note that this is a government laboratory. One of the favorite lies of the scientific mafia is that "no U.S. national laboratory" has been able to reproduce the Fleischmann-Pons work. In addition to the Naval Weapons Center, more than one group at each of the national laboratories at Oak Ridge, Los Alamos, and Brookhaven have reproduced the Fleischmann-Pons results, plus some variations.)

- A research team at the University of Hawaii, led by Bor Yann Liaw and Bruce E. Liebert, has achieved 16 times energy output compared to the energy required to maintain their experiment. Their cell used a novel molten salt configuration, operating at 370°C.

- Reproducibility has been achieved by several researchers. Electrochemist John O'M. Bockris at Texas A&M, one of the U.S. pioneers in cold fusion, recently catalogued some of these successes: "[Kevin] Wolf in our laboratories can obtain the emission of neutrons from a bank of electrodes more or less on call. Thomas Claytor, who works at Los Alamos, can make tritium reproducibly from a 10-layer sandwich of palladium, saturated with deuterium, and alternating with layers of silicon. At Stanford Research Institute, Michael McKubre and his colleagues have found two electrodes from which they can produce excess heat in their cells at will."

- A veteran nuclear scientist, Dr. Glenn Schoessow at the University of Florida in Gainesville, whose European patent was just made public, is reportedly able to turn on and off his cold fusion setup, which produces both tritium and heat. The experimental device described in the patent comprises a solid cathode with an open top, cup-shaped vessel as an anode, positioned below and encircling the cathode.

Dr. Schoessow has not published his work and still will not talk to the press about it, because he wanted to avoid the distractions of facing a waiting scientific firing squad.

- Behind the layers of dirt and scandal thrown at the University of Utah and its National Cold Fusion Institute, lies a simple fact: To quote Hal Fox, who heads the Fusion Information Center in Salt Lake City (which is not connected to the university): "The discovery and announcement of cold fusion by Pons and Fleischmann . . . and the domestic and international patents will probably result in the University of Utah becoming the richest university in the nation."

- Hal Fox also reports that new work by Dr. Robert T. Bush and Robert D. Eagleton at the California State Polytechnic University in Pomona demonstrates that "thin films of palladium can produce more power per cubic centimeter than is being produced in a standard nuclear (fission) power plant reactor core."

Need for political will—and funding

Coming up at the end of June is the second annual conference on cold fusion, to be held in Como, Italy. Conference organizers include many of the cold fusion pioneers from around the world, and it is no accident that next year, the third annual conference will most likely be held in Japan, India, or China. Like many scientific advances in this century, cold fusion could easily be one where the initial work is conceived and carried out in the United States, but the actual development may take place elsewhere. This is not because this country doesn't have the brains to develop its own ideas, but because of the lack of political will to do it—and therefore the lack of funding. The bipartisan malthusian establishment wants zero growth, not the technological advances that promote population growth. This deliberate non-development has happened with advanced nuclear technology, with many electronics breakthroughs, and even with the budget-starved "hot" fusion program.

The fate of a U.S. cold fusion development is not yet sealed, however. A group of U.S. scientists and engineers, reports Hal Fox, has put together "over \$25 million of natural resource assets as an 'asset of last resort' to help guarantee investments in Utah's cold fusion developments." The group is concerned that the National Cold Fusion Institute, established with state and private funding at the University of Utah, is nearing the end of its initial funding in June and that no new funds may be forthcoming.

That funds are not being renewed is not because of "bad research" but because of "bad press." Specifically, the science mafia and their friends in the press created both an aura of internecine battles at the university and such an unpleasant atmosphere that Stanley Pons was forced to continue his work in France, reportedly with Japanese funding. The accompanying interviews with Martin Fleischmann and Fritz Will, the director of the National Cold Fusion Institute, both discuss this unpleasantness. To say the least, it is hardly a situation conducive to scientific research and discovery.

Part of the difficulty lies in the patent process. European patents are published 18 months after the filing date. If you want world rights, you must be absolutely novel in your invention. To maintain this novelty, "you won't publish things in those months that would give anyone else an advantage in competing with you," said one U.S. patent attorney familiar with the cold fusion controversy. As a result, many cold fusion researchers, including Fleischmann and Pons, have not been forthcoming with details. This reticence on patent priority is exacerbated by the accurate perception that

scientists who talk about their successful experiments with cold fusion are subjected to such media attack that further research becomes difficult.

The animus from the science establishment, alluded to in all three of the interviews that follow, is astounding. The leading science journals—*Science* and *Nature*, to name two—have turned down manuscripts that describe positive results and have instead printed outrageous (and unscientific) allegations of “fraud”; for example, the charge that Texas A&M researchers spiked their cold fusion cells to produce tritium. One Nobel laureate resigned from the American Physical Society because of the manner in which his manuscript was rejected by a technical journal published by the society.

Much of the old “dirt” heaped on the cold fusion researchers has been swept into a new book by Dr. Frank Close, a physicist who works at the Rutherford Laboratory in Britain and the Oak Ridge National Laboratory in Oak Ridge, Tennessee. Scheduled to appear in May, Close’s book *Too Hot to Handle* made the top of the front page of the *New York Times* March 17, in a nasty article titled “Cold-Fusion Claim Is Faulted on Ethics as Well as Science.” The *New York Times*’s leading science reporter, William J. Broad, spends several hundred words discussing Fleischmann and Pons’s alleged “false data.” He makes no mention, however, of any actual news, such as the just-announced results of the Miles group or, for that matter, any results from the 90 or more laboratories in 12 countries that have successful cold fusion experiments.

‘Fire from Ice’

The good news is that an honest account of the cold fusion battle is also scheduled to appear around the same time. The opposite of Close’s warmed-over lies, *Fire from Ice: Searching for the Truth Behind the Cold Fusion Furor* is a factual account of cold fusion’s first 18 months. Author Eugene F. Mallove, chief science writer at the Massachusetts Institute of Technology, reports on what happened after the March 23, 1989 announcement by Fleischmann and Pons, who did what research and what results they got. He doesn’t omit the crucial positive information, and his book reflects the great potential of an emerging technology.

From the outset, Mallove starts with a point that most U.S. science writers (and readers) have yet to learn; namely, that science does not proceed by majority rule. As he says in his introduction, “It is a gross mistake to draw conclusions about the validity of reported findings by polling the membership of this or the other scientific organization or panel.” Mallove offers more sound advice to all concerned, noting that one should “use extreme caution in dismissing experimental results just because theory suggests they are ‘impossible.’ Theory must guide science, but it should not be allowed to be in the driver’s seat—especially when exploring the frontier.”

Interview: Dr. Martin Fleischmann

Fusion can meet our future energy needs

Cold fusion pioneer Martin Fleischmann met with scientists in Milan, Italy, Feb. 12, 1991, to discuss the status of cold fusion and plan the second annual cold fusion conference, which will take place in Como, Italy, June 29-July 4. He was interviewed there by Evanthia Frangou. The interview, which we excerpt here, will appear in full in the summer issue of 21st Century Science & Technology magazine.

Q: What can you tell us generally about the perspective of cold fusion research today?

Fleischmann: It is now almost two years since the premature announcement of our experimental results. I would say that since then many people have got very interesting results, much more interesting than the results we had. There has been a lot of interest, of course, because underlying this research is the economic question. That is the question of how we are going to meet our energy needs of the future.

Now we have been very much criticized for making the social factors important in our work. Being in the field of electrochemistry, which has many industrial applications, it was very natural for us to take such a practical view. I know that here in Italy you are not too fond of nuclear energy. But my view and that of Stanley Pons is that in order to meet the future energy needs we will need the breeder reactor and then fusion reactors. So we have to push whatever program we have toward those objectives. And, of course, cold fusion enters into that perspective.

Q: Were you surprised by your results?

Fleischmann: Not surprised, astonished is the correct word. We did not expect to find what we found. This is one reason why we took so long in reporting it. We did not want to talk about it in 1989. Our optimistic target was 1990. This was due, as is well known, to the fact that our colleagues at Brigham Young University wanted to go ahead and publish their observations. Our difficulty was that we had results that looked technologically interesting. Although we were doing our work in secret, we then had to tell the university authorities what we were doing. And you can imagine, of course, they really were obliged to take patents.

So the driving force of the scientific publications became the patent consideration. There is nothing that you can do about it in retrospect. Should it happen again, I believe it would take more or less the same course. So now I am re-

stricted in what I can report to you. I cannot tell you what we have done since October 1989.

Q: How is the experimental situation now?

Fleischmann: . . . I can tell you that we have much better reproducibility now. We have sets of electrodes for which we could tell you more or less exactly when we will see what. Now that is based on sets of electrode materials. Until we get reproducibility, there are just too many variables to understand.

Q: How would you comment on the negative results of some groups?

Fleischmann: We knew that you had to do a very large number of experiments for a very long time. And we do know that the experiment can go wrong in many different ways. It is difficult to comment on those negative results where I do not have detailed access to what they did. I do know why some people's experiments went wrong.

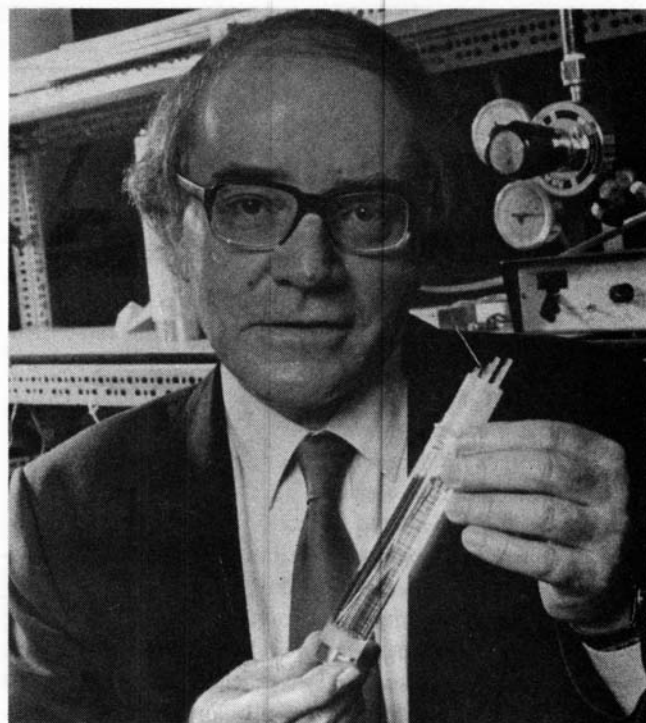
There is a general comment I would like to make on negative results. When you do scientific research, especially in a new field, it is extremely easy to get zero results. Now if you believe that you should get zero results, you will be satisfied. It is only when you believe that you should not get negative results that you will try a little harder. There's been a lot of that going on. There have been some very strenuous efforts to "see nothing."

Q: Where else do you believe there is interesting work going on?

Fleischmann: There is interesting work going on in the military laboratories in the United States. Also in some national laboratories, particularly in India—I would say the work in India is very, very interesting. The Japanese work is very good. I would say that there is more liberty in doing scientific research in these countries, as opposed to the United States and Europe, where we have more political interference. . . . You see the attitude of the articles in the *New York Times* and the *Los Angeles Times*. And it is obviously orchestrated. Somebody starts it off, somebody who wants to cause a lot of damage, they leak a statement to the press. It takes them one minute and we have six months of trouble. The journalists do not check their facts. That is how it is. And that is why I think the way we have been working is not possible. People say science should not be done in secret, but that depends on people being reasonable. If people are unreasonable you have to say, well I'll pull the blinds down and work in a dark room. I satisfy myself whether it works or not. Unfortunately I still spend about 50% of my time on the terrible political problems. . . .

Q: How is the funding in other countries?

Fleischmann: The Japanese, for example, have taken a very pragmatic view of it. They took off 2% of their whole fusion



Martin Fleischmann, holding a model of one of the original cold fusion electrolytic cells. The basic apparatus consists of palladium and platinum electrodes placed in a glass tube with heavy water. A voltage applied across the electrodes splits the water into oxygen and deuterium, and the deuterium is then absorbed by the palladium. Excess heat at room temperature was measured, which Fleischmann and Pons attributed to a nuclear process—the fusing of deuterium atoms. The experiment occurs at room temperature, hence the name cold fusion.

budget and spent it on cold fusion. That is about \$25 million a year. And that is about the level you would expect people to operate at. It is sensible, whereas in the United States and Europe, it has been seen as a competition between hot and cold fusion. It is not a competition—it is a piece of science, a piece of technology.

I think the real problem now is that science has become too institutionalized, small science tends to be squeezed out. The project we are talking about starts as small science. We explained to a subcommittee of Congress that although we have got as far as we have got with \$100,000, that did not mean that we could reach any satisfactory point with another \$100,000. The problem is that this project will take substantial funds. It is no use disguising that. We are talking about tens of millions of dollars to go through the next phase. It is an intermediate-size project. It is not so small that you can do it on spare cash.

So scientific research has become very inflexible, it cannot accommodate the unexpected. We are in a situation where the progress is going to be restricted, I'm afraid, by the funding. So it becomes a political question.

Cold fusion critics are 'non-scientific'

Fritz G. Will, an electrochemist, has directed the National Cold Fusion Institute at the University of Utah since February 1990. Previously he had worked since 1960 at General Electric's Development Center in Schenectady, New York. Will gained international recognition for developing an electrochemical technique to study electrode surfaces. The author of more than 50 publications, he also holds two dozen U.S. patents.



Will was interviewed by Marjorie Hecht, the managing editor of 21st Century Science & Technology on March 28, 1990, on the eve of the first international cold fusion conference, hosted by the institute, in Salt Lake City.

EIR: It's unfortunate that after the initial burst of excitement in March 1989, the curtain fell down on anything positive in cold fusion research. That has made it very hard for people who ordinarily would get excited about this kind of work—and maybe even contribute both ideas and money—to do that.

Will: I could not agree more with you. There was an original hype built up, that raised the expectations of people sky high. It is an absolute fact that these very high expectations have not been met, and in fact, they couldn't be met. It was simply built up too high. The criticisms that exist, in a large part from the scientific community, have had a negative impact, a very undesirable negative impact.

One has to pose the question, what are the motivations of groups of scientists out there that are lashing out against scientists that have decided to work in this area? It makes it very unfairly difficult for those that are courageously making a commitment to this field to work in this field.

Furthermore, the danger is that, due to what appears to be an almost constant effort by some groups of scientists, it may become more difficult in the future to get research funding. One has got to ask the question: What is the motivation? Do they wish this field dead? If so, why? Do they want to give the scientists that are making a commitment to this field

a fair chance, as I think any scientists should have a fair chance, to develop in an orderly fashion? Or do they want to interfere with the freedom of science? . . .

EIR: This kind of thing is very "unscientific." Science is about ideas; that's how mankind has progressed through history, breaking old rules and making new ones.

Will: It is totally non-scientific: One tries to play number games and probability games. One says, well, if so many scientists have been unsuccessful to confirm the results, the results must be erroneous. The second argument that has been developed among many of the physicists, in particular, is that, if the results don't fit the theories that we know, the experimental results must be wrong. My answer is obviously, that science has progressed with revolutionary new experimental findings, and theories have usually come afterwards, in order to ultimately support good, solid, experimental science. . . .

EIR: You have advocated a larger research commitment so that the U.S. doesn't fall behind—as it has when we pioneer a technology and then don't develop it. What would you like the national commitment to be in the cold fusion research effort?

Will: I would like to see a situation in which the laboratories in the United States that are capable and eager to work in this field, in order to get to the bottom of cold fusion phenomena, would have available the kind of funding they need. . . . There is absolutely no question that those laboratories that are involved in cold fusion research are strapped for funding and that everybody is scrambling for the little bit of money that some organizations in the United States are presently making available, such as the Department of Energy and EPRI [the Electric Power Research Institute].

EIR: What is the role of the private sector?

Will: The private sector should, in my opinion, have interest in it. We have seen such interest emerging; in fact, there was and is a lot of interest among many companies. However, the *huge* interest that existed in the first few weeks after the announcement was made on March 23, 1989, has subsided, to some extent. This is because what was the belief held at the time—namely, that these were simple experiments, and that this might lead very quickly to some technology—those hopes were not realized, and we have come to believe now that we are dealing with very complex phenomena that take much longer time to get to the bottom of. This has led to a large number of companies no longer showing the interest that they appeared to be showing initially. I see the role of corporations as a very important one; namely, that some key industries that stand to gain from any future technology would be enlightened enough to make larger sums of money available in order to spearhead the research and development that is being carried out. . . .



Cold fusion has opened a new chapter in physics

Dr. M. Srinivasan is head of the Neutron Physics Division at the Bhabha Atomic Research Center (BARC) in Bombay, India. Well known in the international fusion community, Srinivasan has presented BARC's results in cold fusion at several international conferences.

He was interviewed April 3, 1990 by Marjorie Hecht, just after he attended the first international conference on cold fusion in Salt Lake City.

EIR: What is the scope of the Indian cold fusion program?

Srinivasan: There have been about eight different groups from different divisions in BARC who more or less jumped into this field as soon as we first heard about this Fleischmann-Pons effect back in April 1989. So this involves approximately 50 scientists in eight different groups in 14 different divisions. There are about 20 papers included in the BARC 1500 report [published in December 1989]. In fact, they are all going to be published in the July 1990 issue of *Fusion Technology*, so the American audience will have a chance to see them.

On the whole, I think we have gotten some very positive results. We are very happy with it, and we were very happy to learn that in the Utah meeting, for example, we got a very good response. . . . In fact, we were told we were probably the leading laboratory in the world in terms of getting very positive results, in terms of the number and variety of results.

EIR: Could you summarize the variety of results BARC has achieved?

Srinivasan: BARC's experiments have primarily been concentrating on the detection of nuclear particles, primarily neutrons and tritium. We figured that any measurements of excess heat might get embroiled in controversy because of the question of chemical reactions, and so on. So, we thought that this might be a better idea, to demonstrate to ourselves primarily, and to others, that nuclear particles are being produced.

As I said, about eight, quite independent groups—almost competing with each other—jumped into the game. They come from very diverse backgrounds. Most were chemists, some were electrochemists, some had been working in the

area of hydrogen storage, some in water chemistry, some in enrichment processes in heavy water. And there were people like me who have been in neutron physics for many years. Also, some of us have been associated with plasma fusion experiments. We have a variety of people with diverse backgrounds who have devised and set up very independent cells. . . .

Almost all of these cells have produced neutrons and tritium. The most characteristic feature of the BARC experiments is that we find that neutrons are produced in bursts, one or more bursts lasting from somewhere between 20 seconds up to almost 1 hour. Some are 15 minutes, some are 20 minutes, and so on. The first point is, neutrons appeared in bursts, and when we talk of bursts, the neutron output is not just a few standard deviations above background, but 10, 20, even 100 times the background level. This is absolutely unquestionable. The BARC 1500 report has detailed graphs, figures, everything.

The other important thing is the tritium. Really, the first burst of neutrons and tritium was observed as early as April 21, 1989, almost within four weeks of the announcement from Utah, and the most important observation to come out of that first, early result was that the neutron to tritium yield-ratio was as small as 10^{-8} . We were perhaps the first group in the world to publish this figure. It was published in the July meeting at Karlsruhe [Germany] last year, and since then we have been, of course, attacked by a number of groups, and a number of others have verified it. . . . So this is one of the puzzles in cold fusion: Why is the branching ratio as small as this? [The branching ratio refers to the frequency of occurrence of particular nuclear outcomes, or branches, of a nuclear reaction: In deuterium-deuterium fusion, equal yields of neutrons and tritium would be expected—Ed.]

EIR: How long does it take on average between the startup of the cell and the occurrence of the bursts?

Srinivasan: This is what we call the switching-on time. . . . BARC results have very, very surprisingly been that most of the cells have produced neutrons on the first day of switching on the cell. This is something that we were very surprised to learn, that we were probably the only group [where this

Summary of successful electrolytic cell experiments conducted at Bhabha Atomic Research Center

BARC division*	HWD/ NtPD	DD/HWD/ NtPD	DD/HWD/ NtPD	ACD	ROMG	WCD
Paper no.	A1	A2	A3	A5	A8	A7
Cathode:						
Material	Pd-Ag	Pd-Ag	Ti	Pd	Pd	Pd
Geometry	16 tubes	Circular sheets	Rod	Hollow cylinder	Cube	Ring
Surface area (cm ²)	300	78	104	5.9	6	18
Pretreatment	Activated	—	—	—	Vacuum heated	Vacuum annealed
Anode material	Ni	Porous Ni	SS	Pt gauze	Pt mesh	Pt mesh
Electrolyte:						
Type	5M NaOD	5M NaOD	5M LiOD	0.1M LiOD	0.1M LiOD	0.1M LiOD
Volume (ml)	250	1,000	135	45	150	250
Cell current (A)	60	62	40	1 to 2	0.6 to 0.8	1
Current density (mA/cm ²)	200	~800	<600	~200	~170	60
Total Amp-hrs (no. up to first neutron emission)	180	250	120	17.5	14.7	620
Amp-hrs/cm ² (no. up to first neutron emission)	0.6	3.2	1.2	3.0	2.5	34
Integrated neutron-yield	4×10 ⁷	4×10 ⁶	3×10 ⁷	3×10 ⁶	1.4×10 ⁶	1.8×10 ⁸
Tritium yield:						
Atoms	8×10 ¹⁵	3.6×10 ¹⁵	1.4×10 ¹⁴	7.2×10 ¹³	6.7×10 ¹¹	1.8×10 ¹¹
Picocuries	375	190	7.0	3.8	0.035	0.009
Neutron/tritium yield ratio	0.5×10 ⁻⁸	1.1×10 ⁻⁹	~2×10 ⁻⁷	4×10 ⁻⁸	1.7×10 ⁻⁸	10 ⁻³
Neutrons/cm ² (10 ⁵ neutrons/cm ²)	1.7	0.1**	2.9	1.7	2.3	~100
Tritium/cm ² (picocuries/cm ²)	1.3	0.5**	0.07	0.6	~0.01	5×10 ⁻⁴

*The six BARC divisions that performed the experiments were: Heavy Water Division (HWD); Neutron Physics Division (NtPD); Desalination Division (DD); Analytical Chemistry Division (ACD); Reactor Operations and Maintenance Group (ROMG); Water Chemistry Division (WCD).

**Five surfaces considered.

Source: BARC Studies in Cold Fusion, April-September 1989.

The experimental results summarized were achieved at BARC from April to September 1989, using a variety of cathode-anode configurations. As one of the top nuclear laboratories in the world, BARC had the expertise to measure both neutron and tritium levels very precisely. The most important result of this initial set of experiments was the surprisingly low overall neutron to tritium yield ratio. The BARC researchers concluded from these larger-than-expected amounts of tritium that cold fusion is essentially "aneutronic." This is considered beneficial, in that the more neutrons that are produced, the more radioactivity is involved in the process.

happened], and not just in one cell, but several cells. There is a table given in the BARC 1500 report summary that shows this (see above).

I talked to all the various BARC groups. I was co-editor of this report along with Dr. P.K. Iyengar, who is now the chairman of the Indian Atomic Energy Commission. He has been giving us a lot of support; he's a great believer in cold fusion.

Now, we find that we have to charge it by a few ampere-

hours per cm² of cathode surface area. We find that the tritium production is more or less a surface effect. It is the cathode surface area that mattered, so we normalize all of our results from the different cells accordingly. Some have 300 cm², some have only 1 cm²; some have 100 amperes of current, some have only 1 ampere. So we normalized the results and looked at the ampere-hours per cm² at the total charged part up to the first neutron burst.

This, surprisingly, came out to be a few ampere-hours

One remark made at the Utah meeting was very apt: Earthquakes are entirely unpredictable, but they are entirely believable! Cold fusion is the same. It is very unpredictable, but just because a thing is unpredictable, you cannot say it is unbelievable.

per cm², somewhere between two and three for most of the cells. Later, in fact, only in the last few days, I realized, carefully observing the results, it is only those cells that have used sodium deuterioxide [NaOD] as the electrolyte, that have produced the very early bursts. And, in fact, we find that we are probably the only group in the world who have been using this as an electrolyte, rather than lithium. So by comparing notes with other people in Salt Lake City, maybe this is the secret of our very good results. This is totally against the findings of many others. Even Fleischmann was very surprised when we mentioned this to him. So that is one of the interesting findings.

EIR: Others have taken days to get their cells to produce a burst—or anything.

Srinivasan: Yes. Even in BARC the groups that have used LiOD [lithium deuterioxide], have taken many days. So this is a very interesting observation. . . . Somehow, from the results of Fleischmann and Pons, and also one of the groups in Texas, they found that when you replace the LiOD with NaOD, the excess heat drops immediately. So they have been put off in the last several months, generally feeling that NaOD was a useless material, as excess heat is concerned. We are now beginning to believe that the mechanism which produces the excess heat may be quite different from the mechanism which produces tritium. So when I say it is good, it is probably so for the tritium and neutron production.

EIR: How would you explain that some cells in different experiments have gotten all three products?

Srinivasan: Very few cells have gotten that. In fact, there is only one cell—C.D. Scott from Oak Ridge [National Laboratory in Tennessee] as far as we know. But for most of the results, let me put it like this: The neutron yield seems to be the least in terms of quantity. The next most important is tritium, which is about 10⁸ times, and then comes heat. If you look at the heat output, which is as high as a few watts, many groups have reported 10, 20, 30% excess heat. Now, that kind of excess heat you are unable to explain even from the large tritium that we measure.

BARC results have shown, by and large, that both the neutron bursts *and* the tritium bursts occurred more or less simultaneously. We have seen this in several results—several cells—and nowadays we have an online tritium monitor.

So we have satisfied ourselves that both the neutrons and tritium come from more or less the same phenomena, probably from the surface of the rod. This in agreement with the philosophy of both Los Alamos [National Laboratory in New Mexico] and the Texas group.

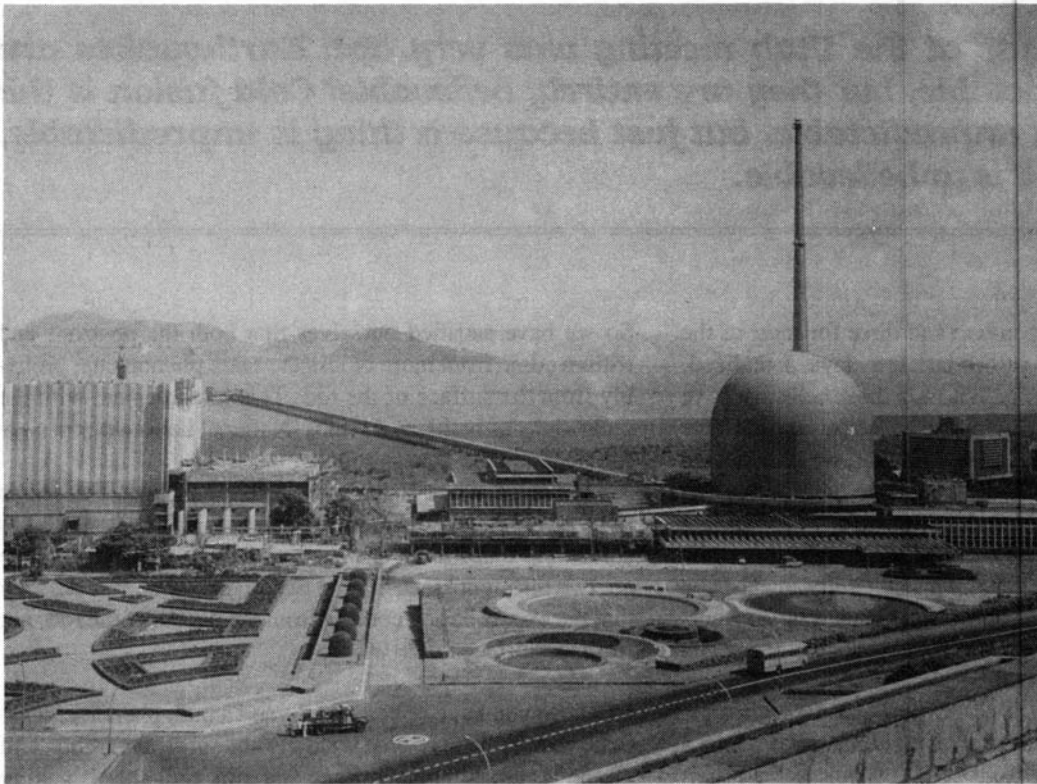
However, when you now come to excess heat, that seems to be a completely different aspect of cold fusion. So this is something that I think slowly seems to be emerging. There are two different kinds of cold fusion reactions. It is possible that the excess heat is coming from the depths of the rod, not from the surface.

EIR: So you have both a surface and a bulk phenomenon.

Srinivasan: That is what is slowly and surely emerging, and all the argument about surface and bulk probably is getting thrashed out. It appears that tritium and neutron production is coming from the surface, and the heat from the depths of the rod. However, I must admit that the kind of neutron bursts or the low-level neutrons, which is now being called the Jones-type of neutron emission, is [something else]—I don't know. We have always found neutrons coming out in characteristic bursts.

So these are some of the main findings. Let me also mention one more, very interesting result that we have. We have been looking at the statistics of neutron emission. For example, we wanted to find out whether the cells are throwing out neutrons 1 at a time, or in big bursts of 100, 200, 300. This is very crucial to answering the mechanism of neutron production. People have been talking of muon-catalyzed fusion, of fractal fusion, of coherent processes, and so on. So we did a whole lot of studies, and this is given in one of the papers in the BARC report, and we do find that about 80% of the time, the neutron emission is primarily Poisson-distributed in nature. However, 15-20% of the time, we still get bursts of neutrons in which the cell seems to throw out about 1,000 neutrons at a time, so we were very happy to learn that [Howard] Menlove of Los Alamos has also found a similar phenomenon.

These are some of our results. I think the most impressive feature from what I could hear from the reaction of other people is the large number of cells which we have been continuing to get even after the publication of the BARC 1500 report. And in the last two or three months, we have had about six more new cells that are not covered in the report. On the day I left, there was a very beautiful, big burst



Bhabha Atomic Research Center in India. Unaffected by U.S. press lies about the "failure" of cold fusion, Indian scientists were able to repeatedly produce excess heat and tritium in just six months after the Fleischmann-Pons announcement.

in one of our cells. So things are looking up. Of course we don't completely understand what is going on.

EIR: So you have actually been able to reproduce the initial experiment, and continue to get the same kind of results.

Srinivasan: Let us not use the word "reproduce," because we have used a variety of cell configurations. Some of them titanium, some are tubes, some are cubes, and some are rods, and all kinds of things. What the BARC results have shown is that there is nothing unique about any basic cell configuration. There is something more fundamental. Even titanium—we are slowly switching over to titanium. For one thing, titanium is made in India. It is also a thousand times cheaper, per kilogram. I personally feel that if cold fusion is going to have some future, it may be that titanium is the correct metal to switch to. Palladium is *very* expensive, at least for us in India.

Let me come to the second part of the BARC results, and this is the question of gas-phase loading. We have done a number of measurements, and in the most recent measurements we have used the plasma focus device. You remember this from the work of Winston Bostick of the Stevens Institute whose work you have reported in *21st Century* [see *EIR*, Feb. 8, 15, and 22, "The pinch effect revisited," by Dr. Winston Bostick]. Bostick visited us in India many years ago, and I have always admired the consistency with which he has worked. . . .

In the last month we have found some very interesting

autoradiographs using the plasma focus device with titanium as the anode. We got some very *beautiful* autoradiographs! . . . These are very new results. We haven't published them anywhere. I just flashed a few slides at the Utah meeting. . . . I would like to go back and reproduce those results. I have a sneaky feeling that maybe the plasma focus will make it almost reproducible. . . .

EIR: How do you use the plasma focus device with the cell?

Srinivasan: We just replace the central anode with a titanium one [and use the plasma focus to charge it with deuterium]. After about 70 or 80 shots in a small 3 kilojoule plasma focus, we take the anode out, after a few weeks. We have developed the technique of autoradiography as a method of registering the presence of tritium. We get beautiful, spatially resolved pictures.

So after almost a month of charging the anode with deuterium in a plasma focus, we took an autoradiograph, and we got such a beautiful picture that we could even count the k-alpha x-rays coming from it. In fact, we stuck it in an ion chamber and we could measure the current being emitted—pico-amperes of current. I believe we have produced about 10^{16} atoms of tritium, which is "impossible." The 3 kJ plasma focus would produce about 10^7 neutrons per shot, through a hot fusion mechanism, and correspondingly about 10^7 tritium atoms. So, we cannot explain this 10^{16} atoms of tritium on the surface of the anode by any mechanism other than

cold fusion. . . . This is a million times more than what we should expect.

In a sense, we are getting back to the same neutron to tritium ratio again of 10^{-7} , the same as we have seen in the electrolytic cell. But I must admit, these are *very* preliminary results, which I just got the day I left. So I would like to go back and reproduce them and check them once again, as far as the plasma focus is concerned. . . .

EIR: Most people in this country would be amazed to learn of BARC's very positive results and those of other researchers, because the press coverage implies that cold fusion is a mirage.

Srinivasan: I must say how appalled I have been at the way the press has been behaving, at the way people are writing books against cold fusion, so mean. . . . It is an education for me. I am amazed and appalled, I cannot explain it, why people go to this extent. . . .

EIR: It has been amazing to me, even though with fusion over the past 15 years we have seen similar outbursts. . . . Still, it is hard to explain the animus in the press.

Srinivasan: I just have no words for it. I had read a little in India, but I never realized the intensity of it. It goes to the extent of accusing some people of spiking results. . . . It's more than a coincidence, an accident. Somebody up there is trying to make it die.

EIR: Somebody is trying to stop people from doing this kind of research. What was most exciting to me about the work in India is the feeling there that if this worked, it would be wonderful, because we could relatively inexpensively harness this kind of reaction.

Srinivasan: Right now we can only say that the physics seems to have violated a lot of our known view of physics, and to that extent it has opened up a new chapter. So, if not anything else, it is going to widen our perspective on physics. So out of that, I am sure some good will come.

EIR: It is hard to imagine that anyone, before this new chapter is opened, would rip up the book! . . . The dishonesty involved is very upsetting.

Srinivasan: Somebody is moving very fast. It is absolutely amazing. . . .

EIR: Are there any people at BARC working on applications and scale-up?

Srinivasan: No. It is premature. I don't think we should make that mistake. We must understand the physics first, then automatically you will get a number of ideas. The goal at BARC is, let's first understand what is going on.

EIR: In India is there any reaction against cold fusion?

Srinivasan: Even in our own center, where we have some

very distinguished physicists, it usually turns out that the more distinguished the physicist, the more difficult he finds it to accept. I would say, except our chairman, Dr. Iyengar, who has from the beginning stuck his neck out, and taken a gamble even against his reputation to go ahead and firmly support it.

EIR: Well, you are also distinguished, and you have an open mind.

Srinivasan: This is true, I think, I probably have. And I believe it because we have gotten the results personally. I have no way to explain the variety of experiments in which we have been getting results—gas-phase loading, palladium, titanium, plasma, different electrolytic cells—so I had to be convinced of it. There was no other way, because I have personally participated in the measurements. . . .

EIR: The people who are doing this research have the kind of spirit that's necessary in science. It gives a very bad impression to young people in particular, of what science is, when they see scientists saying that something breaks the rules, and therefore it could not be possible. Because that is not the way invention has taken place. I hope that by publishing some of this material that we can begin to turn the situation around here in the United States. . . .

Srinivasan: That's right. When new phenomena are discovered that we cannot understand, we have to accept them and find an explanation.

One remark made at the Utah meeting was very apt: Earthquakes are entirely unpredictable, but they are entirely believable! I thought that was very apt. Cold fusion is the same. It is *very* unpredictable, but just because a thing is unpredictable, you cannot say it is unbelievable.

Today, our scientific understanding is more or less at that point. We cannot reproduce it as of today, but it surely has happened. I think there is a list of 20 countries today which have got good results. You just cannot turn your back on it anymore.

EIR: And yet, I have in front of me the *New York Times* article from today. . . . The lead of the article is, "For believers, the central mystery surrounding cold fusion is what is happening in experiments that have been frustratingly erratic. For skeptics, it is why the field does not die." Then it says, "In the last year, hundreds of scientists have failed to duplicate. . . ."

Srinivasan: It is not the hundreds of scientists who have failed, but the 21 groups that have succeeded that matters. . . . In India at least we are happily shielded from all this, although there are some people who will quote *Nature*. *Nature* publishes the negative results, and we have our own people who will put it up on the notice board, and say "What does Srinivasan mean, when *Nature* says it is negative?" That kind of thing. It is interesting in its own way!

Will Europe choose LaRouche's 'third way'?

by Susan Welsh

Since March 1-3, when the Schiller Institute sponsored a conference in Berlin on the theme of Lyndon LaRouche's proposed Paris-Vienna-Berlin "Productive Triangle" for European development, the issue of an alternative to the failed economics of both Karl Marx and Adam Smith has come under intense debate, particularly in the former communist countries of Eastern Europe. As *EIR* reported in our issue of March 15, over 100 economists and political activists, many of them from the East, participated in that conference, seeking a solution to the economic collapse that is growing worse with every passing day. They signed a declaration endorsing LaRouche's "grand design" for high-technology development in the "Triangle" region, as the cornerstone of a just, new economic order worldwide.

As the participants in that conference returned to their home countries, the spread of LaRouche's "Triangle" and his concept of "the science of Christian economics" intersected a debate launched by Pope John Paul II, on the centennial of Pope Leo XIII's encyclical *Rerum novarum*, over the issue of such a "third way" in economic policy.

The implementation of this program is a matter of the utmost urgency. As Helga Zepp-LaRouche, the founder of the Schiller Institute, emphasized to the conference, the adoption of "free market" economics by the newly liberated countries of Eastern Europe, their acceptance of such evil Western economic advisers as Harvard's Jeffrey Sachs, has created a situation which is not only economically disastrous, but which also heightens the danger of war.

In the Soviet Union, she said, "the lack of actual economic development is the chief reason for the resurgent threat of Stalinist repression. Vitaly Korotich, publisher of *Ogonyok*, one of the Soviet Union's biggest weekly journals, put it this way: 'Last year we spoke optimistically of a Marshall Plan, but this year we speak of martial law.' . . . If we are to preserve peace in Europe, then the development of infrastructure in Germany's new states, in Eastern Europe, and in the Soviet Union, is our indispensable prerequisite."

INSTITUTUL SCHILLER FR
 Serviciul Europa de est
 Nr. 1, Nou. 1990

Еиллеровского-института
 Восточноевропейская служба

SILEROV-INSTITUT
 Servis za Istocnu Evropu

**„Triunghiul productiv”
 Paris-Berlin-Viena
 Locomotiva economiei mondiale**

Integrarea în sistemul economic mondial este o sarcină deosebit de mare și necesită o abordare în perspectivă europeană. Acesta este scopul principal al proiectului „Triunghiul Productiv” Paris-Berlin-Viena, care urmărește să stabilească o cooperare economică între cele trei capitale și să promoveze dezvoltarea economică în regiunile din jurul acestora.

Schiller-Institut
 VEREINIGUNG FÜR STAATSKUNST u. V. Wiesbaden 2. August 1990

**Produktív Háromszög
 Párizs-Berlin-Bécs**
 az európai béke elengedhetetlen előfeltétele

КОНЦЕПЦИЯ ЭКОНОМИЧЕСКОГО ТРИАНГЛА
 „Продуктивный треугольник” — международная программа для мира в Европе

О ПРОБЛЕМАХ ЭКОНОМИЧЕСКОГО ТРИАНГЛА, КОТОРЫЙ СТАНЕТ ДВИГАТЕЛЕМ ВОСТОЧНОЕВРОПЕЙСКОГО РАЗВИТИЯ



**Die Aufgaben
 des „produktiven Dreiecks”
 Paris — Berlin — Wien**

Ein Programm für den Wiederaufbau Gesamteuropas

SCHILLER-INSTITUT u. V.

**emorandum — Evropskim vladama
 „aktivni Trojgao” je neophodni uslov za mir u Evropi**

Ustavno-politički odnosi, koji se odvijaju između „velikih trojke” (Sjedinjenih Država, Britanije i Francuske) i istočnoevropskih zemalja, su ključni za mir i stabilnost u Evropi. Ovo memorandum istražuje mogućnosti za jačanje ekonomske saradnje između Pariza, Berlina i Beča, koje bi mogle postati „lokomotiva” ekonomije u istočnoj Evropi.

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SYMPOZJUM

Praceko polityce rabunkowej i fischerkiej

**POLITYKA WZROSTU
 SZANSĄ DLA POLSKI I CYWILIZACJI**

PONIEDZIAEK 17 WRZEŚNIA 1990
 Godz. 10-15
 SALA KONFERENCYJNA STOKIŃSKI GDAŃSKIEJ

*Lyndon LaRouche's
 program for a
 "Productive Triangle"
 of European
 development has been
 translated into the
 principal Eastern
 European languages,
 including Russian, and
 is circulating widely.*

In the *Feature* package that follows, based on speeches from the Berlin conference, you will see how this message, and the issue of freedom for Eastern Europe, was elaborated and debated by the participants.

Freedom and economic morality

The growing interest in LaRouche's program can be gauged from the attack launched against it by Czechoslovakia's leading monetarist enforcer, Finance Minister Vaclav Klaus, in a speech to the Institute of Economic Affairs in London on March 25. "We are sticking to the full-fledged free market economy," he said, denouncing "third way notions" which he attempted to misidentify with "market socialism" and even with Soviet perestroika.

The advocates of perestroika, Klaus charged, "want to organize sophisticated government programs, build infrastructure and dominant industries, pick winners and losers, ask for massive Western financial assistance (and especially distribute it), help firms in distress, dictate prices, interest rates and exchange rates. . . . Simply, they want to centrally plan." But since perestroika is already a dead letter in Moscow, and no one is proposing it for Czechoslovakia, it is apparent that the "third way" of LaRouche is what is actually being criticized here.

Klaus is under growing domestic pressure because of the failure of his policies. Czechoslovakia's President Vaclav Havel sent greetings to the Schiller Institute's conference, and representatives of ministries other than Klaus's attended

it. Prime Minister Marian Calfa told Parliament on March 27 that the nation's GNP fell by 5.8% in the first two months of the year; production in the construction industry fell 33%; exports to the Soviet Union are running at half the level of last year; and unemployment, which was almost nil a year ago, is expected to reach 7% by the end of the year.

In each of the countries of Eastern Europe, the situation is comparable:

In eastern Germany, production figures have sunk below 1929 levels, to less than 50% of what they were before the collapse of the communist system.

In Hungary, the free marketeers are going with a "tourism-based economy," legalizing casino gambling.

In Poland, the government of Lech Walesa is bending over backwards to implement the austerity policies demanded by Jeffrey Sachs and the International Monetary Fund, with the result that living standards have fallen by 30%.

Lyndon LaRouche, in a comment on April 2, issued a warning to the leaders of Poland: "As long as Walesa et al. continue to fail to realize that the enemy is this Anglo-American 'structures of sin,' which they have decided to embrace, they will lose Poland, either to reconquest by Moscow, or something like that, or to chaos. The morality of freedom is not something you can counterpose to economic morality. Without economic morality, support for the morality of freedom will turn out, in the end, to be an empty gesture. You cannot support the economics of slavery, and be fighting for political freedom at the same time."

Neither Karl Marx nor Adam Smith: principles for a new economic miracle

by Dr. Jonathan Tennenbaum

Dr. Tennenbaum is European director of the Fusion Energy Forum and leads the working group which elaborated Lyndon LaRouche's concept of the "Productive Triangle." This speech was presented at the Schiller Institute's March 1-3 conference in Berlin. EIR translated it from the German.

With the end of the division of continental Europe, a coherent economic region has originated of over a half a billion people. Here we find the greatest concentration of industry, qualified labor, and infrastructure in the entire world. Here an economic potential lies at hand, which by far surpasses that of the United States and Japan combined.

If by means of an appropriate economic policy, it were possible to mobilize this fabulous potential in Europe, the resulting economic miracle should have extraordinary, positive effects on the whole world. In Europe itself, the edge would be taken off the dangerous social and political conflicts in the East, which at the moment appear to feed primarily upon the seemingly inexorable economic misery. Europe should become, for the billions of people in the developing countries who have to fight in forced poverty and backwardness for their mere existence, a star of hope. From the Soviet Union to the Far East, from the anguished Middle East to Africa and Ibero-America, the vast majority of countries would diligently seek occasion to join in somehow, with this new European-led economic miracle.

A new economic miracle in Europe, in which the Third World might have a part, should also have an urgently necessary and wholesome effect upon the U.S.A.—a country which finds itself in the middle of the worst economic crisis of its history, and hence has little else to offer the world but naked force and its weaponry. Instead of engaging in "flight forward" military adventures, America should be stimulated to look its domestic problems in the eye and resolve them.

Instead of the cacophony of today's world events, a new more optimistic note should gradually begin to resound. Thus might a new joint-European economic miracle contribute decisively in realizing a *pax in progressio et concordantia* [peace in progress and harmony]. Now there is already in existence, an elaborated economic policy which, were it adopted by the leading governments of Europe, would surely

lead to an unprecedented economic boom in all of Europe, including the Soviet Union.

Rail-centered infrastructure investment

At the center of this program lies the forced-march buildup of basic infrastructure, including the setting up of a European high-speed rail network for passenger traffic and computer-guided freight transport. The second important aspect is the modernization of energy production with its center of gravity around "second generation" nuclear technology for production of electricity, remote heating, and industrial process heat. The program would also include the renovation of the waterway system and the buildup of a modern communications net. From the standpoint of economic geography, the new European region should be organized in such a way that with the least investment, the greatest increase of productivity, and with that production of material wealth, would be reached.

To this infrastructure plan, there also pertains a catalogue of political-economic measures which are to be carried out on a national and European-wide scale. I should like here to discuss these measures in their basic features. It is above all a matter of a reform of credit and financial policy, as well as tax, tariff, and pricing policy. These measures are necessary, in part, to finance the infrastructure plan, to put into motion the necessary productive capacities, and as a general foundation of the new "economic miracle" which shall be unleashed by the increase of productivity that results from the building of infrastructure. It is not a question here of a full legislative package worked out to the last detail, rather it is a question of basic principles. The details will naturally look a little different in each country, and there are sufficient qualified tradesmen who might take up this task, once the rough outlines are given.

Now, since the end of 1989, the basic concept of such a policy, which originated with the American economist Lyndon LaRouche, has been available to the public. A detailed elaboration was published by *EIR* in an August 1990 report: "The Paris-Berlin-Vienna Productive Triangle—A European Economic Miracle as Engine for the World Economy." This study was presented and discussed thoroughly in numerous

conferences, presentations, and seminars. I have never found anyone who seriously doubted that the proposed program would lead to the promised economic miracle, and no one has made a better proposal.

Yet we have a problem: The policy of the "Productive Triangle" has, as of today, *not* been taken up by the current governments *nor* carried out—if you ignore a few weak signals from here and there. This neglect has serious consequences. The promising perspectives with which the reunification of Germany and the democratic reforms in Central and Eastern Europe first showed themselves, are threatening to be transformed into a horrible fiasco.

A part of the problem lies in the fact that the fundamental principles upon which the realization of the Productive Triangle are based, have not yet been understood. Not the least is the question of financing. Around this question, the shrieking is getting louder and louder. And besides, it is a political problem. Will we build up our infrastructure or not? If it is truly our *will* to do this—that is, if governments *will* to do this—then we will also find a way to finance it. To that end, there does exist a national-economic set of tools, which I will come to.

First, we must choose the approach of "physical economy." We think of political-economy as one vast, single enterprise, one single production process. We ask, how best can we conceive and organize this process, as a physical process that creates useful goods? Then we look at the financial "superstructure," and organize it such that it is best for realizing the necessary physical process.

Immediately, another hue and cry is raised: "You cannot think that way, that is planned economy!" Nonsense, that is competent economic *policy*, as it pertains to statecraft.

Economic policy is something like riding a horse. The state must give the general *direction*; but it were imbecilic to prescribe to the horse the movement of each muscle and sinew, as occurs in planned economies. The horse is the one which must do the walking.

It is thus possible, without falling into the errors of a planned economy, to give a general direction to investment activity. One follows the principle of task orientation. All we need is competent entrepreneurs, capable of making sovereign decisions, and we say to them: "Ladies and gentlemen, we wish to set into motion an economic boom in the productive sector. To that effect, we will set up credit and tax policy in such a way, that there will be, particularly in specific critical areas, extremely favorable conditions. And by certain state investments, above all in large infrastructure projects, we will enormously drive up *demand* for capital goods. Please organize your capacities accordingly. We will ensure cheap, long-term credit. Now, get to work!"

Economic policy and statecraft

Now I should like to take up the question of the so-called economic systems. It were better to speak of economic

methods, since giving form to economic relationships in a society is a question of *statecraft*. It is absurd to ascribe to the economy any kind of independent existence or authority, as the so-called experts do today, when, in the name of some purportedly sacred principles of economy, they carry out measures which ruin entire nations. No, economic policy is part of statecraft. First and foremost, it has the task of laying the physical foundations for the existence and well-being of the population over the long term. If an economic policy does not fulfill this task, it belongs in the garbage, no matter what ideological coloring it has or how many Nobel Prize-winners might swear by it.

There are, from an historical standpoint, essentially two main directions to economic policy, which stand in sharpest opposition to each other. Friedrich List, in the nineteenth century, called these two systems the "American System" and the "British System." List had in mind the sharp conflict between the Founding Fathers of the United States (Benjamin Franklin, Alexander Hamilton) and the ideologues of the British East India Company (the leading institution of the British Empire), chief among them Lord Shelburne and Adam Smith.

Today, it is difficult to discuss economic systems, above all because for the last 20 years, the U.S.A. has completely abandoned the erstwhile "American System," and today fanatically defends the "British System." Add to that the complication, that the vast majority of professional economists today no longer know anything about the American System. Thus it comes about that most so-called "economic experts," who visit the former CMEA [East bloc trading group] countries as economic advisers, preach nothing other than the British System. And that is very bad, since the British System, everywhere it is practiced, has as a consequence only looting, poverty, and terrible crises. That has been thoroughly documented and proven by List, Mathew and Henry Carey, and others.

The American System in essence looks back to the work of Gottfried Wilhelm Leibniz, upon his decisive improvement on the principles of Colbert and the so-called "cameralist science" in Germany. At its core we find the relationship between scientific and technological progress on the one hand, and the increase of the productivity of labor ("development of productive labor") on the other.

Legalized theft

The British System is often denoted as "free trade," and is today pawned off under the name "free market economics." Here I cannot go into all the details of the British System. Its essential core, however, we can quite easily characterize as *legalized theft*.

For example, let us look at the spectacle in the U.S.A. for the last few years of the so-called "junk bonds" and "leveraged buyouts." Speculative paper reached unheard of volumes: billions of dollars at a time. Recently, the American



Chris Lewis

The "free market" comes to eastern Germany: Street vendors sell military paraphernalia of the former East German People's Army, in front of Berlin's Brandenburg Gate.

Nobel Prize-winner and financial economist Merton denoted junk bonds as "investments to be preferred," with which one could easily cash in profits of 140-200% per year. One asks, where does such wealth come from? Since the American economy, even according to official figures, is shrinking, no one can make gains without many other people losing thereby. As for the losers, they are now standing on the street-corners.

One must relegate Karl Marx unequivocally to the British System. That is indeed a great secret, but I think that in the countries formerly part of the CMEA, people have gradually gotten a certain sense of this connection. The so-called "free market economy" is as much an ideology as is Marxism. Instead of the right party book as in the East, here in the West, the right credit card opens the door to the world of the privileged; you "have it made" with American Express.

The "social market economy" of Germany is a tangled mishmash of both systems, upon which, on the positive side, Christian social doctrine has had a significant influence. Even

though the West German economy, in comparison to the U.S.A. and many other countries, seems to stand out brilliantly, this is not thanks to the "social market economy," but rather, and much more, to the enduring influence of the classical tradition of Listian economics. Unfortunately, in practice, the West German economy is losing the tradition of List, as also the tradition of Christian social doctrine, while the influence of the British System is steadily increasing.

Precisely because of the confusion of the concept and the practice of the "social market economy" in Germany, it is, in our view, not an adequate model for the former CMEA countries. We should reach back to the uncounterfeited basic principles of the Listian or the American System, in their best historical form. And we can add to them the decisive improvements to the classical system, which correspond to the demands of modern times, made by LaRouche.

Principles of the Listian system

1) The only source of social wealth is the development of mankind's capacity for creative thought, hence the perfection of the *spirit* of man.

2) Natural resources, in and of themselves, are not wealth, for without the corresponding technology we have no way of using them. Without nuclear technology, uranium is a useless rock.

3) Wealth, however, does not lie in technology *in itself* without human labor, for technology *must progress* if society shall not go under. If we attempt in the long run to remain fixed at one technological level, in the process we gradually exhaust the resources which make the relevant technology usable. Then we must either invent new technologies, to open up new resources, or society will collapse.

4) New technology, technological progress, arises not only because man is capable of scientific discovery, but also because man in society, the laborer and the technician, is in a position to assimilate scientific and technological breakthroughs and apply them.

However, are discoveries and inventions casual events? Many people believe this, but on closer examination we can see that important discoveries in the history of science and technology are always found to be premised upon a specific *method* of creative thinking. This method of thinking belongs to culture; it is a way of thinking peculiar to the culture, which is transmitted from teacher to student, from generation to generation. This process we see in particular in the "Golden Ages," such as the Renaissance or the example of the "Göttingen School" of Germany's great scientific tradition in the nineteenth century.

The goal of statecraft

The condition of society, which we must strive for as the goal of statecraft, is thus a condition of continuous progress—one discovery after another, a continuous flood of admirable inventions, which gradually spread into all areas of

the economy and surround everyone with an atmosphere of creative joy. Thus, the worker in the factory will find joy in his work, since he is constantly dealing with new, interesting technologies, and not with the eternal repetition of the same routine.

Such a society must also allow for individual initiative to a high degree. The individual must have available to himself or herself enough freedom of action and decision to get an overview of cause and effect, about which he or she will make sovereign decisions. Hence the necessity for private property and private enterprise.

Above all, a strong, productive *Mittelstand* [small and medium-sized industries] is at the core of the Leibniz-List principle: capital-intensive family businesses in agriculture, high-technology firms in machine tools, repair shops, etc. That was always the basis for the high productivity of the West German economy.

We also need large industries for mass-producing certain goods, energy production, etc., and also for integrating the complex division of labor involved in aeronautics and aerospace. Thus there exists an appropriate and harmonious relationship between large and medium-sized business, which is to be striven for by a competent economic policy.

Achieving this is the goal of the Listian or the "American System." It consists of this: to lead economic activity in a productive direction, with the help of the sovereign might of the state and an arsenal of measures such as credit, tax, tariff, and pricing policy.

It is not sufficient to "encourage" productive investments. The state must also protect the entrepreneur, and above all the productive sector, from the economic "beasts of prey." For who but the state is up to the task of containing the influence of the large cartels, private financiers, speculators, and foreign influence in the economy? Deprived of a sovereign economic policy, a nation has no chance of escaping the manipulation coming from such internal and external centers of power.

We now wish to briefly sketch the basic features of such national economic measures which are urgently necessary for the states of Eastern Europe. For these countries, the cited measures are a question of life and death, and it were very much to be wished that not only these countries, but all those of Europe would start thinking along the lines of these principles.

The first priority is to develop one's own national economy, production, and internal market. This has unquestioned priority over the repayment of debt, and also over the increase of exports.

The highest priority is the development of the productive sector of the economy, that is, agriculture, industry, infrastructure, and construction.

That means first of all, that the sphere of production, consumption, and investment *within* the national economy is to be intensified as much as possible, in a rising spiral of

growth and technological progress. This is one of List's important principles.

The role of tariffs

In order to achieve this, it is important, above all in the first phase, to maintain the existing trade barriers. In other words, no free trade! Without a certain degree of protectionism, no economy can develop. What free trade means, particularly for a developing economy, is certain destruction.

Domestic producers who are in any way working well, must be protected against cheap imports. Above all, the unnecessary import of consumer goods must be controlled by tariff barriers. Imported consumer goods should be made relatively expensive, as against modern durable producer goods which are not produced domestically, which, however, are urgently necessary for the modernizing of the productive sector, and which must therefore be broadly toll-free. These measures, taken to prevent uncontrollable importation of consumer goods and to make possible the development of domestic production, are valid above all for the former satellite countries, but also for the developing sector nations as well.

After the example of the "growth tariffs" of Friedrich List, the tariffs should be gradually phased out as domestic industry develops. Hence, the producers will in the beginning be generously protected, but only temporarily. Permanent backwardness will not be accepted; rather, protection is given on condition that the producing concern use the maneuvering room thus gained for investing in advanced technologies. This was precisely the way in which Germany in the nineteenth century protected its industry against cheap British imports, and eventually became the world leader.

Dirigist tax and credit policy

The development of the internal market shall be guided by a dirigistic tax and credit policy, which favors to the highest degree investment in the productive sector. This is one of the central points of the Listian or the American System. This played the decisive role in the so-called economic miracle in West Germany in the 1950s and '60s. This kind of dirigism has nothing to do with planned economy; it means only, that the state takes the responsibility for the general *direction* of the economy.

Through a sensible organization of tax laws, the following situation must be achieved: The person who wants to invest his or her income or savings in the buildup and modernization of infrastructure, agriculture, or industry, shall pay little or no tax on the income from this investment. This can be achieved by special write-off policies. Whoever, on the other hand, uses his profit only to put it in his pocket, or uses it for his own consumption, pays normal taxes—where, however, naturally, families with children will be favored. Whoever uses his profit for pure speculation, pornography, video game arcades, or sets up similar unnecessary or harm-

ful enterprises, he must pay very high taxes—a principle which is also known as “negative tolerance.”

Credit and financial policy is to be conceived similarly. There must be created sufficient long-term credit at low interest rates, with which the full labor potential of the nation can be unfolded, and long-term investments, for example in fundamental infrastructure, made possible. That is only possible when effective interest rates are 4-5% or less.

The problem is that the interest rates on the free capital market are much higher, especially when there is much speculation going on, as is the case in the capital markets today. Hence, one must establish a two-track system: The state will provide cheap credit for investment in certain categories for improving the productive sector; for all other investments, including in the service sector, people will have to pay the normal interest rates of the capital markets or those of the private banks, even where they are financed out of savings.

Hamiltonian credit creation

The best method of state credit creation goes back to Alexander Hamilton, Treasury secretary of the young United States from 1789-94, who founded the first Bank of the United States. Similar methods were from time to time practiced in other countries, for example in France under Charles de Gaulle. The Hamiltonian method is based upon the capacity of the state, through the issuing of bank notes—paper money—to create new credit. This can lead to good results, but also to bad ones, depending upon *how* the newly produced money is brought into the economy.

If a state prints unlimited amounts of paper money in order to pay current costs, it damages the value of the money and creates a massive inflation. The same happens when a national bank increases the mass of paper money according to the principle of Keynesian multipliers, as a way of financing a cancerously swollen fictitious paper value in a financial system or capital market gone out of control. If, however, the newly produced money is spent such that the production of new material wealth is increased, then the opposite can take effect. If we are careful that each deutschemark, each [Hungarian] forint, or [Polish] zloty, which is added to the mass in circulation, increases the real material production in equal proportion, or even more, then we have preserved the worth of the currency, or even increased it.

That is the secret of so-called Hamiltonian credit creation. The national bank increases the bank notes in existence, but they are rigorously bestowed for specific categories of productive investment in the form of credit with low interest rates. This happens either through direct state credit (for example, in a railway company for increasing the rail network, railway yards, etc.) or through participation in credits which are granted by private banks. Through such participation, “mixed” credits arise which are favorable to all parties: The banker gets his normal interest and a continu-

ously increasing field of activity through secure, productive investments. The borrower enjoys the low interest rates, which are the result of the national bank granting a part of its credit at very low interest. And the nation profits by the fact that the total mass of investment in the productive sector is continuously increased by the participation of the private banks.

The decisive thing is that the use of the money be strictly supervised. If, for example, a building contractor gets credit with state participation, then he must draw checks only for the payment of certain goods and services which are connected to the cited projects. Thus, the mass of added money which flows into the economy is governed by the demand for credit for new, modernized or expanded production capacity.

With this method, in the young U.S.A., which after the War of Independence was still very much in debt, Hamilton set into motion an economic boom. The Hamiltonian method is especially appropriate where unused or underused productive capacities and manpower exists, which can be put into motion by new credit provisions. This applies especially to the former socialist countries of Eastern Europe and the new German states. One must only ensure that the technological level—and therewith the general productivity—grow fast enough, in order to create an appropriate growth of material wealth. In this way, Hamiltonian credit creation is *deflationary*.

A similar method is valid for direct state investment, for example in basic infrastructure such as city building, road construction, waterworks, etc. Here the investments will be “paid back” by increased tax revenues under the assumption that the projects lead to a corresponding growth of the economy in general.

Debt reorganization

The principles of Hamiltonian credit creation shall also be carried through on the scale of Europe as a whole, in that the European Monetary Fund (EMF) will be correspondingly further developed. A central institution were necessary, in order to coordinate this credit creation with national banks. LaRouche proposed precisely this within the framework of the Productive Triangle and in the context of a reconstruction program for the former CMEA states. With the help of such an institution, the financing of new infrastructure could be organized in an especially favorable way.

In this connection, there also exist favorable conditions for solving the debt problem of the overly indebted countries in Central and Eastern Europe. By the procedure through which Hamilton made the debt-laden young U.S.A. credit-worthy, one might today proceed in the following way. The indebted countries “pay” their lenders with new certificates or low-interest notes which are rediscounted by the cited central institution, of course with a substantial discount. The sums will only be granted for investment in specific productive concerns.

Parity price

I should like in closing to mention a last aspect of the classical system: pricing policy. The unhindered access to all possible goods and services through a functioning market is an essential premise for the development of the productive powers of a nation. But an entirely free, unregulated market can also be dangerous—like a wild beast, which gets out of control. Above all, what must be prevented is, that by accident, or deliberate manipulation by speculators, the productive basis of the economy be damaged. Above all, the sale of important goods for any length of time at costs lower than production, must not be permitted.

For example, today, through the manipulation of the American food cartels, wheat prices are held artificially low, with the result that millions of farmers throughout the world are going bankrupt. This is only possible because the American government has given up its traditional policy. In the past, the principle upheld was the “parity price,” according to which the state should see to it that the prices which were received by the farmer for most important foodstuffs would at least cover production costs and a reasonable income for the farmer and his family. Hence, prices are supported by the state, in case of low prices, itself buying a part of production. The joint agricultural policy of the European Community based itself originally upon a similar principle, and that was the reason for such a dramatic rise in agricultural productivity in Western Europe after the Second World War.

Another example: Up until 10 years ago, the tariffs for many kinds of transportation in the U.S.A., including passenger flight, were regulated by the state, and again according to the principle of parity price. That is how low, but also how excessively high prices were avoided. There was thus not a fully free market, which so many people in America today are preaching.

When the formerly socialist countries get rid of the fictitious prices of the old system, that does not have to lead to arbitrary price fluctuation. The state has a responsibility to ensure that the fluctuation of prices of the most important goods and services remain within reasonable bounds.

That gives a sample of the classical economic system. We should like to underscore, that the revival of this system is tied inextricably to LaRouche’s concept of the Productive Triangle. Thus did List, in his time, speak of “Siamese twins”: his customs union and his plan for a German railway system. At that time, as today, everything depends on whether we set a process into motion which drives ahead with the necessary speed the development of productive powers, with a resulting increase of the intellectual capacity of the population.

Provided that the countries of Europe direct their internal economic policy according to the fundamental principles of List or the American System, the buildup of infrastructure will, in correspondence with the program for the Productive Triangle, lead to an economic miracle.

Conference Report

Upheaval in former communist bloc

by Gabriele Liebig and Rosa Tennenbaum

Among the high points of the Berlin conference of the Schiller Institute on “Infrastructure for a Free Europe” were the panel discussions in which representatives from Eastern Europe and the Soviet Union reported on the political and economic situation, discussed reform and the perspective for the “Productive Triangle” in their countries, and debated how to solve the crisis in East European agriculture.

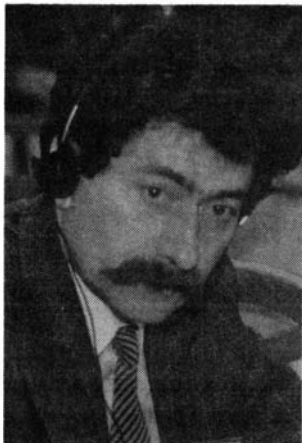
Eastern Europe at a crossroads

The panelists from Hungary, Czechoslovakia, Croatia, and Poland reported on the process of reconstruction and privatization in the no-man’s land between the still existing communist power structures and the destructive onslaught of Western financial institutions. Between the representatives of Lithuania, Latvia, and Armenia on the one side, and a former Soviet diplomat on the other, quite a sharp debate broke out over the independence struggle of the Baltic states and the factional battle in the Russian Federation itself.

Prof. Alfredas Smaylis, cardiologist and member of the presidium of the Lithuanian independence movement Sajudis, spoke first. “Of all European states, only the Baltic states are still imprisoned in a Soviet gulag,” he said, appealing to Germany to support the independence of the Lithuanians.

Visvaldis Brinkmanis, acting chairman of the Latvian Citizens’ Congress, warned that billions of German marks in credits and contributions to the Soviet Union may simply “breathe new life” into the Soviet empire. He also expressed great skepticism as to whether the Soviets should even be allowed to stay in the “common European house.” Concerning privatization in Latvia, Brinkmanis recalled the argument that all large firms are the property of the Soviet Union. In truth, he said, the only thing that belongs to the Soviets in Latvia is “the building of the former Soviet Embassy.” The property of Latvia must be “protected not only against the reach of the Soviet ruble from Russia, but also against the drug dollars from the West,” Brinkmanis said.

Mechak Gabrielian, deputy of the National Independence Party in the Armenian Parliament, spoke next, on the topic of the “slave’s fate of the Armenian enclave Nagorno-Karabakh,” which, he said, serves as a “testing ground for Soviet military technology” and “suffers worse than Afghani-



Zoltan Bogardi, Hungary



Dr. Frantisek Jirsa,
Czechoslovakia



Mechak Gabrielian, Armenia



Visvaldis Brinkmanis, Latvia

stan under the Soviet occupation.”

Then **Prof. Viktor Beletsky** from Moscow, who heads the Sovintercontact-Agroservice organization, took the floor. His organization promotes the development of private farming in Russia. Until three years ago, he was the Soviet ambassador to the Netherlands. Beletsky said it would be wrong to create the impression that Moscow and the Russian Federation simply have a unified political line. Many people in Russia have come out for a multi-party system, and a sharp fight exists between Boris Yeltsin and Mikhail Gorbachov, Professor Beletsky said. Because of this, he warned against “shutting the Soviet Union out of the ‘common European house.’” “A giant catastrophe would then threaten, and no one needs a civil war,” he said. Finally, Beletsky turned to the representatives from Lithuania and Latvia, and challenged them not to try to achieve their independence “too rapidly.” Professor Smaylis retorted that the Baltic states don’t need to achieve their independence, since they had declared it long ago. But Professor Beletsky was right, Smaylis said, in making a distinction between the position of Yeltsin and the attitude of the Soviet regime.

At this point, **Helga Zepp-LaRouche**, president of the Schiller Institute in Germany, interjected herself into the discussion and steered it back toward the central question of the conference, namely, how the European-wide development program of the Productive Triangle could be realized. “If we do not succeed,” she emphasized, “the future will be even worse than the past.”

Marijan Kostrencic, from the Foreign Ministry of the Croatian Republic, then explained the changes in Croatian law regarding privatization. He directed criticism at the “large transnational financial institutions,” which have no appreciation of the division of Yugoslavia, because “they fear they will not be repaid their foreign debts.” And he appealed to Europeans not to pass up the “chance of the millennium to create a strong and stable Europe,” because

procrastinating on the reconstruction of the Balkans could “by itself endanger the peace in Europe.”

Dr. Frantisek Jirsa from Prague, secretary for economic policy of the Christian Democratic Party of Czechoslovakia, said that Czechoslovakia was formerly the second most developed nation of Europe after England, but in 1945, unfortunately, it “ended up on the wrong side of the Iron Curtain. Today more than half of the industry in Czechoslovakia is hopelessly outmoded,” Dr. Jirsa said. He also sharply criticized the International Monetary Fund. Czechoslovakia was extended an IMF credit, and in exchange had to undertake a horrendous monetary devaluation, he said.

Marian Miklasz, who represents the Justice Ministry in Warsaw in relations with international organizations, said that Poles have treated the word “privatization” as a “magic word” and as a cure-all for a year now, and thereby have given themselves over to a self-deception. Much more essential than privatization, Miklasz said, is to increase the production of goods and to enhance the moral strength of the population. Therefore the “development triangle” is the right program, he said, because it is a plan for the “generalized creative trade among all Europeans” and would restore the importance of Europe’s cultural values. Poland could play a material role in this European Productive Triangle, he said.

Agriculture: the battle over privatization

At the panel on agriculture, the high point was the reports from numerous countries of Central and Eastern Europe on the issue of privatization, and what to do with the huge, mis-managed collective farms, the legacy of the communist era.

Dr. Gejza Blaas of the Slovak Agriculture Ministry in Bratislava, Czechoslovakia, portrayed the difficulties his

country is undergoing. He described as catastrophic, the effects of the economic reform that was introduced on Jan. 1. The first condition of the International Monetary Fund was that subsidies for agriculture had to be eliminated. They have now been reduced by half, and by next January they are supposed to be eliminated altogether. The direct result was that consumer prices rose by 60%. Prices for meat, butter, and milk shot up by 150-300%, and consumption fell by 30%. Interest rates rose to 24%, and the currency, the krone, was devalued twice. Average production costs tripled, leaving many enterprises insolvent.

Dr. Josef Alvincz of the Institute for Agrarian Economy in Budapest reported on the sharp disagreements in Hungary over the question of reprivatization or privatization of collectivized property. On one side is the Small Farmers Party, which demands that the property relations that existed in 1948, before the communist takeover, be reinstated. On the other side is the Democratic Forum, which wants only a moderate degree of privatization and strictly opposes reprivatization.

Zoltan Bogardi, representative of the Democratic Forum and head of the agriculture commission in the Hungarian Parliament, put forward the point of view of his party, which

plans only to return property to its former owners if they are still listed in the land registers. Other owners will receive coupons which they can use to buy a building or another piece of land or stock.

Prof. Viktor Beletsky, whose intervention during the panel on Eastern Europe was reported above, talked about the formidable problems confronting the Russian Federation. Russia is living through the most difficult political and economic-social crisis in its history, he said; what it needs is the rule of law, with a multi-party system and the introduction of market economy, including privatization of agriculture.

There cannot be a return to Stalinism, said Beletsky. Over 40 million people are already employed by private companies and joint ventures; this is not enough, but it is at least a beginning. In the Russian Federation there are now 11,000 private farms, and without privatization of agriculture, he is convinced that the economic and social problems will never be solved.

The Russian Federation has adopted a project whereby private farms will be built in a ring around the big cities, and will provide the cities with food, said Beletsky. An important task at hand is to change production from military goods to

'We must not let this opportunity pass us by'

From the speech by Dr. Tibor Kovats, co-founder and leading member of the Association of Hungarian Political Prisoners.

Our association organized its first symposium in Budapest with the Schiller Institute on Feb. 18, to find out about its economic policy, the program of the "Productive Triangle," which is a comprehensive program for reconstruction of the whole of Europe, and to popularize this concept among Hungarian progressive thinkers—statesmen, writers, journalists, etc.

Our association is not a party, but an independent organization which represents the interests of former Hungarian political prisoners. Since we see very clearly that our true rehabilitation can only be achieved if the mechanism of the state is economically stable, we therefore must find out what kind of economic program can help to achieve that.

We know our problems and also the difficulties confronted by our state, particularly as concerns Hungary's economy. But we also know that an all-European program can give us and the other former "East bloc countries" a

new force for development. We cannot let this opportunity pass us by. . . .

Your indefatigable labors—particularly on the part of your president, Mrs. Helga Zepp-LaRouche, and the economic staff members—is the best guarantee for us, that these problems can be solved. The "Productive Triangle" as "the economic and political basis for the construction of Europe," as "the infrastructure and lifeline of the European economy," as well as "the central role of railroad transport" and "the expansion of European waterways"—these conceptual foundations of economic policy are, with you, in good heads and good hands!

So, too, has LaRouche's evaluation of the development of the world economy as a whole been proven correct. He rightly condemned the economic policy of the International Monetary Fund and the World Bank, and demanded a reform of the world monetary system and a new world economic order, which would enable every man to enjoy the benefits of economic and technological progress.

There is a quotation from Schiller in 1799 which I think is most appropriate to this work, a quotation which nearly all of us know and which sounds like a hymn to the joy of labor: "*Von der Stirne heiß, rinnen muß der Schweiß, soll das Werk den Meister loben, doch der Segen kommt von oben.*" ["From the heated brow, the sweat must flow, if the work is to bring praise to the master; but the blessing comes from above."]

agricultural machinery. He promoted his favorite project: the training of Russian apprentices in Western countries. Apprentices are already being sent to Denmark, Holland, and Germany, but there are too few and the process takes too long. Still, the project is very successful, he said. His company has 2,000 contracts from students who want to learn through an apprenticeship in a Western industrialized country.

Marian Miklasz, liaison for international relations in the Polish Justice Ministry, worked for 10 years at the Land Technical Institute, and knows the problems of Polish agriculture from the inside. Totalitarianism destroyed the culture of farming. Medium-sized enterprises—the *Mittelstand*—were wiped out. But a sort of “resistance democracy” developed, which made it impossible for the communists to collectivize agriculture. Only about 5% of the land and property was owned by the state, and therefore the collapse of communism was as good as certain.

Now, he stressed, Poland’s agriculture needs stability.

The most important demand that Miklasz formulated was the rebuilding of farming culture, through a healthy agriculture policy, the building of middle-sized family farms, and cheap credits for farmers. It is the farmers who have particularly opposed the austerity policy of the government, he reported.

Herbert Grothe, a farmer from Marwitz in eastern Germany, said that change in the former German Democratic Republic has been very slight. The state-run collective farms, the LPGs, are at the point of collapse, such that the cattle are being sold at rock-bottom prices. The managers who got their jobs because of their association with the communists still have their full rights, which they got from the bureaucracy—the old “cement heads.”

Fritz Tietz, a farmer from Zehlendorf in eastern Germany and district chairman of the German Agriculture Association, demanded the return of property to its former owners, “without any ifs or buts.” “With bitterness,” he concluded, we have to realize that today, even in the government in Bonn, they are not trying to improve the situation.

Hungary debates how to end communist system

From the speech by Rudolf Szauter, licensed engineer, member of Parliament, Hungarian Democratic Forum (MDF).

Since the beginning of last May, we have passed 64 laws, including constitutional laws, whereas, by comparison, in the democratic countries, four to six are passed per year. We began with the Constitution itself. The communist government had left us with a Constitution with which Hungary could not be governed at all. For example, laws could only be passed by a majority of 67%. So we had to adopt a self-governing law and a budgetary law, in order to make it possible to rule the country at all.

Another very important law was that on privatization, which said for the first time that we are not *reprivatizing*, but *privatizing*. Let me explain: Nobody wants to trade the old injustices for new ones. But that is not the real problem; we would like to get Hungary out of its frightful economic crisis. And for that, we need a functioning economy. We would like to place all the means of production, tools, all enterprises, in the hands of those who can yield the highest productivity and the highest profit. What good does it do the poor former property owner, if he is ruined along with the rest of the country?

The former owner must be compensated. The law

governing compensation is now before us, and we are having a big debate about it in our democratic Parliament. We are for compensation by degrees. Hungary is in a frightful economic situation. We have \$21 billion in foreign debts and an equal amount in domestic debt and empty insurance funds. But yet we want to pay compensation; we must do so.

A law has already been drafted, governing the investments of foreigners in Hungary. Naturally we expect foreign investors, but we would also like to have the prospect of abundant ownership by Hungarian citizens, for if everything were bought up from abroad, then Hungary would remain just as poor as the Latin American states. Therefore we have set up an institution which we call “existence credit.” With the help of this institution, Hungarian citizens can get up to 50 million forints [\$630,000] on quite favorable terms. With that, one can start up a business, or buy a small state company. We would like to reduce state ownership to 30% in the next five years.

As for compensation and privatization, unfortunately we cannot follow the German example. Let me tell you a story about a discussion that our prime minister, Jozsef Antall, had with his Soviet partners. They were demanding from us a couple of billion deutschmarks to build housing for their officers, when they are withdrawn from Hungary. Mr. Antall told the Soviets that they unfortunately are out of luck. Why? Because they had occupied all of Hungary, and not only eastern Hungary, so now there is no West Hungary and no west forint. Therefore, we don’t have a thing to give you, since we ourselves are so poor. . . .

Agrarian reform in Eastern Europe

by Rosa Tennenbaum

Mrs. Tennenbaum is a leader of the Schiller Institute's European Agricultural Commission. The following are excerpts from her speech to the Berlin conference.

The question of agriculture has internationally reached a point of decision. Where shall agriculture worldwide go from this point? Shall we in the developed Western countries allow a further decline in our capacity to feed ourselves, and hence leave it to the developing countries and the newly formed states in Central and Eastern Europe, to broadly take over responsibility for feeding the developed world? What should that mean for the developing nations and the Eastern European states?

How these questions are answered will be a question of decisive significance for the future of us all. The same is true for the reforms which are now being carried out in Eastern Europe. These innovations have a significance that goes far beyond Europe per se. The reforms in agriculture, and particularly the question of ownership, will be decisive. . . .

The structure of agriculture is characterized by three factors: the relations of ownership, the way in which the farm is run, and the relation of labor to the land, i.e., the form of payment made for labor provided. In all three of these domains, relations are fundamentally different, depending on whether agriculture is organized as market- or socialist-oriented.

In the Western industrial countries there exist very substantial farms derided by the communists as small businesses, largely privately owned, often enlarged by means of renting or leasing. The family farm, which 150 years ago was "buried" by Karl Marx, is nonetheless still alive.

The agricultural family business is clearly of such longevity and toughness, that it was declared by Lenin to be the chief enemy: "We have a most dangerous and secret enemy, which is by far more dangerous than the more open counter-revolutionaries; this enemy—the deadly enemy of the socialist republic of Soviet power—this enemy is the elementary force of the small property owner." This "enemy" will be eliminated and proletarianized, for "in order to do away with classes, one must abrogate the distinction between labor and farmers, one must make them all into laborers."

They were expropriated, most farms were amalgamated into large concerns, which were explicitly modeled on the

latifundia of Latin America. According to the theses of Marx, they should be worked like industrial concerns, with an army of wage-earners.

True economy of scale

Yet the law of economy of scale, that the cost per unit decreases with the increase of the size of the business, is strictly limited in agriculture, as opposed to industry. When you look at the agricultural reports of the European Community or the United States, you will see that it is rather the middle-sized farms that profit most from economy of scale. With large farms, prices again begin to increase, and the lowering of cost with size thus turns into its opposite, since the machines become too heavy and ponderous, the distance required for transportation too long, and the control and the administrative apparatus too cumbersome.

The battle for the "optimal farm size" is, since the opening of the Berlin Wall, going full tilt. The spokesmen for the old relations, for example those of the former G.D.R. [East Germany], assert that the unit of labor of two full-time workers, which one assumes is the case of the typical family concern, is not adequate to achieve optimal farm size. Professor Schmitt, whom we will hear from this afternoon, has pointed to the fact, that it is not a question of the number of people working, but rather much more importantly, of their productivity, which is decisive. . . .

A still more peculiar folly was the exaggerated specialization of agricultural production along the lines experienced by industry, which very quickly boomeranged. Uneconomically large concerns and exaggerated specialization required an administrative apparatus which further decreased the profitability of these concerns.

Free farmers vs. wage-laborers

Still, the greatest and most fundamental fault of Marxist agrarian theory was the socialization of property. Free farmers became dependent laborers; independent entrepreneurs were made into simple wage-earners. But wage labor is of a great disadvantage in agriculture, since the nature of the work makes practically impossible effective controls and reward according to productivity. Wage labor requires a large supervisory and administrative apparatus, which will be better paid than the laborer. While on the family farm, about 10 man-hours are needed for economical use of 1 hectare, with a system of wage-labor, you need 20 to 25 man-hours. With increasing size, the administrative expense is also multiplied. . . .

Overly ordered central planning bureaus, be they organized as private concerns or as cooperatives, could never make the required decisions with such precision and at the same time with such flexibility. This is no small cause for the chronic inefficiency of the state planning system. This is also the cause of the characteristic inferiority of the large agricultural enterprise as compared to the family farm. . . .

U.N. plays Kurdish card to restore colonialism

by Joseph Brewda

A U.N. Security Council resolution condemning Iraq for “repressing” its Kurdish population, and a related proposal to establish a U.N.-controlled Kurdish enclave in northern Iraq, show that George Bush’s “new world order” is nothing but a new version of 19th-century imperialism. The proposal, which sets limits on national sovereignty under the pretext of humanitarian concerns, is meant to be a precedent for the Security Council’s “big five” permanent members—Britain, France, U.S.S.R., the United States, and the People’s Republic of China—in running similar operations against dozens of nations throughout the Third World. The establishment of U.N. mandates, protectorates, trusteeships, puppet states, and even the restoration of outright colonial rule, is the order of the day, as is the shattering of current states into ethnically defined fragments.

Make no mistake: The tears that are being shed by the Anglo-American political establishment and the media about the plight of the Kurds are *pure politics*, the same kind of disinformation that the “coalition” forces imposed during the war itself. Yes, the Kurds are suffering. But Iraq’s entire population of 18 million—not just the Kurds in the north—faces starvation and epidemic disease. The primary reason for the Kurdish flight is the bombing of Iraq by the U.S.-led forces, which destroyed that nation’s entire infrastructure. Another reason for the Kurdish flight is that the British, French, and American intelligence services, which control the Kurdish tribal leadership, deliberately triggered a Kurdish insurrection following the war, which they knew would fail, in order to provide a pretext to intervene (see article, page 45).

In fact, and as even the U.S. media reported, it was Kurdish separatist militants who drove many Kurdish civilians from their homes at gunpoint.

U.N. Undersecretary General Martii Ahtisaari asserted

that Iraq “may face imminent catastrophe, which could include epidemic and famine” (see *EIR*, April 12), yet the Security Council has refused to do anything, and has even maintained, despite its claims to the contrary, an embargo on the shipments of food and medicine to Iraq.

The Security Council intends on using mass starvation, epidemics, externally sponsored wars and civil wars, as well as the chaotic conditions resulting from mass migrations of starving refugees, to overwhelm the ability of sovereign nations to resist imperial intervention. These states, such as Iraq, will be blamed for the genocide imposed on their populations by the new world order.

A cynical imperial precedent

On April 5, the Security Council adopted Resolution 688, which condemned the Iraqi government for suppressing its ethnic Kurdish population. The resolution, which was sponsored by France, mandated the U.N. to take “further steps” to secure “peace and security” in the area.

Three days later, British Prime Minister John Major proposed yet another U.N. resolution, at a Luxembourg summit of the European Community heads of state. Professing “outrage” at the Iraqi treatment of the Kurds, Major called for forming a U.N.-administered Kurdish enclave that would be carved out of Iraqi territory. Normally such an action would be called an act of war. Major told a press conference following the summit that he favored “using force” to create this enclave if necessary. For his part, French President François Mitterrand asserted that the alleged Iraqi repression of the Kurds was “close to genocide.”

That same day, U.S. Secretary of State James Baker, on a visit to Kurdish refugee camps in Turkey, condemned the refugees’ conditions as “nothing less than a crime against humanity,” blaming Iraqi President Saddam Hussein for their

plight, while U.S. Ambassador to the U.N. Thomas Pickering praised the Major plan—which overtly violates the U.N. Charter—as one that “matches our hopes.”

On April 11, President Bush gave his imprimatur to the “enclave” plan, saying that the United States is in “lock-step” with France and Britain on this matter.

The Ditchley scenario

The use of war or epidemic-driven mass migrations of refugees as a means to limit national sovereignty had been put forward long before the Persian Gulf war. The idea had been central to the New York Council on Foreign Relations’ “1980s Project” studies of 1977. More recently, the Ditchley Foundation—the elite British group that helps set Anglo-American foreign policy—held a conference in October 1989, on the subject of “Political and Economic Refugees: Problems of Migration, Asylum, and Resettlement.” “The principle which seems to underlie both immigration and refugee law in modern international society is that which endorses the legitimacy of the sovereign nation-state,” a report issued to that conference stated, and consequently national sovereignty could be limited through the pretext of the world’s refugee crisis.

The conference, distinguishing between two kinds of states—“senders and receivers” of refugees—laid out measures to crush “refugee-generating countries.” To this end, conference participants called for “sanctioning outside intervention into the refugee-sending countries in order to eradicate the source of the problem,” and also that “consideration should be given to making habitual refugee-sending countries pay for what should be considered a delinquency.”

Not surprisingly, Israel’s creation of millions of Palestinian refugees was not mentioned, nor is the Security Council talking today about creating a Palestinian “enclave” in Israel under U.N. protection.

The refugee mafia

The particular individuals and organizations now professedly organizing aid for the Kurds—while covering up the epidemics and starvation facing the rest of Iraq—are operatives of the same elite institutions which devised the imperial war in the first place.

Top on the list is the Geneva-based Prince Sadruddin Aga Khan, the former U.N. High Commissioner for Refugees who was appointed the U.N. overseer over all aid to Iraq on April 9. In that capacity, he will oversee the proposed “Kurdish enclave”—which is not surprising, since U.N. and U.S. government circles identify him as the real author of the proposal. Back on Dec. 11, 1990, the Aga Khan wrote a commentary in the London *Times* calling for the creation of a “U.N. Special Representative for Humanitarian Affairs who would monitor all situations likely to produce sudden populations movements,” in order to meet the needs of the “new international order.”

The Aga Khan, head of the Islamic Ismaili sect and a life-long British intelligence agent, was a tennis partner of George Bush back when Bush was ambassador to the U.N. in 1971. Although Bush, as vice president, failed in an effort to install him as U.N. Secretary General in the early 1980s, Bush did utilize the prince as an intermediary between U.S. intelligence and the Khomeini regime during the Iran-Contra affair.

The Aga Khan’s former university roommate in Paris in the 1950s—John Train—is another top figure in the refugee mafia. Associated with the CIA since the early 1950s, Train is a member of the African Development Foundation, which serves as a conduit for U.S. intelligence funds. During the Iran-Contra affair, Train ran the Afghanistan Relief Committee, while the Aga Khan was coordinator of the U.N. Humanitarian and Economic Assistance Programs relating to Afghanistan. Both Train and the Aga Khan were involved in relocating Afghan refugees to CIA bases in Pakistan and Iran.

Probably the key operational figure in the establishment of Kurdish refugee camps in Turkey at present is Leo Cherne, chairman of the CIA-funded International Rescue Committee (IRC). Cherne, who was a “business partner” of the late CIA director William Casey for over 30 years, is former deputy director of the President’s Foreign Intelligence Advisory Board (PFIAB), and a longtime adviser to Bush, including during the period that Bush was CIA director. Former IRC presidents include William Donovan, director of the wartime Office of Strategic Services (OSS) and the Aga Khan. Train has worked closely with Cherne for decades.

The key IRC operative now on the scene in Turkey overseeing Kurdish refugee work is former State Department official Lionel Rosenblatt, a member of the IRC board and also director of Refugees International. Rosenblatt is a specialist in running media campaigns against countries targeted for “refugee destabilization.” In 1990, he attempted to organize a congressional cutoff of aid to Malaysia, after Malaysia refused to unconditionally accept more Vietnamese “boat people.” Malaysia had previously settled more than a quarter-million Vietnamese.

Yet another operative in this network is former State Department official Roger Winter, whose U.S. Committee on Refugees now has a “fact-finding team” deployed in Iran and Turkey. Winter’s group, which is funded in part by the U.S. government, specializes in using refugee issues to destabilize African countries, notably Sudan, which, because of its opposition to the Gulf war, is a top Anglo-American target. On March 7, the group released a statement which blamed the famine in Sudan on its government’s lack of “cooperation” with Washington. Winter’s group has called for the United States and U.N. to conduct “cross-border” food relief, “with or without Sudan government approval,” while cutting off all aid to Sudan—another version of what is being done to Iraq.

U.N. seeks to strip Iraq of sovereignty

The following French-sponsored U.N. resolution, using the excuse of alleged Iraqi repression of Kurds, was passed on April 5. China and India abstained; Cuba, Yemen, and Zimbabwe voted against. So far, EIR is the only English-language publication in which it has appeared.

The Security Council,

Aware of its duties and its responsibilities in virtue of the Charter of the United Nations as it concerns the maintenance of peace and international security,

Keeping in mind the disposition of Article 2, paragraph 7, of the Charter of the United Nations,

Profoundly preoccupied by the repression of Iraqi civilian populations in numerous parts of Iraq, and including most recently in the areas of the Kurdish peoples, which has led to a massive flood of refugees toward international borders and across the same, and to violations of borders, which threatens peace and international security in the region,

Profoundly moved by the extent of the suffering of the population,

Taking note of the letters addressed by the representatives of Turkey and France to the United Nations Organization, and respectively dated 2 April and 4 April 1991 (S/22435 and S/22442),

Taking note equally of the letters addressed by the permanent representative of the Islamic Republic of Iran to the United Nations Organization dated respectively 3 and 4 April 1991 (S/22435 and S/22447),

Reaffirming the commitment taken by all member states to respect the sovereignty, territorial integrity and political independence of Iraq and of all states in the region,

Having in mind the Secretary General's report dated 20 March 1991 (S/22366),

1) Condemns the repression of Iraqi civilian populations in numerous parts of Iraq, including most recently in the areas of the Kurdish peoples, whose consequence is to threaten peace and international security in the region;

2) Requires that Iraq, in order to contribute to eliminating the threat to peace and international security in the region, put an end, without delay, to this repression and, in this

context, expresses the hope that a broad dialogue will be entered into with a view toward assuring respect for the human rights and the political rights of all Iraqi citizens;

3) Insists that Iraq permit immediate access for international humanitarian organizations to all those who need assistance in all parts of Iraq and that it place at their disposition all means necessary for their activity;

4) Requests that the Secretary General pursue humanitarian efforts in Iraq and to make an immediate report to him, eventually on the issue of a new mission in the region, on the fate of the Iraqi civilian populations affected by repression of all forms by the Iraqi authorities;

5) Requests equally from the Secretary General to make use of all means at his disposition, including those of the particularly relevant institutions of the United Nations, to immediately confront the fundamental needs of the refugees and displaced Iraqi populations;

6) Issues an appeal to all member states and to all humanitarian organizations for them to participate in these humanitarian assistance efforts;

7) Requires that Iraq cooperate with the Secretary General to these ends;

8) Decides to remain apprised of the question.

Statement of the French Embassy in Washington, issued on April 10, on "French policy regarding the internal repression in Iraq":

. . . This resolution is an important event on the international scene: For the first time it puts the role of the national sovereignty of states in balance with the basic rights of individuals and ethnic groups. As the Minister of Foreign Affairs, Mr. Roland Dumas, declared on the 6th of April: "I hope this will create a precedent and furthermore, that this decision will open the way to an intelligent reflection on this new problem. . . . Of course, we must respect the rights of states to manage their own domestic affairs. But at the same time, the international community cannot remain indifferent when a blatant crime is committed against a population. The notion of crimes against humanity became a legal principle after World War II. Now is a good time to reap the consequences of this."

As a matter of fact, France has for several years proposed an evolution of the international law to allow "the international recognition of the right of humanitarian assistance," stating that "the first human right is the right to life, and the first duty is to provide assistance to a person in danger, a population threatened by perils" (President François Mitterrand, Jan. 26, 1987).

This is why France proposed a draft resolution voted by the General Assembly of the United Nations on Dec. 8, 1988, affirming that, national sovereignty notwithstanding, it was of primary importance to allow access for relief efforts to reach the victims of a natural catastrophe or emergency situations. . . .

Imperialists treat Kurds as expendable

by Joseph Brewda

The current use of the “Kurdish card” as a means of destabilizing the Middle East and fostering mass murder has a long history. The Kurds, who are non-Arab, Indo-European language-speaking Sunni Muslims, reside in an impoverished mountainous region straddling Iran, Iraq, Turkey, and Syria. Prior to World War I, this region, with the exception of the Kurdish districts in Iran, was under the control of the Ottoman Empire.

Beginning in the mid-19th century, and especially after the 1878 Treaty of Berlin, the European imperialist powers began increasing their competing efforts to dismantle the Ottoman Empire, largely through aiding or sponsoring the resistance of non-Turkish subject peoples. The Russians patronized the Christian Armenians; the French focused on detaching Catholic Lebanon from the empire, while also patronizing the Armenians; the British invented Zionism as means of detaching Palestine, and also promoted the Arab cause. During this same period, the Kurds, who had embittered relations with the Arabs and Armenians, were also championed.

The Anglo-French conspiracy to dismantle the Ottoman Empire along national lines which culminated in the 1916 Sykes-Picot treaty, was only partially successful, due to the rise of the Turkish revolutionary Mustapha Kemal Ataturk. While most of the non-Turkish Ottoman lands were broken off and put under European control, Turkey proper was preserved. The largely Kurdish Mosul region of what is now northern Iraq became part of British-run Iraq in a typical double-cross, as this oil-rich area had earlier been promised to the French. A plot to create an independent Kurdistan—made up of large areas of modern Turkey—as demanded by the 1920 World War I peace treaty of Sevres, failed, after Ataturk defeated the postwar invading European imperial armies. Continuing efforts by the Europeans to aid Kurdish revolts were regularly crushed by the Turks in the post-World War I period.

Following World War II, the Soviet Union, which had occupied and divided up neutral Iran with the British during the war, sponsored the formation of a Kurdish republic in Iran. As a result of several post-World War II deals, the Soviets pulled out of the region, and the Kurdish republic was crushed.

In 1958, the British puppet Hashemite kingdom of Iraq was overthrown by various Iraqi political groupings led by Gen. Abed al-Karim Kassem. Kassem immediately ordered

the two British Army and air bases in Iraq shut down, executed the king, and pulled out of the Anglo-American sponsored Baghdad Pact (later known as CENTO). Kassem, who was backed by the Soviets to a degree, also began to move toward the nationalization of the Iraqi Petroleum Company (IPC). The IPC, which produced all Iraqi oil, was a Euro-American consortium dominated by the British.

Timely revolts

In direct response to this threat to their interests, the British fostered another Kurdish revolt. This revolt gained strength in 1961 under the leadership of Mullah Mustafa Barzani, whose sons are among the key leaders of the revolt today. Barzani was an Anglo-American agent who was financed and armed by the CIA, but directed by the Israeli Mossad. His sons, who are leading the current revolt, are financed by the CIA.

In 1963, the Baathist Party took over Iraq, killed Kassem, and moved more aggressively to nationalize the Iraqi Petroleum Company. The Kurdish revolt naturally expanded. In 1972, Iraq nationalized IPC, the first Arab state after Algeria to nationalize its oil fields. Henry Kissinger personally ordered a renewed Kurdish revolt, to the degree that the senior Barzani was considered a Kissinger agent.

A large part of this effort to destabilize Iraq was run out of Iran, then ruled by the Shah. British intelligence had earlier overthrown Iranian nationalist leader Musadegh who, in 1955, had briefly nationalized British Petroleum. The Shah was dependent on the British and Americans for his throne. One major Kurdish operative of the Kissingerians and the Iranian Savak (intelligence) at the time was Jalal Talabani, who continued his relations with the Iranians even after the overthrow of the Shah. Talabani is playing a key role for the CIA today.

In 1975, Iraq agreed to share control over the lower Tigris (Shatt al Arab) waterway, in return for Iran's halting its aid to the insurgent Kurds. This agreement virtually made Iraq a land-locked country, and set the conditions for the 1980-88 Iran-Iraq war.

During the Iran-Iraq war, the Iranians, with the aid of the U.S. and the Israelis, fostered Kurdish revolts with varying degrees of success. Several of the key U.S. operatives active in supplying the Iranians were also deeply involved in aiding the Kurdish revolt. These Iran-Contra figures include: then-State Department intelligence head Morton Abramowitz, today the U.S. ambassador to Turkey; former Assistant Secretary of Defense Richard Perle, who today advises the Turkish government; and former U.S. Defense Secretary Caspar Weinberger, who has been the most important and earliest advocate of detaching Mosul province from Iraq and granting it to Turkey.

There is no evidence that the European or American imperialists ever really wanted to establish an independent Kurdistan. Rather, the Kurds are simply expendable pawns.

Mass strike wave hits U.S.S.R. as communist regime falters

by EIR's Soviet Staff

Soviet President Mikhail Gorbachov presented a 14-point "anti-crisis program" on April 9 to a session of the U.S.S.R. Federation Council, consisting of the presidents of the Soviet Union's republics. The plan, which is to be passed by parliamentary vote within a week and implemented over the coming year, includes draconian austerity measures, as well as some concessions to reformers. It amounts to a desperate attempt to find some way to curb the political mass strike wave that has swept the country.

For the first time since the Bolshevik Revolution of 1917, hundreds of thousands of people are pouring into the streets of Soviet cities, demanding the ouster of the communist regime. Although strikes and protests have denounced the price hikes which the central government imposed on April 2, and the economic breakdown of society is a driving force in the protest movement, still the miners' demands are by no means limited to the issue of "bread."

Thus the Soviet government newspaper *Izvestia* of April 8 reported from Kemerovo, Kuzbass, that the council of the strike committees in the region had "rejected the story that appeared the day before in one of the central newspapers, that the new wave of strikes was linked with the rise in prices." The report quoted the council chairman: "As far as we know, such a motive has not been a factor for a single one of the municipal strike committees. . . . Economic concessions by the government are not what we demand or seek. Our demands are political, and they are unchanged."

In Belorussia, where workers defied a government strike ban, strike committee leaders are demanding the resignation of Gorbachov, the removal of the Communist Party from all state power structures, and the formation of a coalition government.

Strikes gain momentum

The crisis came to a head as the Soviet government failed, in talks with strike representatives April 2 and 3, to end the nationwide coal strike, which has demanded the resignation of President Gorbachov and Prime Minister Valentin Pavlov. The strike had begun March 1, and has been expanding in

scope ever since, threatening to spread to other industries. The Soviet government's offer to grant the miners, in stages going into 1992, a doubling of their wages, plus increased pension benefits, was rejected by the strikers.

In the Belorussian capital of Minsk, April 4 and again April 9, the city's entire industrial work force staged a half-day general strike. As reported by *Izvestia* of April 5, the tens of thousands of workers were joined by thousands of students, who marched to the city's center. Until the first months of this year, crises had wracked nearly every corner of Moscow's empire, while Belorussia had remained a "backwater." No longer. It was the first warning signals to this effect that caused Gorbachov to leave Moscow on sudden notice at the height of the Persian Gulf war, to undertake a four-day tour of Belorussia.

TASS of April 4 reported that "numerous" strikes had occurred that day in the U.S.S.R. in protest against the price hikes, but, aside from what happened in Minsk, censored all details on other cities and regions.

The U.S.S.R. has been nearing the threshold of a general strike since April 4, when, at a Moscow press conference, coal strike leader Pavel Shushpanov, chairman of the executive bureau of the Independent Miners' Union, made the following declaration: "Today, carrying out the will of those who have entrusted us with the defense of their rights, we declare that the struggle is not over. And if our demands continue to be ignored, a general political strike is not to be excluded."

Mass strike support demonstrations were held on April 7 by tens of thousands of miners and workers from heavy industry in both the Donetsk Basin of eastern Ukraine and the Kuznetsk Basin of central Siberia, the two critical industrial regions.

Gorbachov's anti-crisis program

In response to all this, Gorbachov emphasized to the Federation Council the "alarming situation" and "extreme danger" facing the country, and called for the following measures, according to a summary by the TASS news agency:

1) a limited ban on political strikes until the end of this year, and formation of a coordinating committee between central and republic-level governments for the implementation of the program;

2) development of a market price system by Oct. 1, 1992;

3) working out of privatization plans in the second half of this year;

4) ending the monopoly position of the state foreign trade organizations, decentralizing of foreign trade activities;

5) convertibility of the ruble, access to foreign currencies, reducing of imports by 15% by the end of this year;

6) attracting of foreign investments by economic zones and measures to ease the transfer of profits;

7) budgetary austerity and a freeze on new investment projects in the second half of 1991;

8) suspending of decrees by the republics that conflict with central government decrees, cuts in central funding of those republics that do not cooperate with Moscow;

9) more powers for the Central Bank with respect to the republic-level banks, disciplinary use of credits to rebellious republics;

10) founding of stock and raw material markets with access to foreign investors;

11) direct responsibility of administrative bodies and enterprises for food supply, centralized control of supply with grain and basic food stuffs;

12) additional mobilization of reserves among industrial workers and the Armed Forces for the harvest and processing of food;

13) increasing the private share of sales of food products and other goods;

14) reduction in military expenses, use of military facilities for civilian purposes.

Yeltsin's role

It is becoming apparent to many that Gorbachov's flailing about will only lead to civil war or other disastrous developments. Indeed, the conclusion that the Soviet Union cannot survive the social, economic, and political convulsions of 1991 without Russian Federation President Boris Yeltsin, Gorbachov's principal rival, playing a key role, was the true reason behind Yeltsin's dramatic victory of April 4-5, in the concluding two days of the extraordinary session of the Russian Federation Congress of People's Deputies.

Yeltsin's actual supporters have never held a majority in the Russian Congress. He was given emergency powers, and the mandate to become the first popularly elected President of Russia, in elections now set for June 12—the first anniversary of Russia's declaration of "sovereignty"—by a huge Congress majority, the same majority which, until April 5, had refused to grant Yeltsin his demands.

The about-face by the Russian Congress majority was a shift orchestrated by the Russian elite, after the failure to end the miners' strike. In this situation, the only Russian figure

of national stature who still has the trust of the population, and therefore could act successfully to brake or contain the mass strike wave, is Boris Yeltsin. Yeltsin is prepared to deliver in this regard, in exchange for his new vast powers, and other concessions from Moscow Center. It was notable that in his 10-minute address to the Russian Congress on April 5, after he was granted emergency powers, he stressed that he needed those powers to "end strikes" and "restore stability" to Russia. This was the one portion of his short speech that was ignored by the Western media.

But, both Gorbachov and Yeltsin face the same political, economic, and social problems, and Yeltsin has shown no indication that he has any better way of solving them than Gorbachov does. If destruction of the real economy proceeds much further, then no one, including Yeltsin, will be in a position to deliver. Yeltsin has "won" for the relatively short term, by having secured his certain election by popular vote to the presidency of Russia in June. However, his popularity may evaporate within months thereafter.

Will Germany help?

As both Gorbachov and Yeltsin also know, a compromise that would restore stability is absolutely essential for what the U.S.S.R. and the Russian Republic desperately need—infusions of foreign capital investments in infrastructure and industry. The leading financial powers of Germany have signaled that German finance is ready to contribute massive funding to a U.S.S.R. economic recovery, but only on condition that the present upheaval give way to reconciliation. In an interview the first week of April with the German monthly *Manager Magazine*, the Eastern European expert of Germany's largest bank, Deutsche Bank, Axel Lebahn, underscored: "Only a strategic alliance between the economy and the state in the West can help to make the Soviet Union a full member of the world economic system. The West must make clear that it is not ready to support with its own resources the continuation of the present civil war in the Soviet Union. Only someone who has an economically reasonable alternative should count on Western economic help."

Should the Soviet leadership ensure these conditions, Lebahn proposes a "gigantic" German co-financed program for the revitalization of the Soviet transport system and the modernization of the oil and gas sector, saying "the future belongs to gigantic investments through which sectors, regions, and infrastructure are developed as completely integrated systems." It is notable that at the end of March, Gorbachov, in an interview with the German weekly *Der Spiegel*, called for German-Soviet "large projects" to develop and modernize Soviet industry and infrastructure.

It is not yet too late to begin implementing such a program of large projects and "gigantic investments," which would be to the mutual benefit of all countries of Central and Eastern Europe, and, emphatically, for all republics of the U.S.S.R. Time, however, is running very short.

'LaRouche played important role for us Ukrainians' seeking freedom

Taras Chornovil is a 27-year-old leader of the democratic movement in Ukraine. He is the editor of the youth newspaper Molodaya Ukraina in the capital city of western Ukraine, Lviv [Lvov]. His father, Vyecheslav Chornovil is one of the most famous political prisoners in Ukraine, having been imprisoned on and off for about 15 years—first in 1967, then during 1967-69, 1972-79, and 1980-85. In between prison sentences he edited The Ukrainian Herald, an underground (samvydav) journal. In 1988 he became one of the founders of the Ukrainian Helsinki Union and in the elections in March 1990 was elected People's Deputy to the Supreme Soviet of Ukraine and to the Lviv Oblast Council of which he is chairman. Last October, Taras Chornovil traveled to Canada to speak on behalf of the Ukrainian freedom movement. This interview was conducted at that time by Irene Beaudry and has been translated from Ukrainian.

EIR: Your father, Vyecheslav Chornovil, is a very well-known Ukrainian political dissident who was sentenced to 15 years of internment. What motivated you to follow in your father's footsteps and become active in the political life of Ukraine?

Chornovil: How can I answer you? To begin with, I was very well informed about the history of Ukraine, about the oppression first under Stalin and continued through, and past, the Brezhnev dictatorship. Nothing was a revelation to me. I knew what was happening. I felt a moral necessity compelling me to stand up against the regime. Not only I, but many other children of dissidents, felt the need to resist. Firstly, knowing the crimes committed against us, and secondly, I really had no other choice considering that until 1986 the road to higher education was blocked for me by the regime. That, among other reasons, forced me into political activity.

EIR: Here in the U.S.A., there too are political prisoners. One in particular is Lyndon LaRouche. He is the author of the Strategic Defense Initiative. To what extent were people or the media in either Ukraine or the U.S.S.R. aware of the SDI? And had you personally ever heard of LaRouche?

Chornovil: Yes, I have indeed heard of the name thanks in particular to the press of the Soviet Union. And to the degree that the Soviet press covered primarily major developments of the West, such as the SDI program, then the name of

Lyndon LaRouche was portrayed in a severely negative light. We, however, have learned to read between the lines of the official press and understood that if the name of a political dissident is caricatured in such a very negative way, then the individual must have serious political views.

If I remember correctly, Lyndon LaRouche's SDI program played a very significant role in the earlier years of the Reagan government in providing strong pressure on the Soviet Union and in providing the opportunity for the countries of Eastern Europe to escape from the military boot of the Soviet Union and become democratic nations. The strength that the SDI provided the United States caused many important changes in the Soviet Union. I don't think that the start of the democratic process in the Soviet Union was the result of Gorbachov's initiatives. He was forced to come to terms with the West. I also view the SDI program as contributing to the strength of the United States at the time.

However, the deviation from the SDI doctrine in the second term of the Reagan government caused a shift. Gorbachov, who was used to talking from a position of strength, or for others to regard him in a position of strength, started carrying out a different kind of politics. And the processes which started in the first years of Gorbachov's rule became stronger. I think that if people in the West view Lyndon LaRouche literally as a political dissident, then it is very sad, because he played an important role in international politics at the time for us Ukrainians. Perhaps the West cannot fully appreciate the impact the doctrine had on us.

EIR: What about the referendum to take place in 1991? We hear that Moscow won't allow it to be an expression of free choice in Ukraine.

Chornovil: The upcoming elections to the Ukrainian Parliament shall also include a referendum. Personally, I do not feel that we are thoroughly prepared for it, and the date may have to be moved back a little. Do not misunderstand me: The people are ready, but the rules, the guidelines, especially a comprehensive long-range program, in all its details, need more work. As things are now, Moscow's laws for our referendum are designed to allow the artificial creation of results, obviously favoring Moscow's plans. Naturally, such manipulative rules are not acceptable to the Ukrainian political body and present Ukrainian Parliament. I feel that, even if

the date is set for the end of 1991, Ukrainians are determined to express their will, even when they have to resort to strikes and demonstrations. The conditions in Ukraine can be compared to those prevailing last year in Eastern Europe, particularly in Czechoslovakia. We call their revolution a "tender" one. There are, however, some differences. At the present time we do not have a Ukrainian army stationed on our soil, even though there are over 1 million Ukrainian soldiers serving in the Soviet motherland. It would not be difficult for Moscow to stage some kind of incident or conflict like the Azerbaidzhan-Armenian situation, bring in distant military reinforcements with unfriendly attitudes, and eliminate the more educated and politically mature levels of the Ukrainian population by execution, imprisonment, or resettlement to distant corners of the Soviet Union, thereby eliminating a potential threat of separation of the second largest and the richest republic in the Soviet Union. I should like to underline the fact that presently in Ukraine, the accent is on strikes and civil disobedience. All in the spirit of manifesting national will through the old established democratic process of self-expression and self-determination. The drive for independence and sovereignty is gaining momentum and the people's will to choose democracy over the dictatorship of communism is becoming increasingly stronger.

EIR: How seriously are Rukh and other pro-democratic groups approaching the economic situation in Ukraine? How do you view recent events in Germany, particularly discussions on constructing a high-speed rail system to link into Ukraine and other regions in the East?

Chornovil: We are pleased with the fact that currently in Ukraine there exists a very deep understanding of our economic situation. When the political uprising began in recent years, it did get a clear political focus. Luckily, however, we were able to make use of many individual initiatives and resources to put forth many serious economic doctrines. And today, although these doctrines are not yet fully developed, they are sufficiently well formulated to show their viability even at the level of the Supreme Soviet and the Communist government. Now when opportunities have been created through the election victories by pro-democratic forces in various provinces (*rayons*) especially in western Ukraine, provincial councils realized that after the positive results of political change there has come a time to seriously contemplate economic changes as well.

For example, in the provincial council of Lviv, whereas the first session was totally political, the second session was totally preoccupied with economic debate. We started a dismantling of socialistic economics and began considering economic alternatives which were much closer to the various Western types, including agricultural reforms, privatization of grain production, privatization of land ownership, privatization of small-scale entrepreneurship which would lead to the privatization of large-scale businesses. Unfortunately,

the success to date has been limited to only some sessions. To carry this out on a full economic scale throughout Ukraine has been difficult because of the limitations imposed by the contrary interests of a centralized Moscow. In Kiev, the capital of Ukraine, decisions of the Supreme Soviet of Ukraine up to now have had the position of not opposing the Moscow government. But even with such a situation, due to Moscow's inability to carry out a normal course of development toward an economic trading system, Kiev is being forced to take severe and concrete steps on its own. Serious consideration is being given to a new financial system. The thinking is far from complete, but in some ways it can be the forerunner to the creation of a banking system with a foreign exchange in Ukraine, with the creation of a new Ukrainian currency. These recently issued, so-called coupons in Ukraine, which are to slowly eliminate the dominance of the central Moscow ruble and to replace it with a future Ukrainian currency: They are not based on gold or on any elementary economic potential, but this is a first step and seems to me a very timely step. I would add that Kiev took these steps a week after similar initiatives were undertaken in Lviv. Thus we see that where pro-democratic forces have been elected, even though they still cannot exercise a national full-scale effort, they can play a very important role as initiators of serious economic reforms.

With respect to what is happening in Germany, the reunification of Germany for us is a very interesting and intriguing event. We never anticipated such a fast political resolution, and the fact that it occurred so quickly was a very pleasant surprise. We are counting on a realistic and strong Germany in the future and mutually beneficial cooperation between Germany and a future independent Ukrainian nation, although to talk about an independent Ukraine now is difficult, for although Ukraine has been a member of the United Nations, unfortunately, this has only been a symbolic sovereignty. When the vertical ties with the central economic command structure of Moscow end, we will be able to choose by ourselves with whom we wish to conduct economic trade and exchange.

If there are economic advantages to trade with the West, then so be it. Especially with Germany, where there is a very, very realistic opportunity. Germany is now at the forefront of economic activity in Europe as is Ukraine within the Soviet Union. The world forgets that Ukraine has a population of more than 50 million people who know how to work, want to work, and haven't forgotten their love of humanity. Thus, I think that economic cooperation between Germany in Western Europe and Ukraine in Eastern Europe could be a good and positive factor in our time.

With respect to foreign capital investment, we, as Ukrainians, are not counting on it. We see that, politically, Western countries are interested in propping up and preserving the Soviet Union. We can understand, in principle, that for objective reasons, it is easier for the West to have dealings

with one large, but weaker nation, than with many young nations that are just beginning to establish their economic mechanisms and political directions, and that are not yet inherently stable, and with which one has to reorient one's economic and political dealings. Therefore, until the breakup of the Soviet Union becomes a final reality, the West will not be seriously supporting the young republics. This is very sad, but we are prepared for it. Looking further into the future, as the economic conditions in Ukraine become more severe and a general strike becomes unavoidable, the economy will reach a crisis. To survive this crisis, Ukraine will require more than one year. When the Soviet Union no longer exists, and Ukraine's development begins to help her get on her own feet, then the opportunities will be ripe for foreign investment.

EIR: Why do you say that Ukraine is not expecting Western capital in the short term?

Chornovil: My thought here is that the West is continuing to support the structure that continues to fall apart. The West continues to support the Soviet Union. This is not just moral support but also includes monetary support for Gorbachov's monopoly. It includes the creation of joint ventures and businesses. I am convinced that to invest into that which is falling apart is very short-sighted.

With respect to Ukraine itself, I don't think the West will be very interested in throwing money into a country which continues to have a tendency for a more severe depression. We, in fact, have a depression now and there is a very strong possibility that it will worsen. Obviously this will take time. From a strictly economic consideration, the significant economic aid will only come to Ukraine when we ourselves become more economically stable. No one wants to throw money into the wind. Nevertheless, if the political thinking in the upper echelons of the United States, Canada, and other Western countries is able to overcome the tendency to artificially support the Soviet Union, which has run its course and shown its lack of, not only political, but economic viability, then we would anticipate more likely, though not large, financial support from the budgeted government funds of Western countries. We have seen such examples of aid to the Eastern European countries which assisted in stabilizing their economies.

EIR: Despite the terrible economic hardships in Ukraine, what is the mood of the people? Are they hopeful?

Chornovil: The prevailing atmosphere is of a high optimism and a high degree of accomplishment when compared to the dictatorial oppression throughout and after Brezhnev's reign. Much has been achieved, and everybody works very hard, but we have no illusions and we know that it is far too early to celebrate victory. There is much danger and much fear of the return to oppression and persecution. However, our anticipation is that should the process continue developing at

the pace of the immediate past, barring any sudden return to a Stalinist slave-style rule, a full autonomy and independence could be achieved in a year or so. Obviously, we cannot count on the democratization process taking hold in Ukraine within the structure of the Soviet Union, and a number of possible and foreseeable developments could put the brakes on the wheels of the Ukrainian drive to independence.

One powerful factor working against the historical, moral, and politically justified movement toward freedom, self-determination, will of the people, and sovereignty, not only of Ukraine but of other conquered republics as well, is the naive and immature insistence of the Western powers to support the Kremlin and the present party apparatus, which by the way, is kept in line primarily by the KGB and secondarily by the threat of the military. I know they support Gorbachov and his perestroika, glasnost, and political reforms. They feel that if he is replaced, someone more dangerous would take over. But why is it so difficult for Western politicians to comprehend that the President, general secretary, or whatever other titles are yet to be chosen in the future, are only figureheads? The law is the party's ideology and overall, long-range plan for the world order.

Yes, the means and the methods are modified as the international conditions may require. But the plan of the party does not change, neither does the emblem: hammer and sickle superimposed on the globe. However, as long as Gorbachov remains in his position, and continued immense Western economic support may prolong it, for how long—nobody knows—internal disintegration and the collapse of the economy will continue. The old guard of apparatchiks will see to it. They will provide an excuse for a number of internal measures to be taken, beneficial for the few and nightmarish for the rest of the population. Much money and effort go into internal propaganda, trying to convince the population of the Soviet Union how much the West likes Gorbachov's plans and changes. It works for a while. But reality paints a different picture. Our eyes cannot be deceived for long. We witness first hand the events within the Soviet Union. We are not blind. We are convinced that the worsening of the economic-political conditions will continue, whether Gorbachov remains in power or not.

We know that only an independent Ukraine will be able to return prosperity and a balanced peaceful life to our citizens. We see how much we have evolved, how mature we became, how much more aware of our needs, our rights, and our destiny we are becoming, how much more informed and educated we are, and how politically determined and disciplined we have resolved to become. Radical change now could and very likely would lead to bloodshed. Gradual steady movement toward free thought, continued education to strengthen the spirit of democratic ideals, and permeate the souls and hearts with the vision of more peaceful and independent tomorrow, would bring about the inevitable with less sacrifice, agony, suffering, and pain.

Cardinals call for universal battle in defense of human life

by Maria Cristina Fiocchi

The extraordinary consistory which gathered 112 of the 141 cardinals, including those over 80 years of age, around Pope John Paul II to examine the “present threats to human life, with special attention to abortion,” and the challenge of the sects, concluded with a unanimous appeal to the Pontiff to “solemnly reaffirm” in a document the Roman Catholic Church’s “teachings on the value of human life and its inviolability.” The majority of the cardinals recommended that this should be an encyclical. In their final document after the April 4-6 consistory, the cardinals said that today life is threatened “in a terrible way not only by the degradation of nature but by physical violence, both individual and organized; by the exploitation of the poor and of children; by the drug trade; by the fact that entire populations are abandoned to extermination by starvation, while the arms trade is encouraged; and by wars.” They deplored “the enormous growth in the number of abortions, which legalization, far from slowing down, has actually encouraged,” and the “more recent attempts to legitimize euthanasia,” and appealed to politicians to “be able to bring legislative initiatives into accord with the irrefutable duty of respecting human life.” The leaders of the Catholic Church criticized the prevailing culture, which lacks moral sensitivity, denies respect for life, and no longer recognizes the principles of natural law.

Historical first

Both the concluding appeal of the consistory and the individual speeches of cardinals from every corner of the globe projected into the Vatican sessions a historical dimension of enormous importance, not only for believers but for all people living in our time. Perhaps it was the first time that a meeting of the College of Cardinals confronted topics which deal not so much with the internal realities of the Roman Church, as with the condition into which humanity is drifting at this moment in time: a sick humanity which helplessly witnesses the predominance of economic power over people who, the more weak and defenseless they are, the more they are crushed.

In his keynote speech, Cardinal Joseph Ratzinger charged that “a veritable war” is being waged by “the strong against the weak, a war which aims at eliminating the handicapped, those who are give trouble, and even simply those who are poor and ‘useless.’ With the complicity of governments, colossal means are used against human beings, at the dawn of their life or when their life has become vulnerable due to

an accident or an illness, and when it is close to the end.”

Cardinal Ratzinger—the prefect of the Congregation for the Doctrine of the Faith, the highest body on doctrinal matters—went on to say that such means “are unleashed against life in the process of being born, through abortion (it turns out that there may be 30-40 million in the world per year). Even to facilitate abortion, billions have been invested in perfecting abortion-inducing pills (Ru 486).” Behind the logic of death, he said, “there is also hatred against man, and more deeply, the loss of God. Where God disappears, the absolute dignity of human life disappears too.”

According to the German cardinal, the culprits are those states and international bodies which “make themselves the backers of abortion and euthanasia, vote up laws authorizing them, and make the means available to those who follow them.” On the same topic, Cardinal Margerot said that in the southwestern area of the Indian Ocean, many countries have legalized contraception, sterilization, and abortion. He charged that in developing countries the International Monetary Fund conditions its economic aid on birth control. The Church sees the abortion problem not merely from the standpoint of individual morality, but also, and above all, from that of social political morality, because, as Cardinal Bernard Law, the archbishop of Boston, stated, “The right to life has been posed in the consistory as a fundamental human right, and hence the principle of the inviolability of the human person from conception to death is a problem of social justice and human rights.”

The new anti-life morality

Among the causes of opposition to life, Cardinal Ratzinger indicted “the very concept of morality which is widespread today.” For him, “an individualistic vision of freedom, understood as the absolute right to self-determination on the basis of one’s own convictions, is often associated with a merely formal idea of conscience. It is no longer rooted in the classic conception of moral conscience. In that conception, which belongs to the whole Christian tradition, conscience is the capacity to open oneself up to the appeal of objective, universal truth which is equal for all, which everyone can and must seek. On the other hand, in the innovative conception, clearly of Kantian origin, conscience is disconnected from its constructive relation to a content of moral truth, and reduced to a mere formal condition of morality: It would only involve the subjective goodness of intention.”

Cardinal Biffi, the archbishop of Bologna, added that permissive abortion laws cause "a dangerous confusion" between what is considered legal and what is ethically right. "From the pastoral standpoint, if killing an innocent is an extremely grave evil, this loss of capacity to distinguish between good and evil is even worse." Biffi said that today humanity looks "surprisingly similar to that humanity without Christ of whom St. Paul spoke." The primary and most radical evil of the present de-Christianization of society is not "the loss of faith," but rather "the loss of reason." Here is where the fundamental role of the Church emerges, to point out the pathway to truth for mankind, he said.

The myth of overpopulation

In their final document, the cardinals asked for a new approach to the demographic problem. The cardinal from Angola, Alexandre do Nascimento, at the press conference held afterward at the Holy See's press room, added that the consistory reiterated that there is no overpopulation problem, but rather one of underdevelopment: "My country, for example, has an area of 1,246,700 square kilometers (four times that of Italy), and it has a population of 15 million inhabit-

ants"—roughly one-quarter Italy's.

The Church's strong stance against abortion—but also against contraception, because, as Cardinal Ratzinger put it, "a great many of the chemical contraceptives actually act as anti-fertility drugs, that is as abortives, without women realizing this"—has already irked the liberals who are obsessed by demographic growth, and who for decades have been preaching the elimination of mouths in order to "save the planet."

The future encyclical "on the defense of human life" will also have to provide economic and scientific arguments on the falsehood of the myth of overpopulation. The two major speeches by Cardinal Francis Arinze and by the Prefect of the Congregation for the Propagation of the Faith, Cardinal Jozef Tomko, described the alarming phenomenon of the growth of fanatical cults and the challenge they present to the Church. Nicaraguan Cardinal Miguel Obando y Bravo underscored that in Central and South America, the spread of sects has been backed by outside groups interested in firming up their political and economic power in those countries. The cardinal named the Rockefeller Foundation, which already in 1969 drafted a report on how to reduce the Catholic Church's presence in South America.

The Pope's Easter message

Pope John Paul II's annual Easter Urbi et Orbi (to the city and the world) message was delivered March 31 from the balcony of St. Peter's Basilica after celebrating Easter morning mass in St. Peter's Square. The following are excerpts from the Vatican's English translation.

. . . 5) Yes, this is a day of light, strength, and hope, which makes the darkness menacing the Earth recede. Darkness which also recently has cast a shadow over the whole human community: When a choice was made of aggression and the violation of international law; when it was presumed to solve the tensions between the peoples by war, the sower of death; when from the Baltic to the Mediterranean and in other areas of the world there rose in vain the voice of the peoples, yearning for respect for their own identity and their own history; when not everything was done to face the inexorable threat of famine which has afflicted whole peoples in Africa, as for example in the Sudan and in Ethiopia, or to stop in that same continent, particularly in Angola, Mozambique, Liberia, and Somalia, wars and guerrilla actions which try peoples already in a precarious state.

6) But Christ conquers the darkness and reveals to

man the full dignity of his vocation. Rise with him, humanity of our time! Then you will be able to welcome life with love, from its first beginning until its natural ending you will vigorously prevent the exploitation of the poor. You will say no to the lucrative arms trade, which you will replace with plans of genuine solidarity, at the complete service of man. Lend an ear, humanity of our time, to the long-ignored aspiration of oppressed peoples such as the Palestinians, the Lebanese, the Kurds, who claim the right to exist with dignity, justice, and freedom, legitimate requests repeated in vain for years. Do not fear to allow every person the free profession of his or her religious belief. I am thinking also of you, dear Catholic community of Albania, who have remained faithful to the Gospel of Christ; take courage anew, go forward to seasons of abundant fruit!

7) From this place, the heart of the Church, to which come cries of pain and imploring appeals for help, I address myself to you, the leaders of nations, in this difficult hour of history: Listen to the voice of the poor! Only upon an international order in which law and freedom are indivisible for all can the society we all hope for be founded. Help the peoples which in Africa, Asia, and Latin America aspire to societies which are more free and democratic! Let respect for man be total, man, in whom shines the image of God! Every offense against the person is an offense against God, who with humanity has entered into a close and faithful alliance. . . .

Cold war is not over, Europeans fear

by Mark Burdman

Returning to Vienna in March after almost a year's absence, one finds a change in mood among diplomats and strategists involved in international arms control negotiations. In early 1990, the predominant focus was a search for what experts like to call "new security structures," which would build upon the dramatic new realities brought about by the downfall of the communist regimes and the collapse of the Berlin Wall at the end of 1989. But now there is anxiety, an atmosphere of foreboding, as insiders view the prospect of a new era of confrontation and tension in Europe, an emerging "cold war two" that could involve shooting conflicts in one or another part of Europe.

The more publicized reason for the mood change, is that the Soviets have thrown some cold water on the "peace is here" euphoria. They have transferred several thousand tanks beyond the Urals, in violation of the protocols of the Conventional Forces in Europe (CFE) treaty. They have reclassified three large divisions as "naval infantry," thereby circumventing some of the protocols of the treaty. Third, they have put new restrictions on international inspection of their military hardware.

These moves are coherent with the general hardline shift in Soviet politics, including those processes which led to the resignation of Foreign Minister Eduard Shevardnadze in December 1990. The American and British governments have issued various protests about such Soviet activity, including the reported content of a March 25 letter from President George Bush to President Mikhail Gorbachov.

Effect of the Gulf war

The Bush démarche is symptomatic of a second aspect of the changed reality, and one that is perhaps more dangerous to the "Vienna arms-control process." This is the consequence of the Persian Gulf war and the crude Bush administration attempt to impose a "new world order" on Europe, the Mediterranean, and West Asia. What one hears from Viennese circles favorable to Bush, is that the war against Iraq has proven that there is only one viable "security structure" for the Western world, namely NATO, and that the complicated search for using the Conference on Security and Cooperation in Europe (CSCE) to create a new strategic

reality, is now obsolete.

Imagine how that grates against the prevailing mentality now in Moscow. At a March 8 background briefing given by several leading CSCE or CFE diplomats to an international peace conference in Vienna, a renewed dynamic of confrontation could be seen. Beyond the technocratic language of arms control, confidence building, etc., several of the Western European speakers warned of the "unthinkable" occurring in Europe, should the CFE treaty, which was signed amid great fanfare in Paris in November 1990 by heads of state, not be ratified in the coming months by the national parliaments of the U.S.S.R., the U.S.A., and others. The basic line of the American representative was that the viability of the CSCE institutions was now in question, in the aftermath of the Gulf war. Why talk about limitations on new military technologies, when the recent war "proved that new technologies saved lives?" he asked rhetorically, to the amazement of not a few in the audience.

Following an impassioned appeal by the Polish ambassador, that the Central European nations of Poland, Czechoslovakia, and Hungary not be ignored by the rest—the Soviet representative calmly dropped a few bombs. In the style of what Gorbachov calls "the old thinking," he blamed all the rest of the countries present, and others not present, for not having responded positively to a wide range of "reasonable" Soviet proposals. One German arms control expert present commented: "This time you didn't see Khrushchov's shoe on the table, but you heard it!"

Political, economic crises in Europe

But it is not only arms-control feuds, as problematic as they may be, which concerns those in the know in the old capital of the Austro-Hungarian Empire. People are acutely aware of the potential of crises erupting along a wide swathe, extending from the Balkans, through Central Europe, and into the Soviet Union, all driven by economic crises that expedite the reemergence of atavistic tribalisms and old grievances. If the main focus of concern was the immediate outbreak of crises in Yugoslavia and Albania, *EIR* was being advised by those in a position to know, to look very carefully at the situation in Czechoslovakia as well.

More important, though, is the receptivity among representatives from Eastern and Central European and the Balkans, to the notion that economic development is the prerequisite for the avoidance of war. It is startling to hear such individuals virtually plead for a more active role on the part of both Germany and Austria, as well as other European countries, in providing the necessary aid to prevent disaster. For this reason, Lyndon LaRouche's "Productive Triangle" proposal for European infrastructure development has, here, a very tangible reality. If this program, or something like it, does not come to pass, then the rupture of the "Vienna process" will likely become irreversible. And that, many think, would mean looking into the abyss.

Hernando de Soto and his institute's mission: organize Nazi shock troops

by Gretchen Small

Hailed internationally as the free trade economist who has discovered the program to "save" the developing sector, Swiss-Peruvian businessman Hernando de Soto now finds himself the subject of raging scandal and ethics investigations in Peru, the country which most suffers from his policies. In March, senators and deputies from various political parties called for the formation of parliamentary commissions to investigate foreign financing of De Soto and his base of operations, the Institute for Liberty and Democracy (ILD). The calls followed an exposé in *Oiga* magazine on March 18 which documented that De Soto, who brags that he is Peru's "informal President," is a paid agent of the United States government.

De Soto and his ILD are indeed agents of foreign powers, but that is only part of their sinister story. This economist, whose policies Presidents Ronald Reagan and George Bush publicly endorsed, has set out to apply the mob-rule methods tested by the Nazis in the 1930s, to destroy every institution, independent organization, or private business in Peru—as a test case for the entire Third World—for the benefit of the international financial institutions for whom this Swiss Nazi works.

ILD agents have been organizing in the *barrios* and rural communities of Peru for more than seven years, mobilizing the country's miserable poor into shock troops to be deployed in what the ILD openly declares is "class warfare" on behalf of the World Bank's "structural adjustment" program. The ILD has committed itself to thus eradicating from the globe all traces of the mercantilist policy upon which the United States was itself founded.

Less known is that the ILD is the culmination of a project to merge Adam Smith's "traditional libertarian theory," proclaimed as the "credo" of De Soto's gang, with the organizing apparatus of Moscow-aligned Liberation Theology, to constitute one of the most important strategic weapons to be deployed on behalf of the Anglo-American new world order against the sovereignty and very existence of Third World nations.

The ILD is rapidly extending its operations across the globe. Its agents have been trained for Kenya, the Philippines, and South Africa. The institute has signed accords for

the implementation of its "institutional reform" programs with the governments of Bolivia, El Salvador, Nicaragua, and Sri Lanka. Others are under negotiation with Cameroon, Honduras, and Guatemala.

These nations should first examine the conditions in Peru, created by ILD policies, which the institute claims as its showcase. There, the higher the death toll from cholera rises, the more fanatically the ILD forbids the government from making any expenditures—except, of course, for foreign debt payments. Thus far, it has helped keep the government from undertaking the sanitation and water improvement projects required to end the cholera epidemic now spreading out from Peru. The ILD has made itself into the executors of the decree by the international banking community that Peru be eliminated outright. "Peru and Bolivia will disappear," as Citibank chairman John Reed told Brazil's *Veja* magazine in August 1990.

Conditionality and Kant

The ILD agrees with the World Bank's thesis that "persistent poverty and lack of growth [in developing sector countries] are due more to a lack of appropriate policies than to a lack of capital investment or suitable technology," De Soto stated in his keynote address to a major ILD conference in Washington on Jan. 28, held to promote its policies among U.S. government bureaucrats and the international "development" mafia. De Soto's speech was a remarkably blunt outline of the real intent of the ILD program.

Citing Immanuel Kant as one of the spiritual fathers behind his libertarian "credo," De Soto declared that the ILD believes that the only acceptable policies for the developing sector are the "major structural adjustment programs" pushed by the World Bank. Those are the programs which outlaw large-scale infrastructure projects, technological and scientific centers, industrial projects or energy-intensive agriculture as too "expensive" for the majority of mankind and promote instead deindustrialization and depopulation. The key question which the ILD has always addressed, he went on, is how to crush the "powerful minority vested interests" that have resisted these "adjustments" for more than a decade. The problem lies with both business interests and "de-

veloping country authorities and technocrats [who] disagree with structural adjustment,” and therefore “often prefer highly visible, direct assistance projects, such as the construction of public housing units, to institutional reforms,” he said. “The ILD’s mission is specifically to address the contradictions which block sustainable structural reform.”

De Soto cited the ILD’s property titles program as an example of its work. By mobilizing shantytown dwellers to demand titles to their shacks—most built with only reed mats—the ILD kept them from organizing for better housing programs, which De Soto denounced as creating pockets of “privileged” few. Thus the ILD “defeated the vested interests of developers seeking to protect their capital-intensive construction projects,” he crowed.

Making the ‘informal revolution’

Like the Nazi recruits from demoralized, angry members of what Marx termed the *Lumpenproletariat*, De Soto explained that the political base of the ILD are “informals”—the ugly euphemism used by the ILD for the millions of unemployed and underemployed urban and rural poor, who have been relegated to living in garbage and who subsist off petty crime or by selling trinkets on the streets, because Peru lacks precisely the capital-intensive development which De Soto’s gang is determined to eradicate. The only way to “do away with vested interests and special privilege in Peru,” De Soto explained, was “if the informal sector were mobilized as a class. . . . This notion of class and class interests is at the core of every proposal developed by the ILD.”

De Soto’s program for revolution is to turn the impoverished against their only hope for advance. “The informal class is the majority,” he said. “The ILD has begun to mobilize that class toward structural change. . . . Our initiatives are based on a new form of class analysis which recognizes the informal sector as the emerging entrepreneurial and democratically inclined class in the developing world. . . . This represents a revolutionary departure from the old mercantilist systems.”

De Soto did not mention, however, that his ally in organizing the “informals” is his close friend, and his child’s godfather, Gustavo Gutiérrez, the Peruvian priest who is known as the father of Liberation Theology. De Soto was referring to Father Gutiérrez when he dedicated his book *The Other Path*, to “my Peruvian leftist friends whose goals I share,” ILD staff member Enrique Ghersi informed this author in a 1987 interview.

De Soto’s call for class warfare at the ILD conference was hailed by Assistant Secretary of State Bernard Aronson, who spoke next. De Soto is “an authentic Latin American revolutionary, not just in Peru, but throughout this hemisphere.” The Enterprise for the Americas Initiative of George Bush “seeks in a comprehensive way through new approaches to debt, investment and trade to further fuel this revolution”; this is the path to “authentic perestroika,” he said.

Thus far, wrecking national development in the name of the free market has been most successful in Chile, “under an authoritarian government structure,” Aronson acknowledged. He added that now “the real challenge . . . is whether or not these reforms which, as De Soto has said, challenge vested interests, can be conducted with the stresses and strains of a democratic process.”

Nobody bucks ‘Rasputin’ De Soto

After 11 years of operation, the ILD is now putting to the test whether or not it wields sufficient power in Peru to finally steamroll those “vested interests” which claim the right to form a nation-state.

The mistake many of ILD’s opponents made at the beginning was to treat the institute as simply a think tank. The think tank sheep’s skin provided the ILD a useful cover over the years, helping it shape a national consensus behind its radical libertarian economics, while ILD organizers quietly set about building a political machine of “informals,” recruiting street vendors, block association leaders, bus drivers, etc. into ILD “study groups” and campaigns. The institute entered the political arena directly around 1984, establishing itself as policy advisers to the group of bankers who inhabited the government of President Fernando Belaúnde Terry. The ILD’s next big advance came when they sold his successor, President Alan García, on part of their “reform” program, after he retreated from his initial battle for sovereignty against International Monetary Fund usury.

By 1990, the ILD controlled the political economic agenda in Peru. When ILD board member Mario Vargas Llosa, co-author of De Soto’s *The Other Path*, was roundly defeated in the presidential elections by voters outraged by his promises to implement harsh “adjustment” policies, the ILD never missed a beat. In the weeks between the first round and the runoff vote, the ILD wrote the program for the political novice who won the second round, Alberto Fujimori. Within a year, De Soto had earned himself the epithet, “the Rasputin of Lima,” the man who runs Fujimori. De Soto provided Fujimori with contacts in the international financial community; helped shape “shock therapy” austerity program which increased, within one week, the number of Peruvians living below the absolute poverty line from 7 to 12 million; advised Fujimori to hire two former U.S. State and Defense Department officials as “anti-drug” advisers; drafted a Peruvian-U.S. “anti-drug” accord which hands sovereignty over to U.S. forces; drafted decrees and bills weakening the judiciary, Parliament, and the presidency itself.

ILD staff were named to serve as economics minister (former ILD director of Economic Research Carlos Bolona), ambassador to the United States (Roberto MacLean, De Soto’s personal lawyer), and to head the state radio and television (José María Salcedo). When Fujimori’s cabinet modified one of De Soto’s proposed bills on “democratic rulemaking” in March, the ILD staffers announced they were pulling

out of the government. The split between De Soto and Fujimori "is likely to damage the international financial community's image of Peru," London's *Financial Times* warned. Fujimori backed down. On March 29, Fujimori invited De Soto to a meeting at the Presidential Palace, after which the two shook hands for the cameras. In addition to discussing the drug program, "the President also asked me to take charge of every one of the negotiations for Peru's reinsertion into the international financial system," said De Soto.

The message was clear: No one bucks Rasputin.

Foreign agents

Clearly much of De Soto's power comes from the international financial interests which have made his policies a conditionality for financial aid to Peru. This includes the U.S. government. The largest financier of the ILD is the U.S. State Department's Agency for International Development. The next largest source of funds is the Center for International Private Enterprise (CIPE), the business sector arm of the National Endowment for Democracy (NED)—itself financed by tax money through Congress—which became infamous in the Iran-Contra scandal as the core apparatus of the secret government's Project Democracy. Also providing major funding for the ILD is the Smith-Richardson Foundation, well-known as the foundation of the U.S. Central Intelligence Agency.

The AID champions the ILD program. Not only did it finance the ILD's first annual Program Review conference in January in Washington, but AID's Assistant Administrator for Latin America and the Caribbean, James Michel, gave the opening address, and no fewer than 37 other AID officials also attended. Some 200 U.S. government officials, representatives of think tanks, the U.N., IMF, World Bank, private U.S. banks and press turned out to hear De Soto's class warfare program.

Battering the institutions

With that backing, the ILD is proceeding steadily to put through the program it wrote for Fujimori. Its plans are built around a set of institutional reforms, establishing "democratic rulemaking," administrative simplification, property rights and popular mortgage, judicial reform, and anti-corruption programs. Each is designed to destroy specific institutions and business interests operating in the country. The anti-corruption program, for example, is designed to eliminate the enemies of deregulation within government and industry. De Soto was quite frank when speaking before his supporters in Washington. "We are engaging in this anti-corruption campaign because we have found that most people understand anti-corruption much better than they understand deregulation," he stated. "Our approach is basically to use an anti-corruption system to bring in deregulation."

ILD literature explains that its anti-corruption campaign aims to bring about "widespread reform of the country's

political and legal institutions," by creating a public complaint system, where individuals accused of corruption by the "public" will be investigated by an anti-corruption committee—run by the ILD, of course. "Corruption"—i.e., opposition to the ILD—in both the public and private sectors, is targeted.

The ILD is proud that its program is based on the Independent Commission against Corruption in Hong Kong, which the ILD says has been operating since 1974 with "success in combatting deeply entrenched corruption within the police force." If the drug trade is entrenched in Peru now, watch out after this program. The British Crown Colony of Hong Kong is widely acknowledged to be among the most drug-ridden economies, and its police force is notorious for being on the take from the drug trade!

What passes for the anti-drug program targets the Peruvian military and private business sector, in fact. In Washington, De Soto countered criticism that the ILD program would not cut coca cultivation, by explaining that the drug program had a different purpose in any case. The accord "entails an entire revamping of the Peruvian police force and Army," and "provides an opportunity to put the right reforms in place for the nation. The enemies of change in Peru are formidable," he stated. "The real opposition to our reforms has come from the Peruvian private sector, which hides behind protective legislation. These vested interests can be beaten with the reforms proposed for fighting drugs. People will rally around a program to fight terrorism and drugs and the dissolution of the Peruvian state."

No institution is exempt. ILD literature reports that the purpose of judiciary reform is "the creation of parallel systems of justice." The "democratic rulemaking" program aims to dictate policies to the Parliament and President, through referendums and "popular consultations," a form of mob rule—run by the ILD, of course. All law in the country should be based on "the extralegal norms of the informals (harking back to John Locke's state of nature)," ILD pamphlets state.

What can the purported beneficiaries of the ILD's concern, the "informals," hope to gain? A piece of paper granting them ownership of their existing misery, and new-found indebtedness to banks, according to ILD's property rights and popular mortgage programs. The institute's fanatics define "have-nots" as "those without property titles." Once they have those titles, "mortgages can be placed on property in one day with absolute security for the lender. Foreclosure can be carried out extrajudicially in a period of two weeks, in contrast to the three to four years needed, at best, to foreclose on a regular mortgage," another pamphlet states.

Under the ILD's program, Peru's resources are handed over to the foreign bankers, while Peruvians are "free" to hold a paper title to whatever tiny piece of dirt they have scraped together for their families' survival. Today, that is equivalent to holding title to cholera.

Peru a laboratory for the Anglo-Americans

Deputy Carlos Calderón Carbajal, of Peru's APRA party, represents the department of La Libertad in the lower house of Congress of the Republic of Peru. He gave the following interview on March 19 to Carlos Wesley, in Washington, D.C.

EIR: Hernando de Soto, leader of the Institute for Liberty and Democracy, has called for "popular consultations," to get Peru to adopt a total free market policy. What do you think of that proposal?

Calderón: We are convinced that this proposal is aimed at disarming, at beheading and destabilizing those institutions that are the bulwark of democracy and sustain the community in our nations. Basically, the aim is to do away with the national legislature, because the Congress of the Republic is, in reality, the center of political existence, the great forum for political debate and of resistance to the implementation of the economic program of the International Monetary Fund.

EIR: Do you then see this call for popular consultations as a move by the government, or at least by Mr. De Soto, to impose the measures of the International Monetary Fund?

Calderón: Yes, of course! That is obvious. What President Alberto Fujimori—who has wholeheartedly embraced the International Monetary Fund—needs is great freedom to be able to implement the IMF economic program with impunity. To accomplish that, he obviously has to destabilize the regions, the political parties that oppose that policy, the politicians themselves, and, clearly, the national parliament. That is, the aim is to annul the Congress of the Republic as the great forum, as a center of debate, and to eliminate all resistance to Mr. Fujimori's liberal program.

EIR: Recently, a Peruvian magazine accused Mr. De Soto of being financed by the U.S. State Department and by other private and government agencies of the United States—in sum, of being an agent of the United States. What do think about that charge?

Calderón: I believe that it is true. Of course, he is not an

agent of the American people, of the lower-income people in this country. Obviously, he is an agent of the American establishment, of the famous Anglo-American establishment which is now attempting to impose its dominion over the world. We believe that what's happening right now is not only aimed at Peru, which has been turned into a great laboratory, into a test center for their politico-economic prescriptions. There is also a real threat against the whole Third World. In other words, they aim to do away with its option for development, even its option for existence, by the 21st century.

EIR: Could you tell us more about what you mean when you say that Peru is a great laboratory for testing the "new world order" of President George Bush?

Calderón: In Peru, for example, what they are doing is beheading the institutions that sustain democracy, as I said before. They are trying to test the famous popular consultations, which in reality is a fascist project; they are attempting to make such a project viable. They are studying the response of the population. They are implementing a pseudo-war on drugs—there is no real war on drugs; a pseudo-war on subversion—there is no serious policy against subversion. They are dismantling the process of regionalization, so that other countries do not follow our example. They are breaking up the political parties. They are virtually shutting down the universities, by choking off their revenues. They are breaking up the labor unions. Every trade association, labor union, student organization is being openly attacked.

That is, they are attacking on all fronts, from education to sports. I believe that is the main danger facing Peru, because they are using it as a laboratory mouse.

EIR: Regarding the current cholera epidemic, do you also see that as part of this great experimental laboratory?

Calderón: Yes, I believe that is the case with this cholera epidemic. It is the consequence of economic policies that have been applied to the Third World for the last 30 years. In the case of Peru, we all know about the high levels of malnutrition, about the lack of basic services for citizens, about the promiscuity in the major cities, the piling up of people. That is to say, everything needed for cholera to erupt in Peru.

EIR: What can the Peruvian people do about this?

Calderón: I believe things can explode at any moment. Everything has a limit. Peruvians may be a very patient people, long-suffering, but I believe that they are coming to the end of their rope, and this is going to blow up. At this point, the political parties and all social organizations are going to have to play a key role, because, either we are for the future of our nation, or we are against our development possibilities. Things are coming to a crossroads, and everyone is going to have to choose sides.

Elites dissent from 'new world order'

The crisis in eastern Germany has rekindled discussion of the free market, debt, and development.

The strong engagement of France and Great Britain in the Gulf conflict is seen by some as a demonstrative act vis-à-vis a Germany that does not want to enter a situation where it can show a comparable engagement." This was said on Sept. 22, during the first phase of the Gulf crisis, by Horst Teltschik, Chancellor Helmut Kohl's former national security adviser.

These and other critical remarks Teltschik made on the role of the U.N. in the Gulf crisis, and on Bush's preferential approach to Gorbachov before the 1990 summit, are said to have contributed to his fall in December 1990, when he quit his job without giving any meaningful explanation. For some time, Teltschik had been seen as a big nuisance to German relations with the United States, Britain, and France.

Long after Teltschik's demise in Bonn, the question he raised on Sept. 22 remains: If Germany didn't want to enter the war, in what situation would it show a strong engagement?

One distinct factor of German preferences certainly is in the sphere of economic policy. Germany nominally subscribes to the Western free market economy, but has replaced the "free" with "social." In practice, this means a lot of state intervention to correct the market economy through a dense social welfare net, a well-functioning public health system, substantial unemployment benefits, and some low-interest credit facilities for the promotion of growth in select sectors of the economy.

German economics is traditional industrial policy disguised under a

market economy mantle, and the new government strategy for eastern Germany recovery contains even more aspects of state intervention, to the chagrin of the free market faction inside and outside Germany.

An important, but widely neglected initiative in this context was the Bonn government's decision to write off half of East Germany's debt when the German Monetary Union was created on July 1, 1990. At that time, there was consideration of writing off all of the debt, but there was fear that would have "bad repercussions on the world debt front." Indeed, it would have set a model for writing off the Third World debt as a whole, to have a new beginning for the world economy.

But the worsening economic situation in eastern Germany has forced the government to reconsider the plan of writing off the debt entirely. Economics Minister Jürgen Möllemann asked that the DM 110 billion old debt of the former state-sector industry of eastern Germany that is now managed by the Treuhand agency, be written off, to speed recovery.

This development has repercussions on the debate in Germany over Third World policy. Numerous press articles on the cholera disaster in Peru explicitly mention the International Monetary Fund debt collection policy behind it. The Berlin *Tagesspiegel* daily had a remarkable article April 7 on Peru, the IMF, the debt situation in many parts of the world, notably Ibero-America and Africa. The feature emphasized the fact that in 1987, Alfred Herrhausen, the Deutsche

Bank chairman who was killed by a terrorist bomb in late 1989, had called for a generous debt moratorium for the Third World.

Among the German bankers of 1991, the daily said, there were none that could match Herrhausen, but a person of his caliber would be needed now to dump the IMF approach and prevent Peru-style disasters from spreading through the Third World.

There are elements of such a German initiative in the developing sector, not from the bankers, but from the government. President Richard von Weizsäcker took a stand against the Bush new world order in addressing the German-Indian Chamber of Commerce in Bombay on March 5: "Under all circumstances, it is necessary to prevent the conflict in the Gulf region from mounting into long-term tension between the North and the South. On the contrary, the détente in East-West relations must be used to finally concentrate our potential on the encouragement of economic progress in the Southern Hemisphere."

He endorsed a leading Indian role in the Non-Aligned Movement, explaining, "Through an education policy that has been pursued seriously over a period of several decades, India has a reserve of a great number of highly qualified researchers and scientists. For good reason, it is proud of its technical colleges, the IITs, at which the leadership cadres of the future are trained. The cultural-scientific capability of a country will be an important export good of the future."

Weizsäcker's remarks in India mirror the German elites' thinking on the future world role of reunited Germany. The dominant view is that it shall be based not on military muscle, but on the German tradition of science, industrial development, a high level of education, and elements of state intervention.

Endara's in hot water again

New drug charges against Endara confirm what EIR has reported. But why is Bush attacking him now?

A report prepared by the U.S. Drug Enforcement Administration reveals new ties between Panamanian President Guillermo Endara and the drug cartels. According to the DEA report, made public by the president of the opposition PRD party, legislator Gerardo González, on April 4, Endara was an officer in a network of companies set up to launder money for a ring that smuggled one ton of cocaine into the U.S., each and every month, between 1978 and 1990.

Endara was installed as President by the Army that George Bush sent into the country in December 1989, to "get" Gen. Manuel Noriega because, according to Bush, General Noriega was involved in drug trafficking. At least 4,000 Panamanians were killed in that invasion. Before, during, and since the invasion, *EIR* has reported on the partnerships with the drug cartels of Endara and most of the top officials in his coalition.

The DEA report says that Endara was secretary treasurer of at least 6 of the nearly 150 corporations and banks that laundered funds for a gang run by Augusto Falcón and Salvador Magluta, who were both convicted last year by a U.S. court of smuggling cocaine into Florida from 1978 to 1990. Among the institutions that laundered their funds were Banco del Istmo, Banco General, Banco de Colombia, Banco Alemán, Banque Sudameris, and Union Bank of Switzerland.

At a hastily called news conference April 5, Endara admitted his ties to the companies, but denied any involvement with drug-money laundering. His law firm, Solís, Endara

and Delgado, helped set up the firms "as a favor for our friend Juan Acosta," a Miami lawyer who was killed, gangland style, in what is believed to have been a drug-related execution. Endara claimed he severed relations with the companies in 1987, but that was denied by sources in Panama's Legislative Assembly, who say he did not resign until 1990, after he was confronted by the DEA.

One Endara law partner, Hernán Delgado, is listed as president of all six companies. He is currently Endara's chief presidential adviser. His other partner, Menalco Solís, runs the CIA-trained National Security and Defense Council and the Institutional Protection Service.

Panama's Attorney General Rogelio Cruz was given the DEA report months ago, but failed to act on the information, sources said. Cruz was himself linked to a money-laundering bank, First Interamericas, a joint enterprise of the Medellín and Cali cocaine cartels. Endara has also been linked to First Interamericas. An earlier report from the DEA said that Endara was a co-owner of yet another drug-money laundering bank, Banco Interoceánico, also known as Interbanco.

In his press conference, Endara said that early in 1990, he and his law partners gave information about companies in the Falcón-Magluta case to U.S. officials. "The DEA and the U.S. Embassy, which are the same thing, promised us confidentiality," said Endara, who let it be known that the Bush administration leaked the information in order to blackmail him.

The U.S. Embassy in Panama de-

nied it was the source of the leak, but did not deny the accuracy of the report. It said that Endara's law partner, Delgado, was "lending valuable assistance" to the ongoing investigation and that Delgado is not a target of the investigation. The embassy statement stressed that the report, a sworn affidavit prepared by DEA agent Yvette Torres, "neither states nor implies that the officials, directors or agents of the corporations were aware that they were involved in money laundering."

The U.S. has been pressing Endara to sign a Pact of Mutual Legal Assistance, which Panama says could shut down its Swiss-style banking center and finish off its economy. There is also a move, backed by the GOP establishment, calling for renegotiation of the 1977 Panama Canal Treaties, to allow U.S. troops to remain in Panama permanently. Endara says he will not renegotiate, which makes the timing of the leaks against him most interesting.

The new revelations came as Endara's coalition finally came apart, with the resignation from the cabinet of the Christian Democrats of First Vice President Ricardo Arias Calderón on April 8. Endara had been trading charges and countercharges with the Christian Democrats, of wire-tapping, illegal arms smuggling, and corruption. Arias Calderón quit his post in the cabinet, as Minister of Government and Justice, although he remains vice president. The other member of the U.S.-installed ruling troika, Second Vice President Guillermo "Billy" Ford, retained his cabinet post, as Minister of Planning and Finance.

Ford, former co-owner of the notorious Dadeland Bank of Miami, is a strong favorite among those being considered to replace Endara when Bush decides to get rid of him. Another is Gabriel Lewis Galindo of Banco del Istmo.

International Intelligence

Red Army fears the influence of Schiller

The daily of the Soviet Armed Forces, *Krasnaya Zvezda*, is worried about the penetration of Lithuania by the ideas of Friedrich Schiller (1759-1805), Germany's "poet of freedom." An article published in the first week of April warned against "a coordinated operation" involving the ethnic Germans in Lithuania, in what the daily called "the beginning of an ideological Germanization."

What the journal referred to, was the increased circulation of *Deutsche Nachrichten für Litauen*, a monthly which is dedicating a good share of its pages to German poems and cultural items in general. The May 1990 issue carried Friedrich Schiller's poem "Hoffnung" ("Hope") on its front page.

Krasnaya Zvezda spoke of a dangerous "ideological diversion," calling the contents of the Lithuanian monthly a "political provocation" that had to be stopped.

Bulgaria seeks to clear its name on the Pope

The Bulgarian ambassador to the United States, Ognian Pishev, and Center for Democracy President Allen Weinstein announced the formation of an International Commission to Investigate Assassination Attempt on the Pope, at a Washington press briefing on April 5. The assassination attempt occurred 10 years ago on May 13, and there was much evidence pointing to the role of the Bulgarian communist secret services in organizing it.

One of the commission's stated goals is to promote a "new image of a free Bulgaria" and to "present a convincing case for Bulgaria today as a society governed by democratic procedures and openness," Bulgarian President Zhelu Zhelev said in a statement read by the ambassador.

The committee will begin work in Sofia, Bulgaria, and will be allowed to look at the

files of the secret services. Ambassador Pishev said his country won't be known as democratic unless it clears its name. Before the assassination, his country already had a bad name for itself and it was easy for the KGB to put the blame on Bulgaria.

Weinstein, one of the founders of the National Endowment of Democracy, said that the group had no preconceived notions as to the culprits behind the assassination attempt. He added that his group would be meeting in September in Sofia on the subject of "The Proper Role of Intelligence Agencies in a Democracy." The Center for Democracy played a major role in the 1984 formation of the National Endowment of Democracy, and remains central to NED intelligence operations in Eastern Europe.

Hollinger Corp. lashes out against LaRouche

EIR's exposure of the role of the Canadian-run Hollinger Corp. in fanning the flames of Mideast conflagration drew an angry and libelous retort in the *Jerusalem Post*, owned by the Hollinger Corp., in its issue of March 29. The article denounces Lyndon LaRouche as an "anti-Semitic political Neanderthal" for his opposition to the Gulf war.

Author David Bar-Illan attacks "Arab disinformation efforts," among them columnist Pat Buchanan's belief that "the U.S. military involvement in the Gulf had been somehow engineered by Israeli hawks and their American friends."

The article continues: "But nothing could match the conspiracy theories of American fringe politician and former presidential candidate Lyndon LaRouche, who believes all evil emanates from planet Earth's super-Svengali Henry Kissinger—the chief executor of the Protocols of the Elders of Zion. . . . He blamed the U.N. conspiracy and the war against Saddam Hussein on—are you ready for this?—'Israeli-controlled Muslim fundamentalist groups' and the 'Ariel Sharon-dominated government of Israel,' " whose annexation

program for the West Bank is "dictated by Kissinger and company, through the Hollinger Corporation, which has taken over the *Jerusalem Post* for that purpose."

For more information on the Hollinger Corp., on whose board includes Kissinger, see *EIR*, Aug. 17, 1990 ("Hollinger Corp.: Dope, Inc.'s Global Press Empire") and Jan. 11, 1991 ("LaRouche Foresaw 'Transmogrification' in Soviet Union").

Israel plans to halve Palestinian population

The Israeli cabinet met on March 31 and approved measures which aim to cut by one-half or more the number of Palestinians living in the Occupied Territories. The restrictions will require a permit from the Israeli military for a Palestinian to enter the territories, and will limit the number of permits to one-half the number of Palestinians currently working or living in the area.

Palestinians now cannot bring their own cars across the border, and the limitations on the number of Palestinians who will be allowed to work will cause severe hardship in the long-suffering community. Palestinians said that security officials are refusing permits to people who have been arrested for "security violations," or if they have relatives in jail, or if they are young.

Other policies were reaffirmed by the cabinet meeting, such as shooting of children throwing stones at occupying soldiers, demolition of homes of protesters, and deportation of alleged militants.

Canadian proposes change in U.N. Security Council

Germany and Japan should be given places on the U.N. Security Council, wrote a former Canadian ambassador to the United States and chairman of the Canada Council, Allan Gotlieb, in a commentary in the Toronto *Globe and Mail* on April 1.

"Several steps need to be taken if the Security Council is to achieve its full poten-

tial," he writes. "The Gulf War illustrates that none is more important than the permanent membership of Germany and Japan in the Security Council. To accord permanent membership and veto power only to the United States, the Soviet Union, Britain, France and China—victorious allies of the Second World War—is to acknowledge a profound lack of balance between the rights and obligations of the world's strongest states, for which there is no real justification."

Gotlieb lists reasons why Germany and Japan must be given representation: "a) the council cannot reflect today's geopolitical realities without the involvement of these states; b) the council will not play its proper role without this reform; c) while no other body can replace the Security Council, political power will gravitate to bodies where these nations are full members, such as the seven-nation economic summit; d) without membership, Germany and Japan will have a continued excuse for not pulling their political weight."

Indian journalist exposes lies about Gulf war

An Indian reporter based in the Persian Gulf, Khergamvala from *The Hindu*, on April 3 charged that "the U.S.-led coalition is playing a dangerous game" in Iraq, a racist policy full of lies and deception.

"At first sight the move at the U.N. to allow food appeared genuine," he said. "A scrutiny of the routes of entry of emergency aid and present disposition of internal forces in Iraq shows that the intention to use Iran, Syria, and Turkey to feed the Shia and Kurdish areas, but to deprive the heavily bombed but relatively quiescent Sunni areas so as to incite unrest against Mr. Saddam Hussein's regime," is the method being used.

He noted that for observers in the region "it is difficult to believe that the Anglo-Saxon Western public would have stood by silently had the target of the deprivation been of a different complexion—witness the interest in the Baltic States."

He identified several deliberate lies concocted by the U.S.-led coalition: 1) "Independent British experts have assessed that about 1.5 million barrels a day is going up in flames in Kuwait—not four times that amount, as the Kuwaitis and CNN claim." 2) The American pilot with a battered face who was shown on Iraq TV was not tortured as American psychologists proclaimed, but confessed upon his release that the scratches were self-inflicted to avoid TV exposures. 3) Concerning George Bush's lies that the Iraqis took away incubators in Kuwait, throwing away babies to die: It was in fact the Kuwaiti doctors who had hidden the incubators from "the thieves of Baghdad."

Mexican newspaper hits U.S. imperial pretensions

The Mexican daily *Unomasuno* editorialized April 5 against the intolerable "peacetime" conditions being imposed by the United States and the United Nations on Iraq:

"The birth of the highly touted new world order now has a registration number: 687/91. It is the greatest accomplishment to date that a military power has ever extracted from a war it itself induced and sought, because at this point, there is little doubt that the ingenuousness and arrogance that fed Baghdad's war adventurism fit Washington's neo-imperial pretensions like a glove. The results can already be seen: the U.S.'s main harvest is that of having transformed the United Nations into a rubber-stamp for imposing *limited sovereignty* on one of its member nations.

"Note well, in returning to the text of the resolution, that at no time is Iraq offered a peace treaty to sign, but merely additional conditions for a simple 'cease-fire.' . . . None of the new demands were foreseen as objectives of Resolution 678, which authorized the use of force to dislodge Iraq's troops from Kuwait. . . .

"Certainly, in every war, the victors have imposed their conditions. But then let's not try to fool anyone with this phony New World Order label."

Briefly

● **JAPAN** is considering using the threat of cutting off aid to pressure India and Pakistan into signing the Nuclear Non-Proliferation Treaty, According to a report in the *Asahi Shimbun*. The daily said the Japanese Foreign Ministry was examining a strategy to apply pressure around the disbursement of its Official Development Assistance.

● **CANADIAN** Foreign Minister Charles Clark sent a message to the deputy chairman of the Latvian Parliament stating that Canada recognized Latvia *de jure*, the Soviet news agency TASS reported on April 1.

● **A POLL** published in the *Sunday Express* of London has reportedly depressed the Archbishop of Canterbury. Thirty-four percent of respondents did not know what happened on the first Easter Sunday, 39% did not know what happened on Good Friday, and 50% were unable to name the city outside which Jesus was crucified. Eighty-five percent identified themselves as Christians.

● **KENYAN** Foreign Minister Ndolo Ayah charged that there are "groups of people based outside with a calculated and definite agenda to disrupt this country" because of its impressive development record. "They are well financed to disrupt African countries, particularly Kenya," he was quoted by the *Kenya Times* on March 28. He said that the BBC is "the medium through which the destabilization of Africa is being done."

● **A MILITARY** delegation from the People's Republic of China arrived in Pakistan March 18 for consultations with military representatives. Pakistan Chief of Staff Mirza Aslam Beg met with Gen. Xu Xin, chairman of the Joint Chiefs of Staff Committee for China, and the two sides "reached a consensus on all issues they discussed . . . and agreed to further strengthen such relations," Xinhua reported.

Free trade pact faces growing opposition

by Carol White

When hearings begin, on April 17, to end President Bush's demand for authority to conduct negotiations for a U.S.-Mexico free trade agreement on a "fast track," Bush may well be in for trouble. The Democratic Party and the AFL-CIO are lined up against Bush on this one. At issue is the ability for the Congress to amend the measure, or in other words, to negotiate on behalf of their constituencies under circumstances in which the agreement threatens to gut what is left of U.S. industry and family farmers.

Another element in the opposition to Bush's fast track, is that, like his conduct of the Iraq war—including his threats in January to take military action with or without congressional approval, which was eventually forthcoming—here, too, he is moving to consolidate the extension of the powers of the Executive, and encroach upon the constitutionally guaranteed prerogatives of the Congress, albeit these powers were already on the book.

Under the existing procedure, the two houses of Congress only have the right to vote the measure up or down, within 90 days of receiving it, without the right to amend it. The fast track would then continue in effect until June 1. Not only does this give Bush complete power to pursue a bad policy, but under circumstances of the present post-Gulf mania, it is creating a dangerous precedent for other legislation which he might wish to impose. In effect, the U.S. President would be given the same powers to rule by emergency decree accorded to President Gorbachov.

The fast track will be denied if sufficient opposition surfaces before May 31. There are a number of forms this can take, such as resolutions passed by the Senate Finance Committee or the House Ways and Means Committee, or a majority vote against it in the Senate or House.

Already, Sen. Ernest Hollings (D-S.C.) has introduced

Senate Resolution 78, disapproving the President's request for special fast track procedures, which has been co-sponsored by 14 senators. The lineup as of now looks about even, with 35-40 against, 40 for, and 20-25 still uncommitted. The opposition coming from Democrats is sparked by the determined opposition to the free trade pact by the U.S. trade union movement, which views this as an urgent matter of job protection in a period of rapidly escalating unemployment. Sen. Lloyd Bentsen (D-Tex.) is on record against the bill, echoing labor's complaint that Mexican wage rates are one-seventh of U.S. levels.

Labor opposition

In a statement released on Feb. 20, the AFL-CIO pointed out that multinational corporations and large banks would find a more favorable climate for investment in Mexico because there are less stringent environmental protection laws. Social welfare legislation in Mexico—including minimum wage laws—would also work to the disadvantage of U.S. workers. Pay scales there, for example, average 60-80¢ per hour. Not surprisingly, Mexican workers suffer abysmal living conditions, including lack of running water, sanitation, and electricity, and this in turn is creating an area extremely vulnerable to the cholera epidemic spreading north.

The Canadian labor movement and the opposition New Democratic Party are also opposing the pact on similar grounds. Estimates are that hundreds of thousands of jobs would be lost in both the U.S. and Canada. These are, in the main, assembly-type jobs in auto, and jobs in the textile industry. In Canada, the standard wage is \$8-9 per hour, whereas a Mexican receives \$5 per day for a similar job. Presently, the CTM, Mexico's official trade union organization, is refusing to support its U.S. and Canadian counter-

parts on the grounds that the pact would create jobs for its members, a view that is extremely short-sighted, to say the least. On Oct. 5, 1990, however, a group of 27 Canadian and 60 Mexican trade unionists, farmers, environmentalists, and representatives from other organizations did meet to denounce the free trade proposals and International Monetary Fund policies in general.

The truth is that the Mexican economy is also being destroyed by free trade economics. The United States has forced Mexico, for example, to reorganize its economy so that core industries such as the national oil company Pemex are being gutted to the advantage of the United States. Mexico is now beginning to pipe its oil into the United States for refining, after closing down a major refinery. The more Mexico's economic dependency upon the United States increases—which is a concomitant of the fact that it is taking down protective barriers—the poorer it will become; for example, by Pemex for the first time contracting out exploration and drilling.

The presently usurious rate of debt service with which Mexico is afflicted is only a harbinger of its future, as it sinks into becoming a de facto U.S. colony. A key part of Bush's strategy of course, is his intention to gain control over world oil reserves. In the case of Mexico, this directly contravenes its Constitution, which stipulates that petroleum is a national patrimony.

On April 7, Presidents Bush and Carlos Salinas de Gortari held a love-fest in Texas, where they pledged to push through a free trade agreement against all domestic opposition, which has surfaced in Mexico as well as in the United States. Bush declared that, as in the case with the war against Iraq, he intends to force Congress to continue him the special powers which he is demanding. Bush affirmed that the "administration is committed totally to the free trade agreement with Mexico and Canada."

Earlier, Bush had blustered, "It is a priority for the United States, the United States government . . . and I'm going to do everything I can with Congress to get this approved. And I mean all-out, 100% commitment." Bush also attacked the trade unions, which he vowed to confront. "Some elements in organized labor are fighting it and they are wrong," he said. "I'm going to take them on head to head because I know this is in the best interest of our country."

Weakness in the opposition

In a joint communiqué, the Mexican and U.S. Presidents were unabashed in their declaration that the agreement was being negotiated in the context of an all-out trade war by the United States against Europe and Japan. "We have to be competitive with Europe and the Pacific Basin," they said. The commitment to such a trade war, in tandem with Bush, among opponents of the free trade pact, is their weakness. Nonetheless, every effort must be made to abort the renewal of the fast track and the free trade pact.

Paul Tsongas, a former Democratic senator from Massachusetts who is throwing his hat into the presidential ring, is one of a number of Bush Democrats who are seeking to prevent a genuine alternative to a Bush second term from emerging, and a prime example of this trade war mentality. His campaign theme will be trade war against Europe and Asia, and his platform is entitled "A Call to Economic Arms: Forging a New American Mandate." Tsongas joins Sen. Albert Gore (D-Tenn.) and Rep. Richard Gephardt (D-Mo.), who are also considered possible presidential candidates, in adopting Bush's trade war strategy.

Tsongas warns that "America faces great economic peril as our standard of living is threatened by Europe 1992 and the Pacific Rim." Invoking the image of the Bush administration's slaughter in Iraq, his "New American Mandate" calls for a "Positive response to America under siege. . . . Just as we deploy our men and women in the Persian Gulf, we must deploy every American to stop our economic bleeding. We must all be soldiers—every one of us!"

Tsongas adds his voice to a growing chorus of politicians who are proposing that the Democrats concede the election and concentrate on mobilizing the population on behalf of the austerity policies being dictated by the financial establishment. Calling himself the "best friend Wall Street ever had," Tsongas warns that "winning would be thrilling as all victories are. But on Jan. 20 the issues would be no less real. . . . The mission of the Democratic Party in 1992 would normally be to put one of its own in the White House. But these are not normal times."

This consensus among congressional Democrats as well as Republicans in support of Bush's trade war against Germany and Japan, situates the weakness of the opposition to the free trade pact with Mexico. They are in agreement with the goals of trade war against Germany, Japan, and countries such as Mexico; their differences emerge only on secondary issues of just how far they are willing to accept the disadvantages of Adam Smith free trade economics domestically. This is the character of Senator Hollings's opposition to the pact. Tsongas puts a Democratic spin on his otherwise pro-administration program, by calling for a two-tier credit system which would penalize speculation, as a way of reviving the U.S. economy.

The U.S. economy today is a disaster which has been in the making since the assassination of President Kennedy. Stealing from our allies, whether in the form of Persian Gulf war tribute or by trade war, or as in the case of Mexico, by turning them into veritable colonies, is no solution. Even a return to Kennedy-style tax and credit policies which foster investment domestically will be insufficient to rescue it, because the productive capacity is no longer available to restart the economy without technological assistance from the relatively healthier Japanese and German economies. Under the circumstances, the bipartisan trade war policies now under discussion are insane.

AFL-CIO denounces free trade agreement

The following statement on the proposed U.S.-Mexico free trade agreement was issued by the AFL-CIO Executive Council on Feb. 20, 1991 from Bal Harbour, Florida.

The proposed U.S.-Mexico free trade agreement would be a disaster for workers in both countries. It would destroy jobs in the United States, while perpetuating exploitation of workers and inflicting widespread damage on the environment in Mexico. The beneficiaries would be multinational corporations and large banks.

To secure the eventual passage of an agreement, the Bush administration is pushing hard for "fast-track authority" from Congress. This procedural tactic would allow only for a simple and unconditional yes-or-no vote without the opportunity for amendment by Congress.

The strategy behind fast-track authority is plain. The White House knows that the agreement cannot withstand searching scrutiny, and it is doing its best to prevent public debate.

There is a preview of what an agreement would bring. It is the *maquiladoras*, the U.S.-owned plants that operate inside Mexico along the border but produce goods exported back here.

The pay averages 60-80¢ per hour, barely a subsistence wage. Many workers live in shacks made of packing materials, with no running water, sewers, or electricity. The air pollution and toxic waste generated by *maquiladoras* are among the worst in the world.

The *Wall Street Journal* has noted that the *maquiladoras* "very success is helping turn much of the border region into a sinkhole of abysmal living conditions and environmental degradation."

The *maquiladoras* have flourished because U.S. companies have seen an opportunity to pay Mexican workers a fraction of the wages that U.S. workers receive, and to evade the standards for occupation safety, workers' compensation, and environmental protection that are required here.

The supporters of a U.S.-Mexico free trade agreement say it is a "ladder to prosperity" for Mexican workers; but all of the bottom rungs are missing. The reason that U.S. corporations have established facilities in Mexico is not to promote economic development, or raise the standard of liv-

ing and level of consumption there; it is to increase corporate profits.

As for U.S. workers, hundreds of thousands have already lost their jobs to the *maquiladoras*. Hundreds of thousands more would see their jobs exported to plants throughout Mexico with the advent of a free trade agreement.

It has been announced that the Canadian government will take part in the free trade negotiations. The trade union movement there is opposed to this scheme for reasons similar to ours—the export of jobs from Canada with no relief from exploitation in Mexico.

One of the biggest disadvantages of a free trade agreement is that it would not include measures that would make a useful contribution to economic development in Mexico such as significant debt relief; more humanitarian and development assistance; greater cooperation on environmental questions; and programs to stem capital flight from Mexico.

The AFL-CIO strongly supports such measures. It strongly opposes a free trade agreement devoid of these measures, such as the administration contemplates. We should work for closer ties with our neighbors, but not at the expense of working people.

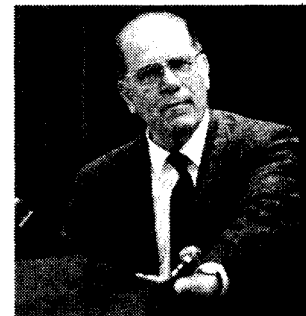
The AFL-CIO urges Congress to spurn the administration's request for fast-track authority and to give this far-reaching free-trade project all of the scrutiny it deserves. We are confident that after full debate, it will be rejected.

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

—Lyndon H. LaRouche, Jr.

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Brookings reviews the war

With stunning cynicism, pundits admit Gulf war "information" was fabricated—and plan the next phase of brutality.

A group of top defense analysts told a Brookings Institution seminar that physical evidence on the battlefields in Kuwait and Iraq had nothing to do with the fairytales circulated before and during the war. The revelations were not motivated by any questioning of the justifications for the slaughter, but as a house-cleaning so as to continue the policy of unparalleled callousness toward the people in the Middle East.

Tony Cordesman, the ABC consultant who regaled TV viewers with computer maps and battle scenarios supporting the U.S. contention that war with Iraq was inevitable, mused over "anomalies" he helped to create: "For example, they put immense effort into coastal defenses, most of which were pretty silly, but if you look at the border defenses along the coast, for that sector of the defenses, they are not there."

Brookings Institution fellow Jane Nolan described widespread fabrications among military officials: "We never seemed to have anyone in the United States government who could define APC or other armored vehicles. General [Peter] Kelley never got it right from day to day, but more importantly, nobody ever got it right in the JIB [Riyadh]. And actually, when we asked the JIB to define what equipment was included as artillery or other armored vehicles, there was nobody who could do it.

"This may sound like it's minor, but if one looks through the detailed history of the equipment counts issued before, during, and after the Gulf war and tries to correlate them to the damage assessment estimates issued by

various sources, it is a statistical nightmare of incoherent information, and a great deal of it simply cannot be true. So in that sense, there is somewhere in this government a very major bureaucratic failure in putting elementary statistics together on the impact of this war."

Joshua Epstein, senior fellow of the Brookings Institution, examined one element of the calculated overkill of the air war. "But the Air Force bombed lots of bridges that were, I think, quite irrelevant to the operation. They wreaked civilian damage in that connection that was probably unnecessary to the achievement of the military goals. The U.N. has called this, 'apocalyptic destruction.' They bombed 39 bridges. My assistant and I looked carefully at targets in Iraq when we did our estimate of the air superiority campaign. We didn't come up with numbers nearly that high. I mean, they were more on the order of a dozen bridges that were really of tactical significance to this war."

Nolan summarized, "I think the problem now, since we have to use sanctions, is how to relegitimize them, if you will, and to bring back the political ethos that would support a sustained multinational sanctions regime against Iraq."

Continued brutality against Iraqi civilians is no problem for Cordesman, who cautions against "the myth of national innocence." No one "can really believe that Saddam Hussein was personally responsible for the actions of tens of thousands of people who systematically looted the country. *There is a practical limit to the*

amount of regret and sorrow one should feel for the Iraqi people. I have heard the same arguments made about Germany in World War II and I think they are equally inapplicable."

Cordesman extended this view to the entire region, asserting that the PLO and Jordan are the main culprits for the ongoing conflict. He went on, "Once you strip away the statistics, the truth is that the Maghreb consists largely of 'undeveloping' states where in real terms the citizens receive less as a real income each year. That's not inevitable, but it is also not a product of outside action. It is a product of poor governments, of poor economic policies, a refusal to deal with water problems, and a refusal to deal with population control. If those nations are to be helped they will have to help themselves first. . . .

"The situation in Yemen is very similar and when one looks at the southern edge of the Red Sea it is an almost unmitigated disaster, beyond American influence in many ways, and certainly beyond what we can do to help those states restructure themselves. Once again, they either help themselves or no one helps them. There are two countries which have priority: Egypt and Turkey.

"Now we cannot in this context achieve peace by pressuring Israel . . . the primary goal is not a peace settlement, which we cannot achieve; it is military stability. And that is achieved primarily through Israel's security."

His summary is apocalyptic: "If you look toward the next problem in this region, it is not likely to be an Arab-Israeli war or that one of the civil wars in the region blows up into a major confrontation. It is much more likely that we are going to watch the southern periphery of the Soviet [empire] degenerate into very intensive ethnic conflict."

Inslaw case: Judge orders discovery

by Jeffrey Steinberg

Attorney General Richard Thornburgh has earned an international reputation as a gangster as the result of his sponsorship of the Thornburgh Doctrine, under which American G-men are free to go around the world kidnaping foreign nationals who are political targets of the Bush administration. Despite this well-earned image as a hooligan, Thornburgh has managed to stay on as attorney general with the apparent blessing of both the White House and the national media, and grabbed every public speaking opportunity to pontificate about his crusade against corruption and white collar crime.

Now, recent developments in the Inslaw scandal point to the Attorney General's own role in covering up a multi-billion dollar grand larceny scheme that was run out of the headquarters of the Department of Justice (DoJ).

The scandal centers around the Reagan-Meese Justice Department's willful bankrupting of the Inslaw firm by withholding millions of dollars in lease and service payments. Two federal judges ruled in 1988 and 1989 that the department used "trickery, fraud, and deceit" to steal Inslaw's proprietary PROMIS software, and ordered the government to pay Inslaw over \$6 million.

Within months of his confirmation as attorney general, Dick Thornburgh jumped into the affair, by trying to stymie a congressional probe and labeling the Inslaw owners as "paranoid conspiracy theorists." More recently he has blocked a congressional subpoena of 200 DoJ documents that could unearth a departmental scandal on the scale of Watergate.

While the department is appealing those federal court rulings, Inslaw attorneys have obtained new evidence indicating that the theft conspiracy was far broader, and involved several familiar names from the Iran-Contra scandal. According to new witnesses, pirated copies of PROMIS were sold to the intelligence services and armed forces of Canada, Israel, the Republic of Korea, Libya, and Iraq, as well as the Interpol international police agency. Profits from the illegal sales may exceed \$1 billion.

The Thornburgh coverup of the scandal has now moved to center stage as the result of an unusual arrest.

On March 29, Drug Enforcement Administration (DEA)

agents in rural Pierce County, Washington arrested a key Inslaw witness, Michael Riconosciuto, on federal narcotics charges. Riconosciuto is an electronics and computer engineer who has been involved in secret U.S. intelligence operations since the early 1970s. During the Reagan years, he was involved in the Iran-Contra affair, and, according to a story first published in *EIR* in November 1990, Riconosciuto also played a part in a \$40 million payoff to Iranian government officials in 1980 that delayed the release of the American hostages in Teheran until after that year's November elections. Some journalists say George Bush and William Casey, who later headed the CIA, were among the plotters of that "October Surprise."

In an affidavit filed in federal court in Washington, D.C. one week before his arrest, Riconosciuto detailed his role in 1983-84 in modifying a pirated copy of Inslaw's PROMIS software so it could be illegally sold to the Royal Canadian Mounted Police and the Canadian Security Intelligence Service, Canada's equivalents of the FBI and the CIA. Riconosciuto named businessman Earl Brian and Justice Department official Peter Videnieks as his immediate co-conspirators and implied that the entire project was part of the Iran-Contra "secret parallel" intelligence effort. At the time of the alleged modification, Videnieks was the department's case manager for the PROMIS program. Early this year, Videnieks was quietly transferred to the U.S. Customs Service.

The Riconosciuto affidavit also charged that in February 1991, Peter Videnieks had threatened him with federal prosecution if he cooperated with Inslaw's attorneys or with Rep. Jack Brooks's (D-Tex.) House Judiciary Committee probe of the Inslaw affair.

According to a March 31 *Washington Post* story on Riconosciuto's arrest, federal agents seized copies of a cassette tape of the February Videnieks-Riconosciuto phone conversation in which the DoJ official reportedly threatened the Inslaw witness. Within 72 hours of his arrest, a team of investigators from the House Judiciary Committee flew to Everett, Washington and conducted over eight hours of depositions with Riconosciuto in jail.

Robinson's ruling

Then on April 8, Federal District Court Judge Aubrey Robinson granted the Inslaw firm 30 days of "limited discovery." Since a 1988 federal court ruling, Inslaw's attorneys have been blocked from access to any new evidence from the Justice Department. The order signed by Judge Robinson allows Inslaw to subpoena copies of all DoJ, FBI, DEA and other departmental computer software programs to determine the further extent of the DoJ piracy. While the original Inslaw discovery motion was filed before the company learned from Riconosciuto and others of the international scope of the piracy, and therefore was only directed at Justice Department misuse of PROMIS, attorney Elliot Richardson, who argued the discovery motion before Judge Robinson, hailed the deci-

sion as a significant break in the case.

Robinson's ruling was based upon a series of affidavits filed by Inslaw in the past month. The affidavits, all from individuals with shady intelligence community ties and with eyewitness knowledge of the Irangate fiasco, detailed a string of big-ticket sales of PROMIS to government agencies around the world. In every instance, Earl Brian, the former California Secretary of Health under Governor Reagan and longtime business pal of Ed Meese, was named as a prominent player in the sales.

Since the outset of the Inslaw court battle with the Justice Department, Brian has been identified as the person designated to take over the PROMIS software once Inslaw was safely buried under a government instigated bankruptcy. The new dimension to the Inslaw scandal is the emerging evidence that, despite Inslaw's court victory and survival, the PROMIS software was stolen and sold around the world anyway—in open defiance of a permanent injunction against further piracy in January 1988.

One affidavit filed by Inslaw attorney Elliot Richardson with the federal bankruptcy court by ex-Israeli intelligence official Ari Ben-Menashe charges that PROMIS was sold to the Israeli government by Brian, in league with former Reagan National Security Adviser Robert McFarlane, whom Ben-Menashe claims was on the payroll of Israeli espionage chief Rafi Eytan (the controller of convicted spy Jonathan Jay Pollard). A second affidavit, signed by Richard H. Babayan, an arms dealer now in jail in Palm Beach, Florida, charges that Dr. Earl Brian, in partnership with another Florida arms dealer, Sarkis Soghonalian, sold the PROMIS software to the Iraqi military in 1987. By far the most damning affidavit, Riconosciuto's, said in part:

"During the early 1980s, I served as the Director of Research for a joint venture between the Wackenhut Corporation of Coral Gables, Florida, and the Cabazon Band of Indians of Indio, California. The joint venture was located on the Cabazon reservation. . . .

"The Wackenhut-Cabazon joint venture was intended to support the needs of a number of foreign governments and forces, including forces and governments in Central America and the Middle East. The Contras in Nicaragua represented one of the most important priorities for the joint venture.

"The Wackenhut-Cabazon joint venture maintained close liaison with certain elements of the United States Government, including representatives of intelligence, military and law enforcement agencies.

"Among the frequent visitors to the Wackenhut-Cabazon joint venture were Peter Videnieks of the U.S. Department of Justice in Washington, D.C. and a close associate of Videnieks by the name of Earl W. Brian. Brian is a private businessman who lives in Maryland and who has maintained close business ties with the U.S. intelligence community for many years.

"In connection with my work for Wackenhut, I engaged

in some software development and modification work in 1983 and 1984 on the proprietary PROMIS computer software product. The copy of PROMIS on which I worked came from the U.S. Department of Justice. Earl W. Brian made it available to me through Wackenhut after acquiring it from Peter Videnieks, who was then a Department of Justice contracting official with responsibility for the PROMIS software."

Riconosciuto stated that he was assigned to modify PROMIS for application by two Canadian government agencies, the Royal Canadian Mounted Police and the Canadian Security and Intelligence Service. He then dropped the bombshell that has taken on added significance since his recent arrest:

"In February 1991, I had a telephone conversation with Peter Videnieks. . . . Videnieks attempted during this telephone conversation to persuade me not to cooperate with an independent investigation of the government's piracy of INSLAW's proprietary PROMIS software being conducted by the Committee on the Judiciary of the U.S. House of Representatives.

"Videnieks stated that I would be rewarded for a decision not to cooperate with the House Judiciary Committee investigation. Videnieks forecasted an immediate and favorable resolution of a protracted child custody dispute being prosecuted against my wife by her former husband, if I were to decide not to cooperate with the House Judiciary Committee investigation.

"Videnieks also outlined specific punishments that I could expect to receive from the U.S. Department of Justice if I cooperated with the House Judiciary Committee's investigation.

"One punishment that Videnieks outlined was the future inclusion of me and my father in a criminal prosecution of certain business associates of mine in Orange County, California, in connection with the operation of a savings and loan institution in Orange County. By way of underscoring his power to influence such decisions at the U.S. Department of Justice, Videnieks informed me of the indictment of these business associates prior to the time when that indictment was unsealed and made public.

"Another punishment that Videnieks threatened against me if I cooperate with the House Judiciary Committee is prosecution by the U.S. Department of Justice for perjury. Videnieks warned me that credible witnesses would come forward to contradict any damaging claims that I made in testimony before the House Judiciary Committee, and that I would subsequently be prosecuted for perjury by the U.S. Department of Justice for my testimony."

If any of the Riconosciuto affidavit charges are proven in court, the federal court actions by Inslaw and the House Judiciary Committee probe of Attorney General Richard Thornburgh and a slew of current and former top DoJ officials could take on unstoppable momentum and, at last, land Thornburgh and his cronies behind bars.

New sex scandal aimed at Kennedy machine

A new sex scandal involving the Kennedy family is being widely trumpeted by the mass media. The intensity and timing of the media barrage has prompted Washington observers to suspect that the campaign is aimed at demolishing what is left of the Kennedy political machine.

A nephew of Sen. Edward Kennedy (D-Mass.) was accused of rape by a 29-year-old woman on March 31, who claimed she was visiting the Kennedy Palm Beach bungalow at the time of the incident, which is said to have occurred on March 30. Allegations are flying that Senator Kennedy and his son Patrick were at the bungalow at the time of the alleged rape.

The rape accusations occur one month before the publication of a new biography on John F. Kennedy by Thomas S. Reeves entitled *A Question of Character*, a book which is said to contain lurid details of the late President's extramarital activities. The book is aimed at debunking what the author calls "our national desire for heroes."

The nephew, William Kennedy Smith, is a medical student at Georgetown University and the son of Stephen Smith, the campaign manager for Senator Kennedy's 1980 presidential campaign and controller of the Kennedy family money. The death of the elder Smith from cancer last year was considered a blow to the Kennedy political machine.

Although the senator is no longer mooted as a serious presidential contender, the Kennedy machine is a stumbling block to Bush's policies. The senator was an opponent of Bush's Gulf war, as was his nephew, Rep. Joseph Kennedy III (D-Mass.), the son of the murdered Robert F. Kennedy. As a member of the Senate Judiciary Committee, the senator op-

posed to the proposed Bush crime bill, a measure which is a step toward police-state rule in the U.S. The Kennedy machine has also balked at cuts in social programs which are integral to Bush's austerity policies.

Heinz death may clear way for Thornburgh bid

Sen. John Heinz (R-Pa.) was killed in a plane crash on April 4 when his chartered plane collided with a helicopter inspecting the plane's landing gear. The collision occurred after the senator's plane reported a problem and the helicopter offered to fly nearby to see whether the gear was down for a landing.

According to *USA Today*, Heinz had one of the highest anti-Bush voting records among Republicans, and harbored presidential ambitions. It was not stated whether he planned to challenge Bush for the nomination.

Heinz was also a proponent of an expansion of the U.S. rail system, and, in particular, of the introduction of maglev technology into the United States. An experimental project with magnetically levitated trains was to be set up between the Pittsburgh airport and downtown Pittsburgh, later to be expanded as the basis of a regional maglev system going to Cleveland and other parts of the Midwest. The maglev project involved collaboration between Westinghouse, USX, and the German firm AEG. Heinz succeeded in getting money for the project out of the Highway Trust Fund surplus. The project was intended to make Pittsburgh again a major industrial production center.

The death of Heinz has set off speculation that Attorney General Richard Thornburgh, the former governor of Pennsylvania, might run hop-

ing to use the Senate seat as a springboard for a presidential bid in 1996. One Washington observer commented that a Thornburgh bid for the Senate would be like a "900-pound gorilla entering the race," i.e., he would be sure to win.

Pennsylvania Gov. Bob Casey (D) may appoint former Secretary of Transportation Drew Lewis to the post. Sources also indicate that Rep. William Gray (D-Pa.) may also be interested in the seat.

In what appears to be a bizarre coincidence the day following the Heinz crash, former Texas Sen. John Tower (R) also died in a plane crash in Georgia. Tower was the head of the Tower Commission which whitewashed the role of Bush in the Iran-Contra scandal. Tower's death occurs at a point at which the Iran-Contra scandal has threatened to resurface. The reasons for the plane crash are still being investigated.

Charges dropped against Rep. Flake

Charges of conspiracy, fraud, and tax evasion have been dropped against Rep. Floyd Flake (D-N.Y.) due to lack of evidence.

Representative Flake and his wife Margaret were facing a 17-count indictment, which charged that Flake had stolen \$75,000 in Housing and Urban Development funds between 1983 and 1987 by billing the apartment complex which they developed for transportation expenses which were supposedly provided by a fund at their church, and pocketing the payments. Flake is the pastor of the Allen African Methodist Episcopal Church.

U.S. District Judge Eugene H. Nickerson ruled that the church fund was valid for the Flakes to use, and

noted that all churches are exempt from paying taxes. Therefore, he ruled, no tax liability or accusation of embezzlement could be attached to any money in that fund.

The ruling has undermined what was considered a weak case to begin with. Flake is one of numerous black officials who are being targeted by the Justice Department on a variety of fraud and conspiracy charges, in a pattern of selective prosecution. Members of his district considered Flake to be the victim of a witchhunt. Flake was easily reelected in November to his House seat.

Bush urged to shoot down Iraqi helicopters

An unholy alliance of conservative Republicans and liberal Democrats is putting pressure on the Bush administration to give military aid, particularly air support, to the Kurdish uprising against the Iraqi government. Some are urging support for the British-French proposal for a Kurdish enclave under U.N. auspices in northern Iraq.

Interviewed on the McNeil-Lehrer News Hour on April 9, Rep. Bob McEwen (R-Ohio) warned that the administration had been "going downhill when we pulled the plug on Schwarzkopf." McEwen was referring to Schwarzkopf's reported desire to take U.S. troops all the way to Baghdad in order to remove Saddam Hussein. McEwen urged that U.S. air power be used to shoot down helicopters which were allegedly attacking Kurdish civilians. Bush should tell Saddam Hussein, said McEwen, "Park your helicopters. Read my lips."

House Armed Services Committee chairman Rep. Les Aspin (D-Wis.), also interviewed on McNeil-

Lehrer, agreed with McEwen, but warned that such action could resurrect the war. Aspin called for autonomy for the Kurds rather than independence, and mooted the possibility that an even more brutal leader could seize power in Iraq if the U.S. eliminated Saddam Hussein.

Sen. Richard Lugar (R-Ind.), a sycophant of the Bush regime, gave his support to the proposal of British Prime Minister John Major for the creation of a U.N. enclave for the Kurds in northern Iraq. Not to be outdone by the Bushmen, likely 1992 Democratic presidential candidate Sen. Al Gore (D-Tenn.) stressed that the enclave idea must be thought through and must be "deep enough to encompass some towns." The U.S., according to Gore, must also give a "hands-off to Saddam Hussein" in order to launch a successful relief effort.

The British proposal would be a gross violation of national sovereignty, and a violation of the U.N. Charter itself.

House committee gives okay to Bush budget

The House Budget Committee approved with little opposition on a voice vote on April 9, a \$1.45 trillion government spending plan that makes little more than cosmetic changes in the Bush budget proposal.

Although accepting the austerity guidelines laid out in last year's budget agreement, some minor changes could cause a great deal of political infighting.

The House proposal rejects the President's proposed \$25 billion cuts in Medicare, and increases the funds for rural programs by \$704 million over the administration's proposal. However, the committee also urges

other committees to "explore" proposals to eliminate farm subsidies for growers who earn more than \$125,000 a year in non-farm income, and to triple the out-of-pocket costs of Medicare beneficiaries making over \$125,000 a year. The bill also adds marginal funds to most of the other entitlement programs.

The House budget, in keeping with the guidelines of last year's budget hoax, cuts funds for programs such as space exploration and the Superconducting Super Collider.

Gulf war having little impact on election races

In spite of a major flag-waving campaign by the Republican National Committee targeting anti-war congressmen, the issue of the Persian Gulf war seems to be of little influence on reelection races, as economic concerns, highlighted by high unemployment figures, are more prevalent.

Some of the key anti-war Senators, Terry Sanford (D-N.C.), Ernest Hollings (D-S.C.), and Wyche Fowler (D-Ga.), all from Southern states which are traditionally pro-military, are not getting a backlash because of their vote against committing U.S. troops to the Gulf war. None of them have become defensive about their vote.

"I'm proud of the way I voted," said Sanford, "and I'm proud I thought there was another way. . . . I think history will say this is a war that didn't need to be fought."

A recent survey by Stanley Greenberg, a Democrat, and Frederick Steeper, a Republican, found that 52% of the voters said that that one vote would make no difference in who they elected to Congress. Greenberg noted that people generally "don't want to see [the war] politicized."

National News

Bush aide, on deathbed, regrets dirty tricks

Lee Atwater, a former Bush campaign aide and chairman of the Republican National Committee, expressed regret for the dirty tricks which helped George Bush into the White House, in a deathbed discussion with Andrew Stephen of the *London Observer*, which reported the story March 31.

Atwater said that the Bush campaign was based on racist libels against Michael Dukakis, and that his own role in that campaign was a wrongdoing he regrets. "Atwater understood," the article stated, "it was important for Bush to stir primeval racial fears among the white majority of voters." Atwater authored the infamous campaign ad which pinned the blame for the prison furlough release of Willie Horton, a black who raped and murdered a white woman during his release, on Dukakis.

Atwater reportedly sent many written apologies to the victims of his dirty tricks over the years. Lyndon LaRouche, one such victim, was a notable exception.

What's wrong with U.S.: lawyers, says magazine

The March 1991 issue of *Anti-Shyster*, a Texas-based publication, points its finger at lawyers as what is wrong with America. The following are excerpts:

America has 6% of the world's population and 66% of the world's lawyers.

Japan has 12,500 lawyers, France has 16,000, England has 40,000. Prior to reunification, West Germany had 47,000. The U.S.A. has 750,000!

On a per capita basis America has 30 times as many as Japan, 10 times as many as France, 5 times as many as England, and 4 times as many as Germany.

In terms of costs, the U.S. tort system consumes 2.7% of total national output, compared to 0.5% in Canada, and less than 0.5% in France, Germany, and England.

The average attorney causes a \$1 million

annual loss to our GNP—that's over one-half trillion dollars per year, twice what it costs to run the Defense Department.

It costs 100 times more and takes 17 times longer to probate an estate in America than it does in England.

Each year the entire nation of Japan adds only about 500 new lawyers, while America adds nearly 40,000.

Unlike America, the use of a lawyer in Japan is regarded as a shameful thing. A book written in 1854 describes lawyers as "those who accompany stupid people to court." To never use the law is the normal hope of honorable Japanese people. Amen.

Existence of Virginia Democratic Party doubted

According to Virginia Republican state delegate George F. Allen of Albemarle County, the Virginia Democratic Party no longer legally exists. State law says that, to be a party, it would have to get 10% in the most recent elections, and the Virginia Democrats didn't run a candidate in the 1990 Senate election.

The affair was covered in the March 30 *Washington Post* and *Richmond Times-Dispatch*, the latter of which mentioned that Nancy Spannaus, a LaRouche Democrat who polled over 18% of the vote running as an independent, was the only candidate against incumbent Sen. John Warner (R).

Delegate Allen fears that there are no Virginia judges who would implement the law on this issue. More likely, state delegates, who are dealing with redistricting, will pass a "clarification" of the law to avoid the problem.

Fraud on Gulf war cost, says former official

Lawrence Korb, of the Brookings Institution, detailed the means by which Pentagon planners used the Gulf war to offset reductions mandated under the October budget agreement, in an April interview with Ger-

man Hessen 3 TV.

According to Korb, who was the assistant secretary of Defense responsible for approximately 70% of all Pentagon spending under Reagan, the Pentagon used the 1990 Omnibus Reconciliation Act, which mandated that all Gulf war costs were "off budget," to transfer tens of billions of dollars from regular Pentagon budget items, claiming they were part of the Gulf war costs. He cited as an example the Pentagon original budget plans to buy 6,500 Patriot, Tomahawk, and similar missiles under the FY 1992 budget. But in February, the Pentagon requested only funds for 1,500 on regular budget lines, while 6,000 were said to be in the "off budget" account.

Korb pointed out that the Pentagon's inflated estimate of \$70 billion war costs compares to a final estimate of between \$35-40 billion, of which some \$55 billion comes from allied contributions, especially Germany and Japan. "If we want our allies to fund the war in full we ought to say so," he said.

LaRouche Democratic Campaign sues FEC

Edward Spannaus, treasurer of the LaRouche Democratic Campaign, filed a lawsuit against the Federal Election Commission on April 2, charging that the FEC failed to take appropriate action after finding that the Anti-Defamation League (ADL) and the American Jewish Congress (AJC) violated federal election law.

The suit, which was filed before Judge Harold Greene in the Federal District Court for the District of Columbia, asks the court to order the FEC to take action to enforce the federal election law against the ADL and the AJC.

The suit was filed after the FEC found probable cause that the ADL and AJC had violated the federal election law by actively engaging in campaigning against LaRouche candidates in the 1986 elections.

The suit documents that not only was the FEC wrong when it decided not to prosecute the ADL and AJC, but that the FEC's investigation of Spannaus' initial complaint was

incompetent.

For example, when Spannaus filed his initial complaint he submitted to the FEC public statements from Nathan Perlmutter and Kenneth Bialkin that the ADL intended to distribute 100,000 copies of the ADL's pamphlet entitled "The LaRouche Political Cult, Packaging Extremism," in an effort to stop LaRouche candidates after the March 1986 statewide election victories of Mark Fairchild and Janice Hart in Illinois. Bialkin told AP that the ADL intended to "sink them by exposing them." The ADL also stated in a 1986 fundraising letter that the ADL was "working round the clock" to stop LaRouche candidates. In the December 1986 edition of the ADL *Bulletin*, the ADL claims that the distribution of their pamphlet was responsible for the defeat of LaRouche candidates in the 1986 elections.

According to the FEC general counsel's report of June 5, 1987, the ADL was then claiming that only 25,000 copies of the report had been produced and distributed. But by Dec. 12, 1989, the FEC's general counsel accepted the ADL's claim that only 6,600 copies of the report were produced and distributed.

Not only did the FEC make no effort to resolve these discrepancies, but the FEC's general counsel recommended that the FEC take no action against the ADL because of the "small dollar amount involved" and "the relatively sympathetic posture" of the ADL.

Bush crew said to suppress press freedom

The 1991 report of a Washington, D.C. Reporters Committee for Freedom of the Press, accuses the Bush administration of escalating its efforts to manipulate the flow of news.

The committee cites 135 documented instances of administration efforts to restrict access to public information, accuses the Bush administration of "draconian action, of using disinformation and secrecy to control what is reported," according to a report in the Hong Kong *Morning Post*.

Of the 135 citations, about half were around the Gulf war where the committee

cited "unprecedented restrictions on media including use of escorted press pools, 'security reviews' of all stories and suppression of information about military operations."

"The Gulf war was not an aberration," Jane Kirtley, executive director of the committee said. "It is the Bush administration information policy." The White House, Pentagon, and Justice Department were cited as the worst offenders.

Dixon sentence a setback to police state

Don Dixon, the former head of the failed Vernon S&L of Texas, was sentenced to three concurrent five year terms in jail and assessed a \$600,000 fine by U.S. District Judge Joe Fish in Dallas April 2. Dixon was convicted in December on 23 counts of bank fraud for misusing Vernon funds. He will be eligible for parole in 20 months. The sentence marks a significant setback for the government's witchhunt against the S&Ls.

Dixon, one of the most vilified of the government's scapegoats, was facing a maximum sentence of 120 years and fines of \$5.6 million.

"Mr. Dixon has not been convicted of the failure of Vernon Savings and Loan" or of conduct that led to Vernon's failure, Judge Fish said. Dixon's misdeeds "were a far cry in my mind from the loss of a billion-dollar institution," he said. "The media believes, and the public probably believes, that Mr. Dixon was responsible for the fall of Vernon," Fish said. "Those are the charges I had expected to be brought to this court. I was surprised that such evidence was not brought."

Judge Fish said Dixon might have been the victim of a "lynch mob mentality." According to the *Washington Post*, Fish "recalled the mob lynchings after the French Revolution and the hysteria in the United States during World War II that led to internment camps for Japanese-Americans."

"The sentence—and the remarks—seemed a direct slap at Attorney General Dick Thornburgh," the *Washington Times* commented.

Briefly

● **THE FBI** has been ordered to identify all investigative activity directed at Lyndon LaRouche or his associates since Jan. 1, 1989, and to identify all information it has received from the Anti-Defamation League about their ongoing actions against LaRouche, by Federal Magistrate Sharon E. Grubin of New York.

● **L. DOUGLAS WILDER**, the black governor of Virginia who has formed a presidential campaign committee, has been selected to receive the first B'nai B'rith International Great American Traditions award on April 17, the March 30 *Richmond Times-Dispatch* reported.

● **A VIRGINIA** Congress on Hunger has been formed in response to the study released March 27 by the D.C.-based Food Research and Action Center which shows that 1 in 8 children in the U.S. under the age of 12 do not have enough to eat. The study reports 212,000 children are hungry or at risk of hunger in Virginia, and 61,000 in Maryland.

● **JOHN ASCHER**, a LaRouche Democrat, announced his bid for mayor of Baltimore against incumbent mayor Kurt Schmoke on April 5. Ascher denounced Schmoke's role in pushing drugs and his advocacy of chemical lobotomies for prisoners, as Nazi policies. "Someone must stop Schmoke's political career before it goes any further," Ascher said.

● **A PLAN** for a pipeline to carry fresh water from Alaska to southern California, was approved April 2 by the Los Angeles City Council as an idea for an official feasibility study. The plan involves running a 20-foot wide plastic pipe for 2,000 miles under the ocean from Alaska to California.

● **THE JUSTICE** Department has set up a new unit to investigate criminal fraud in the insurance industry, Assistant Attorney General Robert Mueller said April 1, Reuters reported.

Editorial

Christian economics or hell on Earth

That the nations of the world by and large allow the outrageous cruelty of the United States against the innocent children of Iraq, whom it is still denying humanitarian aid, food, and clean water, shows that we are turning this Earth into a hell. It is shocking how acceptable actions are now, which, one or two years ago, would have been recognized for what they are: fascist barbarism. Key in this is the threat to use force against any nation which does not accede to the peremptory demands of the new Anglo-American imperium. This is a drive to empire which is being ably seconded by the French, which we see from an April 8 editorial in the liberal newspaper *Le Monde*.

The editors charge Sudan and Iraq with violating international law and order because they are "emitters of refugees." This, says *Le Monde*, is reason enough for the international community of nations to limit their sovereignty. In other words, hunger is now becoming a reason for the use of military and quasi-military force, according to this new world order gang. The next step, if they are allowed to get away with it, will be to apply sanctions to any country which does not force sterilization and abortion upon its population, in order to forestall the possibility that those who are hungry will seek to emigrate.

In October 1989, long before the Gulf crisis erupted, the Ditchley Foundation held a conference on "Political and Economic Refugees: Problems of Migration, Asylum, and Resettlement," at which the concern was expressed that "the principle which seems to underlie both immigration and refugee law in modern international society is that which endorses the legitimacy of the nation-state." Even before that, the Council on Foreign Relations' "Project 1980s" report had predicted that global starvation would occur (indeed, because of the free market policies which the CFR supported).

This was part of their drive to reduce the world's population. While they justified their malthusianism by the old discredited hoax, that the growth of population was outrunning global resources, the truth—their secret agenda—was that they intended to ensure the hegemony of the white race, by any and every means

necessary to do so.

On April 7, the German daily *Die Welt* featured the ravings of a certifiable lunatic from Colorado, who claims that not only should mankind be considered as the "cancer of the Earth," because human population growth is like an "evil eco-pathological process," but he compares city building to the metastatic spread of a cancer. The author of this viciousness, Warren Hern, has published his thesis in the "prestigious" magazine *Science* and also in the *Journal of Population and Environment*.

In the fall 1990 issue of the latter magazine, he attacked Pope John Paul II: "The current Pope is famous for going to places where members of the local population have stripped the original vegetation from the landscape in a desperate effort to feed themselves and, upon arriving, exhorting them to reproduce themselves as much as possible." The importance of Hern's ravings lies not in their content, so much as in their circulation by "respectable" journals.

The disregard for human life which is rampant today has taken a particularly bizarre twist in Santa Rosa, California, where 68-year-old environmentalist Mary Davidge is suffering from advanced cancer of the ovaries. She is facing a moral dilemma which is being covered by the press: An experimental drug with a relatively high cure rate, taxol, might be available to her, but it is only obtained from the yew tree—home of the spotted owl. Taxol is also apparently successful in treating cancers of the breast, lungs, and colon. Predictably, the environmentalists are demanding restriction of the harvesting of yew trees.

This gives special importance to the blistering attack upon oligarchism by the just-concluded Vatican consistory, whose theme was the defense of human life—not only of the unborn, but all who are vulnerable. In his keynote to the conference, Cardinal Joseph Ratzinger declared, "We are witnesses of a real war of the powerful against the weak . . . a war against life, with the aim of eliminating the handicapped, and those people who are bothersome, and even simply those who are 'useless.'"

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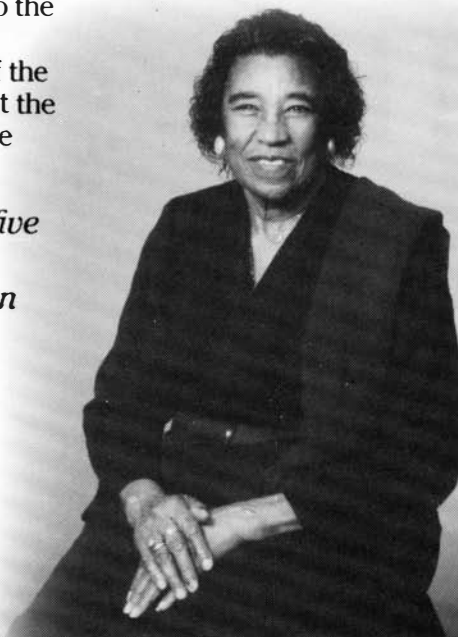
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